

LH BANK



รายงานประจำปี 2562

Annual Report 2019

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MESSAGE FROM THE CHAIRMAN

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

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

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

In 2019, the bank revamped the service platform and all branches to be professional financial advisors. More importantly, in the year 2020, the bank still focuses on technological development as to meet the needs of customers by making services more convenient and faster and financial transactions can be done every day, anytime, anywhere. Furthermore, it focuses on growing financial advisory or wealth management through collaboration with business alliances in terms of life insurance and mutual fund products and will develop the Mobile Banking Application for Trade Finance to allow easier access with faster service.

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

Finally, on behalf of the bank, I would like to thank our valued customers, shareholders and all stakeholders, employees, public and private financial institutions and government agencies for their trust and continued support that they have placed in Land and Houses Bank Public Company Limited.



(Mr. Rutt Phanijsphand)
Chairman

COMPANY PROFILE

Land and Houses Bank Public Company Limited is a financial institution which positions itself as a new choice for consumers. It was originated from the inspiration of a leading group of property developers-Land & Houses Public Company Limited and Quality Houses Public Company Limited. Both are listed companies on the Stock Exchange of Thailand, engaging in the development and management of real estate projects and holding the largest market share. Besides their strong financial positions, they both are committed to management with good corporate governance. In 2004, the government announced a financial institutions development plan. Viewing this as an opportunity to diversify its business to be more comprehensive, the group had Land and Houses Credit Foncier Public Company Limited of which 43% of paid-up share capital held by Land and Houses Public Company Limited submit a plan to the Ministry of Finance to set up a commercial retail bank on December 19, 2005. And the Ministry of Finance approved to open the commercial retail banking under the name Land and Houses Bank Public Company Limited.

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

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

On December 16, 2011, the Ministry of Finance, by the recommendation of the Bank of Thailand, approved and upgraded 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 Houses Bank Public Company Limited with its official opening on December 19, 2011. As a result, 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 in the total amount of 2,999,995 shares or 99.99% of the issued and paid-up share capital.

GENERAL INFORMATION

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

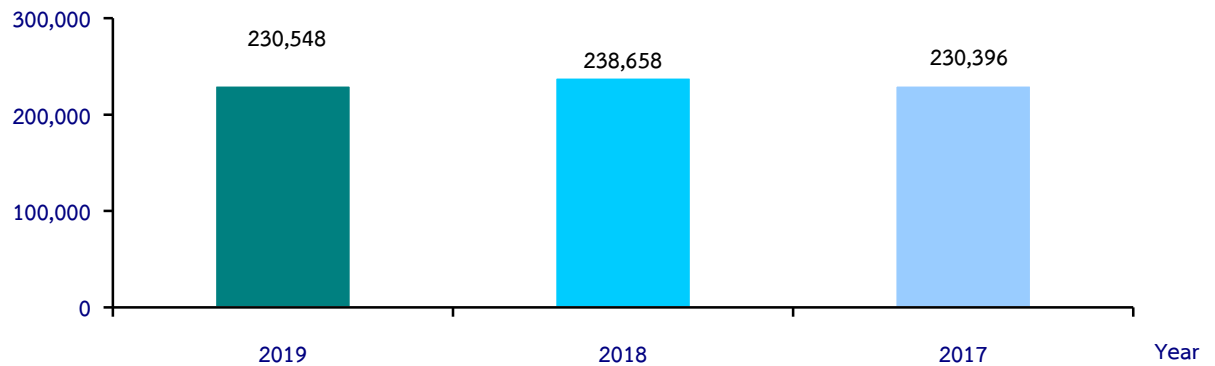
Company Name	:	Land and Houses Bank Public Company Limited
Symbol	:	LH Bank
Registration Number	:	0107548000234
Type of Business	:	Commercial Bank
Website	:	www.lhbank.co.th
Head Office	:	1 Q.House Lumpini Building G, 1 st , 5 th , 6 th and 32 nd Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	:	Baht 20,000,000,000
Paid-up Capital	:	Baht 20,000,000,000
Par Value	:	10 Baht
All Types of Share and Issued Share Capital	:	Consists of Ordinary Shares 2,000,000,000 Shares Preferred Shares -None-
Accounting Period	:	1 January – 31 December
Contact	:	Head Office Telephone 0 2359 0000 or 1327 Fax 0 2677 7223 Email: presidentoffice@lhbank.co.th
Audit Committee	:	Mr. Phairoj Hengsakul Chairman of the Audit Committee Telephone 08 1990 7448 Email: phairoj@lhbank.co.th
	:	Mr. Pradit Sawattananond Member of the Audit Committee Telephone 08 1868 1487 Email: pradits@lhbank.co.th
	:	Mr. Somsak Assavapokee Member of the Audit Committee Telephone 08 5485 4269 Email: somsaka@lhbank.co.th
	:	Dr.Supriya Kuandachakupt Member of the Audit Committee Telephone 08 5901 5888 E-mail: supriyak@lhbank.co.th
Auditors	:	Ms. Ratana Jala Certified Public Accountant (Thailand) No. 3734 and/or Ms. Somjai Khunapasut Certified Public Accountant (Thailand) No. 4499 and/or Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand) No.4951
	:	EY Office Limited 193/136-137, 33 rd Floor, Lake Rajada Office Complex, Rajadapisak Road, Klongtoey, Bangkok 10110 Telephone: 0 2264 0777 Fax: 0 2264 0789-90

FINANCIAL HIGHLIGHTS

Items	Separate Financial Statement		
	2019	2018	2017
Statements of financial position : Million Baht			
Total assets	230,548	238,658	230,396
Investments	51,647	55,313	55,237
Loans to customers	155,530	161,893	154,020
Allowance for doubtful debts	3,962	3,775	3,403
Non-performing loans (Gross NPLs)	2,775	3,520	3,264
Debts issued and borrowings	16,721	23,290	32,979
Deposits	165,018	168,171	143,742
Total liabilities	194,269	203,054	195,274
Total owners' equity	36,279	35,604	35,122
Registered share capital	20,000	20,000	20,000
Paid-up share capital	20,000	20,000	20,000
Statements of comprehensive income : Million Baht			
Interest income	8,788	8,575	8,654
Interest expenses	(4,047)	(3,671)	(3,673)
Net interest income	4,741	4,904	4,981
Non-interest income	1,427	1,154	814
Total operating income	6,168	6,058	5,795
Non-interest expenses	(2,597)	(2,362)	(2,346)
Bad debts and doubtful accounts	(1,090)	(570)	(617)
Profits before income tax expenses	2,481	3,126	2,832
Net profits	2,038	2,569	2,312
Comparing per share : Baht			
Basic earnings per share	1.02	1.29	1.40
Dividend rate per share	0.700	1.170	0.857
Book value per share	18.140	17.802	17.561
Financial ratio (%)			
Average Return on assets (ROA)	0.87	1.10	1.05
Average Return on equity (ROE)	5.67	7.27	8.79
Dividend payout ratio	68.68	91.08	64.87
Loans to deposit and borrowing	85.67	84.60	87.19
Non-interest income to total income	23.13	19.06	14.05
Non-interest expense to total income	42.10	38.99	40.49
Total capital to risk assets ratio	19.304	20.045	21.857
Tier 1 capital to risk asset ratio	16.514	17.131	18.673
Capital : Million Baht			
Tier 1 capital	34,578.32	34,344.23	34,101.44
Total capital	40,421.08	40,185.53	39,915.64

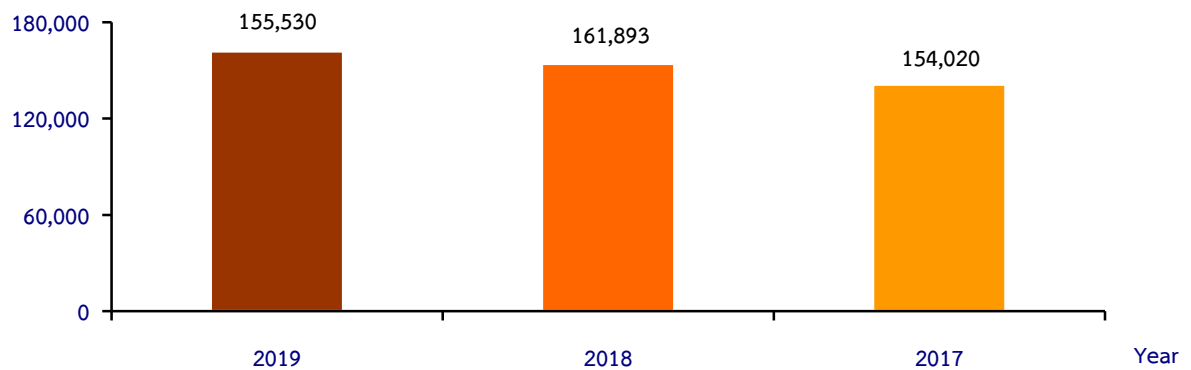
Total Asset

(Million Baht)



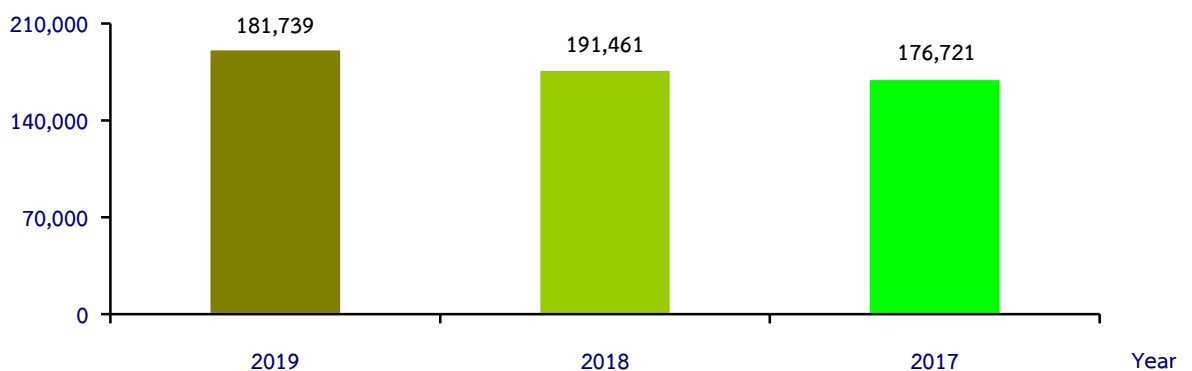
Loans to Customers

(Million Baht)



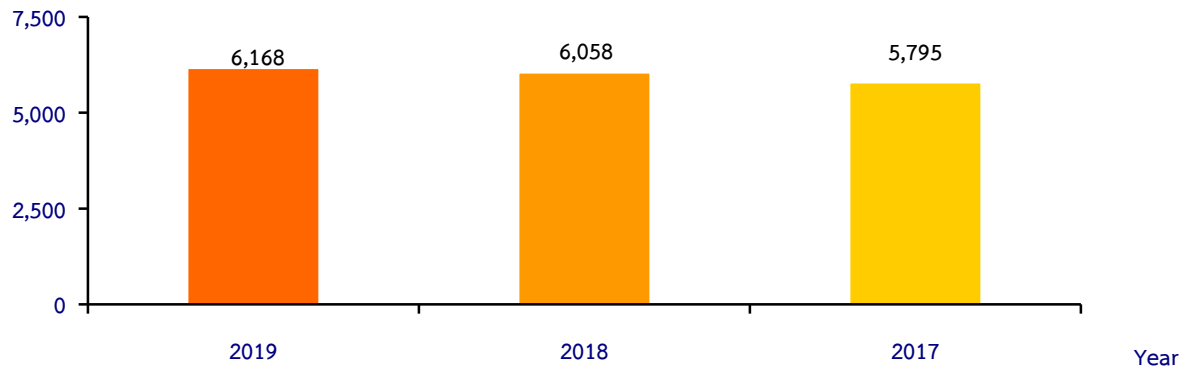
Deposits & Debts Issued and Borrowings

(Million Baht)



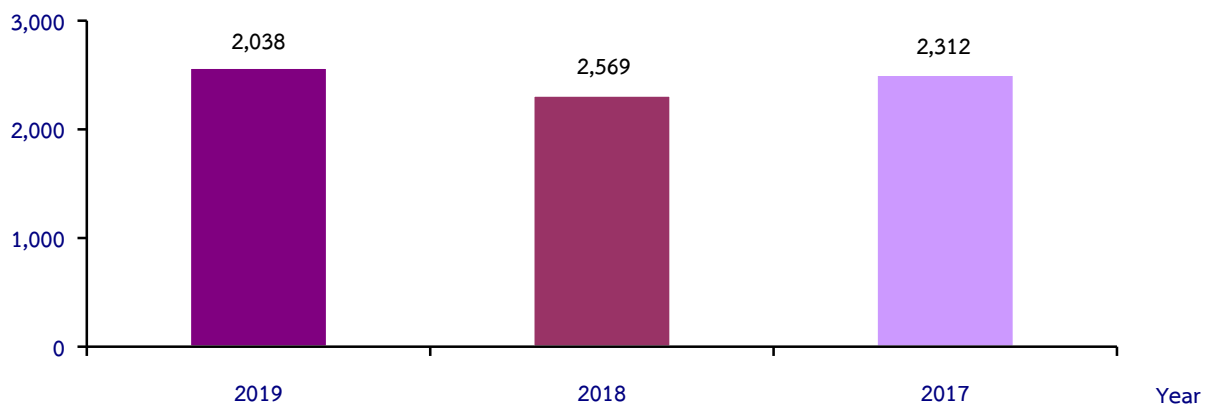
Operating Income

(Million Baht)



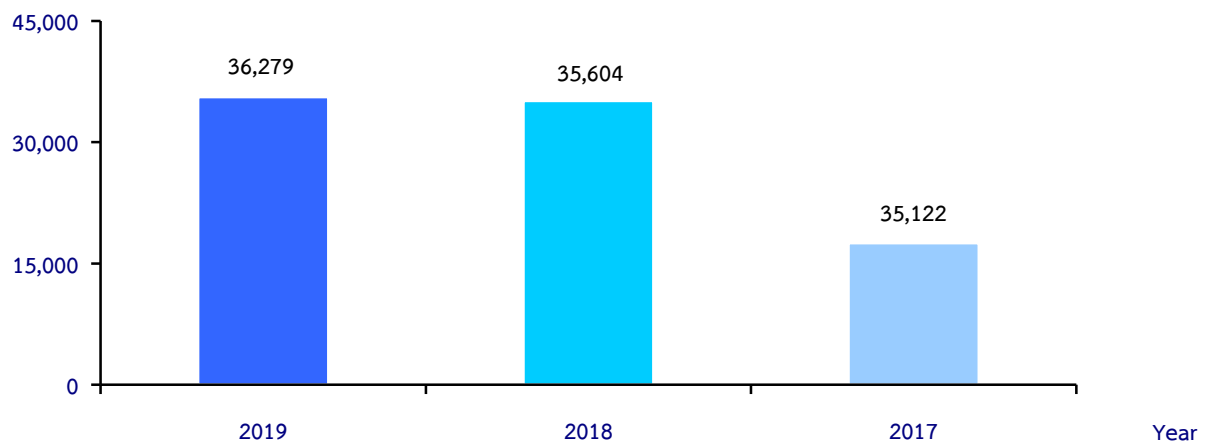
Net Profits

(Million Baht)



Owners' Equity

(Million Baht)



BOARD OF DIRECTORS



Name: Mr. Rutt Phanijphand
Position: Chairman
Age: (Years) 72
Education:

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

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

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Jun. 2017 - Present	Chairman	LH Financial Group PLC
Apr. 2009 - Present	Director	
Apr. 2009 - Jun. 2017	Chairman of the Executive Committee	
May 2019 - Present	Advisor	Banpu PLC
Apr. 2016 - Apr. 2019	Vice Chairman	
Apr. 2014 - Apr. 2019	Member of the Audit Committee	
May 2005 - Apr. 2019	Chairman of the Compensation Committee	
Apr. 2005 - Apr. 2019	Independent Director	
Jun. 2007 - Present	Executive Director	Home Product Center PLC
Mar. 2007 - Present	Chairman of the Compensation Committee	
Dec. 2001 - Present	Director	
Aug. 2001 - Dec. 2014	Chief Executive Officer and President	Quality Houses PLC
Oct. 2006 - Apr. 2009	Independent Director and Member of the Audit Committee	IRPC PLC
Feb. 2005 - Dec. 2005	Director	Dhipaya Insurance PLC
May 2004 - Dec. 2005	Executive Director	Krung Thai Bank PLC
Apr. 2003 - Apr. 2004	Member of the Audit Committee	

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

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



Name: Mr. Phairoj Hengsakul
Position: Independent Director
Chairman of the Audit committee
Chairman of the Corporate Governance Committee
Age (years): 72
Education:
- Executive Master of Business Administration, Thammasat University
- Barrister at Law
- Bachelor of Laws, Thammasat University
- Bachelor of Accounting, Thammasat University
- Bank Examiner Course, Federal Deposit Insurance Corporation, Washington DC., USA
- Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Executive Program for Central Banker, Harvard University, BOT - Chiangmai
- Media and Public Relation Course, Ogilvy (Thailand)
- Director Certification Program (DCP) 121/2009 : IOD
- Financial Institutions Governance Program (FGP) 1/2010 : IOD
- Information Security Awareness Training 2018 : LH Bank
- Shaping the Future of Central Banks : BOT - OMFIF

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

Work experiences in the past 5 years

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

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

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

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



Name: Mr. Pradit Sawattananond

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

Age: (Years) 71

Education:

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

Number of direct holding of shares: - None

Number of spouse and minor child holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years:

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

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	LH Financial Group PLC
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
2004 - Present	Independent Director Chairman of the Audit Committee	Asia Sermkij Leasing PLC
2015 - Present	Independent Director Chairman of the Audit Committee	Nusasiri PLC
2000 - Present	Independent Director Member of the Audit Committee	KGI Securities (Thailand) PLC
2004 - Dec. 2019	Independent Director Member of the Audit Committee	Thai Film Industries PLC

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

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



Name:
Position:
Age: (Years)
Education:

Dr.Supriya Kuandachakupt
Independent Director
Member of the Audit Committee
Member of the Corporate Governance Committee
66

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

Number of direct holding of shares:
Number of spouse and minor child holding of shares:
Relationship with executives:

- None
- None
- None

Work experiences in the past 5 years:

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

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

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

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



Name: Mr. Somsak Assavapokee
Position: Independent Director
 Chairman of the Nomination and Remuneration Committee
 Member of the Audit Committee
 Member of the Corporate Governance Committee
 Member of the Risk Oversight Committee
Age: (Years) 67
Education:
 - Master of Business Administration (MBA), New York University, USA
 - Bachelor of Commerce (Commerce and Accountancy),
 Thammasat University
 - Director Certification Program (DCP) 157/2012: IOD

Number of direct holding of shares: - None

Number of spouse and minor child holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

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

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

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

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



Name: Mr. Li, Ming-Shieh
Position: Director
Age: (Years) 63
Education:

- Bachelor of Arts in Economics, National Taiwan University, Taiwan
- Kaohsiung Municipal Kaohsiung Senior High School
- Financial institutions' CSR, sustainable business strategy and governance 2017 : Taiwan Corporate Governance Association
- How to assist company to cope with risk and crisis 2017 : Taiwan Corporate Governance Association
- Fraud Detection and Prevention 2017 : Taiwan Corporate Governance Association
- M & A in legal practice 2017 : Taiwan Corporate Governance Association
- Information Security Awareness Training 2018 : LH Bank
- Director Accreditation Program (DAP) 166/2019 : IOD

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

Work experiences in the past 5 years

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

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

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

Period	Position	Organization/Company
Sep. 2019 - Present	Chairman	CTBC Bank Co., Ltd.
2016 - Sep. 2019	Vice Chairman	
Mar. 2018 - Present	Director	Land and Houses Bank PLC
2017 - Present	Chairman	CTBC Bank Corp. (USA)
2017 - Present	Chairman	CTBC Capital Corp.
- 2016	President and Executive Director	China Guanfa Bank
2010		
- 2010	Country Officer	Citigroup Taiwan
2005		
- 2010	Chairman	Citi Bank Taiwan Ltd.
2007		
2003 - 2005	Country Treasurer	
1989 - 2000	Head of Sales and Trading for Taiwan	
2000 - 2003	Senior Executive Vice President	Chinatrust Commercial Bank



Name: Mr. Shih, Jiing-Fuh
Position: Director
 Chairman of the Risk Oversight Committee
 Member of the Nomination and Remuneration Committee
Age: (Years) 55
Education:
 - Master of Business Administration, University of Texas at Austin, USA
 - Bachelor of Economics, National Taiwan University, Taiwan
 - ABN AMRO Bank Credit Training 1994 : ABN AMRO BANK
 - CTBC Executive Program 2016 : CTBC BANK & Wharton Business School
 - Director Accreditation Program (DAP) 146/2018 : IOD
 - Information Security Awareness Training 2018 : LH Bank
Number of direct holding of shares: - None
Number of spouse and minor child holding of shares: - None
Relationship with executives: - None

Work experiences in the past 5 years:

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

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

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

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



Name: Mr. Sirichai Sombutsiri
Position: Chairman of the Executive Committee
Age: (Years) 66
Education:

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

Number of direct holding of shares: - None

Number of spouse and minor child holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

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

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

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

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



Name:
Position:
Age: (Years)
Education:

Mr. Naporn Sunthornchitcharoen
Director and Member of the Executive Committee
61
- Master of Business Administration, Thammasat University
- Bachelor of Engineering (Civil Engineering), Chiangmai University
- Stanford Executive Program (SEP),
Graduate School of Business Stanford University, USA
- Diploma, National Defense College of Thailand, Class of 2006
- Director Accreditation Program (DAP) 25/2004: IOD
- Director Certification Program (DCP) 53/2005: IOD
- Financial Institutions Governance Program (FGP) 2/2011: IOD
- Information Security Awareness Training 2018: LH Bank

Number of direct holding of shares: - None

Number of spouse and minor child holding of shares: - None

Relationship with executives: - None

Work experiences in the past 5 years

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

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

❖ Current Position in 15 Non-Listed Companies on the Stock Exchange of Thailand

Period	Position	Organization/Company
Dec. 2013 - Present	Director	Land and Houses Securities PLC
2012 - Present	Director	Land and Houses USA, INC.
2012 - Present	Director	Land and Houses Property and Loan Fund - II
2005 - Present	Director and Member of the Executive Committee	Land and Houses Bank PLC
2005 - Jul. 2018	Member of the Nomination and Remuneration Committee	
2004 - Present	Director	LH Asset Co., Ltd.
2003 - Present	Director	LH Real Estate Co., Ltd.
2002 - Present	Director	Land and Houses Property Fund 2
2000 - Present	Director	Land and Houses Property Fund 1
1995 - Present	Director	Land and Houses North-East Co., Ltd.
1995 - Present	Director	Land and Houses North Co., Ltd.
1995 - Present	Director	LH Muang Mai Co., Ltd.
1993 - Present	Director	Siam Tanee Real Estate Co., Ltd.
1990 - Present	Director	Siam Tanee Property Co., Ltd.
1987 - Present	Director	Atlantic Real Estate Co., Ltd.
1986 - Present	Director	LH Mall & Hotel Co., Ltd.
2005 - Sep. 2018	Director	Phuket Future Plan Co., Ltd.
2005 - Aug. 2017	Director	Double Three Co., Ltd.
2001 - 2016	Director	Muang Mai Guthrie PLC



Name: Mr. Wu, Kuo-Chin
Position: Director and Member of the Executive Committee
Age: (Years) 65
Education: - Master of Business Administration, University of San Francisco, USA
 - Bachelor of Arts in Business Administration, National Cheng Kung University, Taiwan
 - Director Accreditation Program (DAP) 146/2018 : IOD
 - Information Security Awareness Training 2018 : LH Bank

Number of direct holding of shares: - None

Number of spouse and minor child - None

holding of shares:

Relationship with executives: - None

Work experiences in the past 5 years:

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

Period	Position	Organization/Company
Aug. 2017 - Present	Director	LH Financial Group PLC
Sep. 2018 - Mar. 2019	Member of the Nomination and Remuneration Committee	
Feb. 2018 - Jul. 2018	Member of the Nomination and Remuneration Committee	

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

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



Name: Ms. Chompoonoot Pathomporn
Position: Director, Member of the Executive Committee and President
Age (years): 56
Education:

- Master of Business Administration, Bangkok University
- Bachelor of Accountancy Commerce and Accountancy, Thammasat University
- National Defense College Class 61, Thailand National Defence College
- Lead to Lead the Change : TMB Bank PLC
- 7 Habits of Highly Effective People : TMB Bank PLC
- iSpeak Power Program : TMB Bank PLC
- Think Forward Simulation Workshop : TMB Bank PLC
- Profitable Leadership : TMB Bank PLC
- Corporate Governance for Capital Market Intermediaries (CGI) 8/2015 : IOD
- Director Accreditation Program (DAP) 164/2019 : IOD

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

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug. 2018 - May 2019	Chief SME Banking Officer	TMB Bank PLC
Jan. 2014 - Jul. 2018	Head of Branch Banking	
Oct. 2012 - Dec. 2013	Head of Human Resources	
May 2009 - Sep. 2012	Head of Corporate Service Group	

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

Period	Position	Organization/Company
Jun. 2019 - Present	Director, Member of the Executive Committee and President	Land and Houses Bank PLC
Jan. 2014 - Jul. 2018	Director of TMBAM	TMB Asset Management Co., Ltd.
2001 - 2009	Vice President, Citi Shared Service	Citibank, N.A.
1999 - 2001	Chief Financial Officer	Fasco Motors (Thailand) Ltd.
1994 - 1999	Business Planning Manager	The Shell Companies of Thailand
1991 - 1994	Finance Manager	Siam Occidental Electrochemical Co., Ltd.
1987 - 1991	Accounting Manager	Ericsson Thai Network Products Co., Ltd.

MANAGEMENT TEAM

Name	Ms. Chompoonoot Pathomporn
Position	Director, Member of the Executive Committee and President
Age (years)	56
Education	• Master of Business Administration, Bangkok University • Bachelor of Accountancy, Faculty of Commerce and Accountancy, Thammasat University • Diploma, National Defence College of Thailand, Class 61 • Lead to Lead the Change : TMB Bank PLC • 7 Habits of Highly Effective People : TMB Bank PLC • iSpeak Power Program : TMB Bank PLC • Think Forward Simulation Workshop : TMB Bank PLC • Profitable Leadership : TMB Bank PLC • Corporate Governance for Capital Market Intermediaries (CGI) 8/2015 : IOD • Director Accreditation Program (DAP) 164/2019 : IOD

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug. 2018 - May 2019	Chief SME Banking Officer	TMB Bank PLC
Jan. 2014 - Jul. 2018	Head of Branch Banking	
Oct. 2012 - Dec. 2013	Head of Human Resources	
May 2009 - Sep. 2012	Head of Corporate Service Group	

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

Period	Position	Organization/Company
Jun. 2019 - Present	Director, Member of the Executive Committee and President	Land and Houses Bank PLC
Jan. 2014 – Jul. 2018	Director of TMBAM	TMB Asset Management Co., Ltd.
2001 - 2009	Vice President, Citi Shared Service	Citibank, N.A.
1999 - 2001	Chief Financial Officer	Fasco Motors (Thailand) Ltd.
1994 - 1999	Business Planning Manager	The Shell Company of Thailand Ltd.
1991 - 1994	Finance Manager	Siam Occidental Electrochemical Co., Ltd.
1987 - 1991	Accounting Manager	Ericsson Thai Network Products Co., Ltd.

Name Mr. Chen, Ching-Ming
Position Senior Executive Vice President, Taiwanese Business Development Group
(Years) 51
Education

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

Work experiences in the past 5 years

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

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

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

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

Name Mr. Thanee Phalawong
Position Senior Executive Vice President, Information and Technology Group
Age (Years) 56
Education

- Master of Public and Private Management
National Institute of Development Administration (NIDA)
- Bachelor of Science, Chiangmai University

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Jul. 2015 - Nov. 2019	Member of the Risk Management Committee	LH Financial Group PLC
Oct. 2011 - Dec. 2011	Vice President	Thanachart Bank PLC
2002 - 2011	Vice President	Siam City Bank PLC

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

Period	Position	Organization/Company
Jan. 2019 - Present	Senior Executive Vice President, Information and Technology Group	Land and Houses Bank PLC
Jan. 2012 – May 2019	Executive Vice President, Information and Technology Group	

Name Ms. Chutamas Sombunyaviroj
Position First Executive Vice President, Commercial Banking Marketing Group
Age (Years) 61
Education • Master of Commerce, Thammasat University
Work experiences in the past 5 years

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

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

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

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

Name Mr. Pairath Trangarnrueng
Position Executive Vice President, Branch Network Administration Group
Age (Years) 59
Education • Public Administration (Master of Public and Private Management),
National Institute of Development Administration (NIDA)
 • Bachelor of Business Administration (General Management),
Ramkhamhaeng University

Work experiences in the past 5 years

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

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

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

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

Name Mr. Kosol Kavayavong
Position Executive Vice President, Assets and Operation Group
Age (Years) 54
Education • Bachelor of Economics (Finance and Banking), Ramkhamhaeng University
Work experiences in the past 5 years

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

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

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

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

Name Ms. Chintana Klaisuwan
Position Executive Vice President 1
Age (Years) 57
Education • Master of Business Administration, Thammasat University
 • Bachelor of Economics, Thammasat University
 • Director Certification Program (DCP) 130/2010 : IOD

Work experiences in the past 5 years

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

Period	Position	Organization/Company
-	-	-

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

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

Name Mr. Anucha Bupphaves
Position Executive Vice President 2
Age (Years) 53
Education

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

Work experiences in the past 5 years

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

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

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

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

Name Mr. Somsak Deemongkolsuk
Position Executive Vice President 3
Age (Years) 60
Education

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

Work experiences in the past 5 years

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

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

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

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

Name Mr. Paradorn Preyaprawat
Position Executive Vice President, Bank Operation Group
Age (Years) 54
Education

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

Work experiences in the past 5 years

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

Period	Position	Organization/Company
-	-	-

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

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

Name Mr. Sompob Asavaritkrai
Position Executive Vice President, Global Markets Group
Age (Years) 53
Education

- Bachelor of Arts in Computer Science, University of Texas at Austin
- MBA in Information Systems Management, Baylor University

Work experiences in the past 5 years

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

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

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

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

Name	Mr. Narong Lerdluckanawong
Position	Executive Vice President, Corporate Development Group and Corporate Banking Product Group
Age (Years)	60
Education	• Diploma/High Vocational Certificate, Business Administration, Rajamangala University of Technology Phra Nakhon • 7 Habits : Singapore • Trade Finance Products : Singapore • Advance Trade Finance : Singapore • Supervisory Skill : Singapore • Managerial Skill : Hongkong • Trade Finance Solution : Hongkong • Structuring Trade Finance : Hongkong • Credit Related to Trade Finance : Tokyo, Japan • Case Study of complication Trade : Malaysia • Supply Chain : Indonesia • Credit Analysis (Omega Performance Corporation, Asia Pacific)

Work experiences in the past 5 years

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

Period	Position	Organization/Company
2014 - 2019	Executive Vice President	CIMB Thai Bank Public Company Limited
2014 - 2019	Member of Credit Committee	

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

Period	Position	Organization/Company
2019 - Present	Executive Vice President, Corporate Development Group and Corporate Banking Product Group	Land and Houses Bank PCL
1998 - 2014	Trade finance Manager & Trade Sales	Sumitomo Mitsui Banking Corporation
1995 - 1998	Import Manager	Hong Kong & Shanghai Banking Corporation
1992 - 1994	Export Supervisor	
1990 - 1991	Senior Checker	
1985 - 1990	Export Officer	Indian Overseas Bank
1981 - 1984	Import Officer	

Name	Ms. Siriporn Ngamwiriyapong
Position	Highest responsibility in finance and accounting
Age (Years)	36
Education	• Master of Business Administration, Chulalongkorn University • Financial Reporting Standards Overview, Class 1/2018: Federation of Accounting Professions • Upcoming Changes to Your Financial Reporting 2018: The Stock Exchange of Thailand • Readiness and Guidelines on Submission of Financial Statements (e-filing), Class 1/19 • TFRS for Non-Publicly Accountable Entities: NPAEs, Class 2/19 • Impact and Requirement of the Revenue Code: Transfer Pricing • Accounting and Financial Statements Analysis, Class 3/19 • Impact of the New Financial Reporting Standards: TFRS15 and TFRS16 on Financial Reporting of Listed Companies, Class 2/2019: The Stock Exchange of Thailand • Specifications on TFRS16: The Stock Exchange of Thailand • LH BANK Leadership Development Journey (7 habits) Lead-Self: LH BANK • Adjustment of Condensed Financial Statements of Public Company Limited (General business): The Stock Exchange of Thailand

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Dec. 2019 – Present	First Senior Vice President, Finance Group	LH Financial Group PLC

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

Period	Position	Organization/Company
Dec. 2019 – Present	Highest responsibility in finance and accounting	Land and Houses Bank PCL
Jan. 2014 – Nov. 2019	Vice President, Accounting and Tax Policy Department	

NATURE OF BUSINESS OPERATION

Land and House Bank Public Company Limited officially operated its retail commercial banking business on December 19, 2005. And on December 19, 2011, it had been approved and upgraded to be a commercial bank by the Bank of Thailand.

Land and Houses Bank Public Company Limited has developed strategic plan and business plan in accordance with the vision and mission, by considering business environments including economic situations, domestic and foreign politics. The bank also considers other internal factors such as strengths, weaknesses, opportunities, threats, key success factors, and other significant issues that must be treated. The bank shall consider all factors to determine the organization guidelines annually and constantly review the operation plan to be updated with the changing situation and environment. The bank emphasizes its business operation under good corporate governance principle, prevention of corrupt payment, comprehensive risk management, and social responsibility.

Credit Rating

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

Vision, Mission, Corporate Value

The ultimate goal of the organization is determined by the vision while the mission outlines practices the organization holds to and leads to corporate value which is the shared principle applied by executives and employees to attain goals.

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

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



Core Values

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

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

PROfessional



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

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

ACcountability



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

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

Teamwork



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

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

Integrity



I – Integrity: “Honesty, morality and transparency”

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

Visioning



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

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

Excellence Service



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

The bank supports all employees to place a high value on excellent service by devoting their mind to deliver impressive services to both internal and external customers. All employees must have the spirit of volunteering to help colleagues, departments and the bank. In addition, the bank reinforces its employees to be able to give useful suggestions for customers and focus on the development of products and services under customer-centric mindset.

Branches of the Bank

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

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

Number of the Bank’s Branches (Branch)



Products and Services

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

1. Deposit Service

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

- **Saving Deposit**

- Saving deposit with high interest rate can be deposited, withdrawn anytime. It is flexible and has additional interest every day.

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

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

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

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

- **Fixed Deposit and Fixed Deposit Receipt (FDR)** help secure future financial stability through our offer of multiple tenors and getting repaid upon maturity.

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

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

Competitive Strategy of Deposit Service

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

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

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

2. Loan Service

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

1. Loan for Big Corporate & Corporate

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

2. Loan for SMEs & SSME

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

Types of loans classified by their purposes are as follows:

- Short-Term Loan

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

- Long-Term Loan

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

- Factoring Loan

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

● Trade Finance

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

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

- Commercial Hire Purchase

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

- Issuance of Bank Guarantee, Aval and Acceptance

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

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

- Loan Consulting Service and Other Loan-Related Services

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

3. Retail Loan

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

● Housing Loans

- **Housing Loan** is a loan enabling customers to buy houses from any housing project.

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

Competitive Strategy of Loans Service

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

To broaden SMEs customer base, the bank focuses on strategy of extend loans to existing customers with good payment history. This helps the bank create business opportunity and have existing customers to stay long term. For new customers, the bank targets to offer loans to those with good financial status, by using its branches to introduce the loans and to have existing customers refer or recommend the loans to friends or to business partners.

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

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

3. Electronic Services

The bank is aware of the importance electronic services as presently, Thailand and Thai society is entering into digital age. Therefore, the transactions or services from now on will primarily focus on digitalization. The bank continuously develops and improves the electronic services to support the financial transactions in the digital age such as:

- **Internet Banking on Mobile (LH Bank M Choice)** is a service carrying out convenient financial transactions which customers can make transactions every day, anywhere, and anytime via mobile phones. Customers can also do purchasing and selling, and deposit account opening.



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



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



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

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



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

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

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

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

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

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

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

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



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

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



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

4. Other Services

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

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

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

- Land and Houses Fund Management Co., Ltd.
- Asset Plus Fund Management Co., Ltd.
- Principal Asset Management Co., Ltd.
- MFC Asset Management PLC
- SCB Asset Management Co., Ltd.
- One Asset Management Co., Ltd.
- Krungthai Asset Management PLC
- TMB Asset Management Co., Ltd.
- Innotech Asset Management Co., Ltd.

- Krungsri Asset Management Co., Ltd.
- Phatra Asset Management Co., Ltd.
- UOB Asset Management (Thailand) Co., Ltd.
- Tisco Asset Management Co., Ltd.
- Kasikorn Asset Management Co., Ltd.

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

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

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

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

4.7 Safe deposit box service.

Factors Influencing Opportunities or Constraints on Business Operations

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

Business Operation Targets

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

Income structure

Income structure for the year 2019, 2018 and 2017 is as follows:

Table: Income structure

Income Structure	Separate Financial Statements					
	2019		2018		2017	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
Interest income						
Loans to customers	6,623.25	107.39	6,343.58	104.71	6,395.74	110.38
Investments in debt securities	1,519.64	24.64	1,547.17	25.54	1,626.91	28.08
Interbank and money market items	632.50	10.25	659.65	10.89	583.59	10.07
Hire Purchase	12.30	0.20	24.27	0.40	47.45	0.82
Others	0.03	-	-	-	-	-
Total interest income	8,787.72	142.48	8,574.67	141.54	8,653.69	149.35
Interest expenses						
Deposits	(2,514.93)	(40.78)	(2,130.37)	(35.17)	(2,154.87)	(37.19)
Interbank and money market items	(98.60)	(1.60)	(113.93)	(1.88)	(98.22)	(1.70)
Contributions to the Deposit Protection Agency and the Bank of Thailand	(877.06)	(14.22)	(840.45)	(13.87)	(807.51)	(13.94)
Debts issued	(296.40)	(4.81)	(270.86)	(4.47)	(247.89)	(4.28)
Borrowings	(259.37)	(4.20)	(315.46)	(5.21)	(364.98)	(6.30)
Others	(0.18)	(0.00)	-	-	-	-
Total interest expenses	(4,046.54)	(65.61)	(3,671.07)	(60.60)	(3,673.47)	(63.40)
Net interest income	4,741.18	76.87	4,903.60	80.94	4,980.22	85.95
Fees and service income						
Acceptances, avals and guarantees	56.86	0.92	42.40	0.70	41.11	0.71
Commission income	220.45	3.57	200.71	3.31	245.44	4.24
Others	114.38	1.86	113.14	1.87	114.03	1.97
Total fees and service income	391.69	6.35	356.25	5.88	400.58	6.91
Fees and service expenses						
Fees and charges	(67.57)	(1.10)	(60.27)	(0.99)	(58.85)	(1.02)
Others	(12.55)	(0.20)	(12.87)	(0.21)	(16.01)	(0.28)
Total fees and service expenses	(80.12)	(1.30)	(73.14)	(1.20)	(74.86)	(1.29)
Net fees and service income	311.57	5.05	283.11	4.68	325.72	5.62
Other income						
Gains on investments	503.85	8.17	191.74	3.17	65.77	1.14
Dividend Income	582.17	9.44	658.74	10.87	392.83	6.78
Other operating income	28.82	0.47	20.88	0.34	29.65	0.51
Total other income	1,114.84	18.08	871.36	14.38	488.25	8.43
Total operating income	6,167.59	100.00	6,058.07	100.00	5,794.19	100.00

From the table above, the income structure can be categorized into 3 types.

1. Net Interest Income

Interest income consists of incomes from loans to customers, investments in debt securities income, interbank and money market items income, hire purchase income and others interest income. In 2019, the bank had interest income amounting to Baht 8,787.72 million, increased by Baht 213.05 million or by 2.48% from year 2018.

Interest expenses consist of interest expenses for deposits, interbank and money market items, contributions to the Deposit Protection Agency and the Bank of Thailand, debts issued and borrowings and others. In 2019, the bank had interest expenses amounting to Baht 4,046.54 million, increased by Baht 375.47 million or by 10.23% from year 2018.

Net interest income is of Baht 4,741.18 million or 76.87% of total operating income. Net interest income decreased by Baht 162.42 million or by 3.31% from year 2018 as a result of the increase in interest expense.

2. Net Fees and Service Income

Fees and service income are mainly from fees from loan management such as fees from acceptances, avals, guarantees, commission income and other fees and service incomes (ATM fee, fund management fee, penalty charge, cheque fee.) In 2019, the bank had fees and service income amounting to Baht 391.69 million, increased by Baht 35.44 million or by 9.95% from year 2018.

Fees and service expenses are of Baht 80.12 million, increased by Baht 6.98 million or by 9.54% from year 2018.

Net fees and service income is of Baht 311.57 million or 5.05% of total operating income, increased by Baht 28.46 million or by 10.05% from year 2018 as a result of the increase in brokerage fee.

3. Other Incomes

Other incomes consist of gains on investments, dividend income and other operating income. In 2019, the bank had other incomes amounting to Baht 1,114.84 million, increased by Baht 243.48 million or by 27.94% from year 2018 mainly from gains on investments which has increased by Baht 312.11 million or 162.78%.

SECURITIES AND SHAREHOLDERS INFORMATION

1. Securities information

1.1 Ordinary shares

As of December 31, 2019 the bank has total registered share capital Baht 20,000,000,000 divided into 2,000,000,000 ordinary shares with the par value of Baht 10. Paid up share capital was Baht 20,000,000.

1.2 Preferred shares

-None-

1.3 Warrants

-None-

2. Shareholders

2.1 Shareholding structure

The shareholders of the bank as of December 31, 2019 are as follows:

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

2.2 Major shareholder

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

LH Financial Group Public Company Limited was established on 2009 to invest in the bank as required by the Financial Institution Business Act B.E. 2551 and under the Bank of Thailand's notification regarding the consolidated supervision. On 28 October 2009, the Bank of Thailand approved the setup of the financial business group having LH Financial Group Public Company Limited as the parent company, Land and Houses Bank Public Company Limited as the subsidiary under the solo consolidation group and Land and Houses Fund Management Company Limited as the subsidiary under the non-solo consolidation group.

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

3. Dividend Payment Policy

3.1 Dividend payment policy

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

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

3.2 Regulations and criteria related to dividend payments

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

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

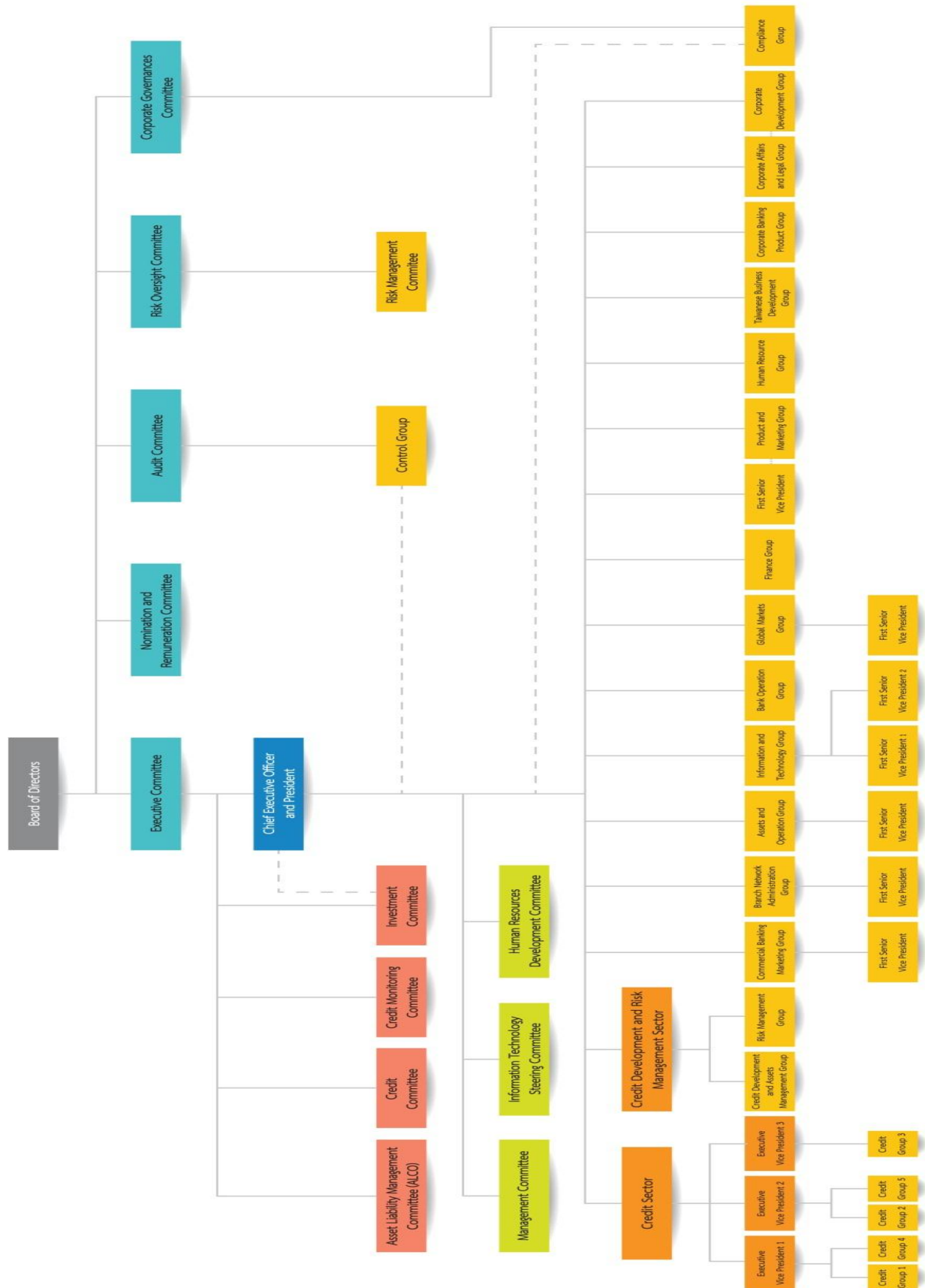
4. Number and type of shares the company holds in other companies or private companies 10% or more but not exceeding 50%.

- None -

5. Number and type of shares the company holds in other companies or private entities 50% or more

- None -

ORGANIZATION CHART



MANAGEMENT STRUCTURE

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

1. The Board of Directors

The Board of Directors consists of 11 directors as follows:

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

Authorized Signatories of the Bank

Mr. Naporn Sunthornchitcharoen, Mr. Sirichai Sombutsiri, Mr. Wu, Kuo-Chin and Ms. Chompoonoot Pathomporn, two of these four directors co-sign with the bank's seal on behalf of the bank.

Duties and Responsibilities of the Board of Directors

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

1. Perform duties in compliance with laws, objectives, Articles of Association and regulations of the related agencies, as well as the resolutions of the shareholders' meetings, with integrity and care in the best interests of the bank.
2. Determine directions and strategic goals for the bank, consider approving the policies and operating direction proposed by the management team and monitor the management team to ensure the effective and efficient execution of the approved policies and to protect the interests of the bank and its shareholders.
3. Provide provisions on the Code of Conduct, Code of Ethics as well as ethics for directors, executives and employees as organizational guidelines.

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

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

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

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

8. Supervise and ensure that the bank has the risk governance framework and risk culture.

9. Supervise and ensure that the bank complies with market conduct.

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

11. Supervise and ensure that the bank has determined the lending and investment policy for related persons.

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

13. Provide the check-and-balance mechanism between the management team and/or major shareholders at appropriate levels by determining an appropriate composition or number of the independent directors in the Board of Directors.

14. Ensure that the directors attend the meeting at least 75% of the total meetings held each year except when they provide reasonable grounds for not doing so.

In case any director or related person has interests or conflicts of interest, he/she will not be authorized to approve any transaction within the bank or subsidiaries.

Roles of the Chairman

1. Supervise, monitor and ensure that the performance of the Board of Directors is effective and achieves the objectives and the main goals of the organization.

2. Oversee and promote the organizational culture with ethics and good corporate governance.

3. Arrange the appropriate time sufficient for all matters proposed by the management team and for directors to discuss on significant issues with independent expression of their opinions.

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

5. Chair the meeting, call for the Board of Directors meeting, and determine agenda items.

6. Chair the shareholders' meeting, ensure the shareholders' meeting complies with laws, related regulations and the Articles of Association, arrange appropriate time for each agenda item as determined in the invitation letter, and give an opportunity for shareholders to freely express their opinions and ask questions relevant to the bank.

2. The Executive Committee

The Executive Committee consists of 4 directors as follows:

1.	Mr. Sirichai	Sombutsiri	Chairman of the Executive Committee
2.	Mr. Naporn	Sunthornchitcharoen	Member of the Executive Committee
3.	Mr. Wu,	Kuo-Chin	Member of the Executive Committee
4.	Ms. Chompoonoot	Pathomporn	Member of the Executive Committee
	Mr. Vichian	Amornpoonchai	Secretary

Duties and Responsibilities of the Executive Committee

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

1. Set policies, strategic plans and directions of the bank and propose them to the Board of Directors for approval and implement such policies.
2. Determine the loan and investment policy for connected persons.
3. Approve loans and/or investments according to the limit set by the bank.
4. Scrutinize loans and/or investments under the Board of Directors' approval authority.
5. Consider and screen all matters before proposing to the Board of Directors
6. Manage and develop organization effectively.
7. Assign and coordinate with lower levels of management, monitor the performance to align with the specified plan, follow up and evaluate the performance as well as analyze it to find pros and cons and solutions.
8. Report the significant matters to the Board of Directors.

In case any director or related person has interests or conflicts of interest, he/she will not be authorized to approve any transaction within the bank or subsidiaries according to the Articles of Association, regulations of the Securities and Exchange Commission and/or the Stock Exchange of Thailand.

3. The Audit Committee

The Audit Committee consists of 4 directors as follows:

1.	Mr. Pairoj ^{/1}	Hengsakul	Chairman of the Audit Committee
2.	Mr. Somsak ^{/1}	Assavapokee	Member of the Audit Committee
3.	Mr. Pradit ^{/1}	Sawattananond	Member of the Audit Committee
4.	Dr. Supriya ^{/1}	Kuandachakupt	Member of the Audit Committee
	Mrs. Wilawan	Sutthibutr	Secretary

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

Duties and Responsibilities of the Audit Committee

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

1. Review and ensure that the bank has accurate and adequate financial reporting.
2. Review and evaluate the suitability and effectiveness of the internal control and internal audit.

3. Monitor the internal audit department to ensure it has performed internal audit effectively with qualified staffs, appropriate working system, independence from any audited departments, and in compliance with the professional standard of internal audit and the Bank of Thailand's regulations regard to internal audit operation guideline of the Financial Institutions.

4. Review and ensure that the bank complies with the law on securities and exchange, SET requirements or laws related to the business of financial institutions.

5. Consider, select, propose the appointments and terminate the bank's auditors and their remuneration.

6. Consider the accuracy and completeness of the bank's information disclosure, especially the related party transactions or transactions with conflicts of interest.

7. Provide the audit report of the Audit Committee and disclose it in the annual report

8. Determine the duties of the Audit Committee as well as any changes in its composition including material changes to the performance of the Audit Committee clearly in writing as approved by the board and disclose them to the shareholders in the bank's annual report.

9. Review to ensure that the bank has adequate internal control and follows the whistleblower policy.

10. Provide guidelines and internal control for anti-corruption, and monitor potential risks from any form of corruptions within the bank as well as educate and communicate with all levels of employees for their compliance.

11. Update the Risk Oversight Committee's report regularly for matters requiring improvements to be in line with the policies and strategies of the bank.

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

13. Report to the Board of Directors for improvements in a timely manner that the Audit Committee deems appropriate in case the following items or suspected transactions are found.

- Items that cause conflicts of interest
- Corruptions or irregularities or significant defects in the internal control
- Violations of laws relating to the bank's business, the Securities and Stock Exchange Act, SET requirements, regulations of the Bank of Thailand or other laws related to the business of the bank and securities and other relevant laws

requirements, regulations of the Bank of Thailand or other laws related to the business of the bank and securities and other relevant laws

If the board or management fails to make corrections within the time specified by the Audit Committee, the Audit Committee shall disclose the said actions in the annual report and report them to the Bank of Thailand.

14. Assess the efficiency and effectiveness of the performance of the head of the internal audit department.

15. Perform any tasks assigned by the Board of Directors with the consent from the Audit Committee.

4. The Corporate Governance Committee

The Corporate Governance Committee consists of 4 directors as follows:

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

Duties and Responsibilities of the Corporate Governance Committee

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

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

5. The Nomination and Remuneration Committee

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

- | | | | |
|----|--------------|----------------|---|
| 1. | Mr. Somsak | Assavapokee | Chairman of the Nomination and Remuneration Committee |
| 2. | Mr. Shih, | Jiing-Fuh | Member of the Nomination and Remuneration Committee |
| 3. | Mr. Pradit | Sawattananond | Member of the Nomination and Remuneration Committee |
| 4. | Mr. Ruangsak | Vitavaskarnvej | Secretary |

Duties and Responsibilities of the Nomination and Remuneration Committee

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

1. Determine policies, regulations, qualifications, and nomination method of directors and top executives that require approval from the official agencies and executives from the position of the First Senior Vice President and higher or other levels in equivalent positions when existing personals are retired, when the positions are vacant or when new positions are needed in order to align with business strategy by adhering to the Bank of Thailand's regulations in regard to criteria to appoint directors, managers, authorized persons or consultant of financial institutions.
2. Select and nominate qualified candidates as follows:
 - 2.1 Directors
 - 2.2 Authorized persons consist of Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President

2.3 Consultant or a person acting as director, Chief Executive Officer, President, Senior Executive Vice President, Executive Vice President and First Senior Vice President, all of which have been named as consultant only.

3. Supervise the Board of Directors to have the members and the composition that is appropriate with the organization, adjust them according to changing environments, ensure that the mechanism or tool to support the process of selection and nomination is in place, nominate a qualified person to be a director in order for the Board of Directors to consist of persons with good behaviors, knowledge, abilities and various experiences attributable to long term operations, directions and strategies of the organization, and propose guidelines, payment method of remunerations and any other benefit including bonus to the Board of Directors and relevant sub-committees.

4. Determine the remuneration policy and other benefits including the amount of remuneration and other benefits for directors and authorized persons (reference no. 2) which reflect the objectives, duties, responsibilities and relevant risks with clear and transparent criteria and propose them to the Board of Directors for approval and submit such policies to the Bank of Thailand if required.

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

6. Consider the framework of remuneration structure, annual salary increase, bonus and other benefits as follows:

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

6.2 Consider budget for annual salary increase, annual bonus and other special remunerations that the bank has planned for employees.

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

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

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

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

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

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

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

Criteria for the Nomination of Directors, Independent Directors and Executives

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

Case 1 To appoint a new director due to retirement by rotation or any requirement to have new directors, the Nomination and Remuneration Committee shall select and screen persons with proper qualifications, knowledge and experiences in various fields, having adequate understanding in the area of banking, finance, economics, laws and others so that the composition of the committees is as required by setting up board skill matrix assisting the processes of screening eligible directors whose qualifications are align with business strategy by taking into consideration the corporate requirements and good governance. The Nomination and Remuneration Committee shall then propose the lists of qualified persons to the Board of Directors for consideration and screening before presenting to the shareholders' meeting for approval.

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

- Nomination of Executives

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

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

- Composition of the Board of Directors

The number of directors, determined by the shareholders' meeting, shall not be less than 5 directors. At least one-thirds of the total number of directors and not less than 3 directors are independent directors.

- Selection of Directors

1. To vote and elect the directors, the shareholders' meeting shall elect the directors according to the rules and methods as follows:
 - (A) One share is entitled to one vote.

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

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

2. Retirement from the position of directors

(A) Retirement by rotation

- At every Annual General Meeting of Shareholders, one-thirds of the directors shall retire by rotation.
- For directors who retire by rotation in the first and second years after registering the bank, 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 retired by rotation can be re-elected to resume the position.

(B) Death

(C) Resignation

(D) Disqualifications or having forbidden qualifications by law

(E) The shareholders' meeting has the resolution for resignation with a vote of not less than three-quarters of all attended shareholders with voting rights and not less than half of their shares which held by shareholders attending the meeting and entitled to vote.

(F) Court order

3. If a vacancy of the directors occurs for reasons other than the normal rotation, the Board of Directors shall elect a qualified person with no forbidden qualifications under the law on public companies to be the director to replace the vacant position in the next meeting unless the term of the director who vacates office is less than two months. The substitute director shall serve only for the remaining term of the director that he replaces. Such resolution by the Board of Directors shall require the votes of not less than three-quarters of the remaining directors.

- **Independent Directors' Qualifications**

Nominated and appointed independent directors must possess the qualifications required by the bank and consistent with the good corporate governance policy according to the regulations by the Capital Market Supervisory Committee and the notification of the Bank of Thailand. The qualifications of independent directors are as follows:

A specific qualification of independent directors is that eligible independent directors shall not have any business or work related to the bank, which may affect their independent decisions. Other qualifications are as follows:

1. Holding not more than 0.5% of the total number of voting shares of the company, or the parent company, subsidiaries, associated companies, major shareholders, or control person, which shall be inclusive of the shares held by any related person of such independent director.

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

3. Not being a person related by blood or relationship through legal registration as a father, mother, spouse, sibling, and child, including as a spouse of a child of other directors, management, major shareholders, control person, or the person being nominated to be a director, management or a control person of the bank or its subsidiaries.

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

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

5. Neither being nor having been an auditor of the company or the parent company, subsidiaries, associated companies, major shareholders, or control person, and not being a significant shareholder, a control person, or a partner of any audit firm or office which audit of the company, or the parent company, subsidiaries, associated companies, major shareholders, or control person, unless the foregoing status has ended at least two years prior to the date on which such independent director has been appointed.

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

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

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

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

6. The Risk Oversight Committee

The Risk Oversight Committee consists of 3 members as follows:

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

Duties and Responsibilities of the Risk Oversight Committee

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

1. Provide the key risk management policies such as credit risk, market risk, liquidity risk, operational risk, and reputation risk as well as determine the framework of information and technology risk management adequately according to the international standards.
2. Provide the system to assess and monitor the risk management of management team in appropriate and acceptable level according to the bank's policies and ensure the appropriate risk management of the bank to be competitive in the market as well as supervise the management team to provide the appropriate measures of protection, solution and risk limit, especially the concentration of any type of risks.
3. Provide the system or the procedure for reviewing policies, risk management strategies and overall risk management systems at least once a year or whenever there are any significant changes that may affect the bank's stability by considering overall risk profile, risk tolerance level and risk management strategy.
4. Provide the financial projection via Stress Test by determining the scenario according to characteristics, volume and complexity of transactions.
5. Provide the organization structure to support the risk governance.
6. Provide IT risk management and the procedure of risk management that covers the assessment and continuously follow up on IT risk, cyber risk and cyber security as well as report the importance of IT risk and cyber risk to the Board of Directors for acknowledgement.
7. Ensure IT risk awareness culture in the organization by consistently encouraging employees at all levels to be aware of the IT risk and cyber risk and to have knowledge sufficient for risk protection.
8. Provide the development of the personnel specialized in IT risk and cyber security adequately.
9. Provide the risk management of conduct risk, procedure in controlling the business operation to align with the principle and guideline of market conduct, procedure in risk protection from any errors arising from services, procedure to handle the complaints of customers, and procedure to manage the bank's impacts in order to comply with the regulations of the compliance department.
10. Supervise top executives and head of risk management department to comply with the policies and the strategies of risk management and risk appetite.
11. Provide the strategy of fund management and liquidity management to support the various risks of the bank and compliance with risk appetite.
12. Report to the Board of Directors the risk profile, risk management performance, compliance status according to the risk awareness culture, including significant factors and problems, and issues requiring modifications to align with risk policies and risk management strategies of the bank.
13. Provide suggestions to the Board of Directors regarding the framework of risk oversight.

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

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

7. Other Committees

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

7.1 Credit Committee

It has the duty and authority to approve loans as determined by the bank and screen the credit under the approval authority of the Executive Committee and the Board of Directors.

7.2 Credit Monitoring Committee

It has the duty and authority to consider, determine and review the processes of lending, collecting debts and litigation. The committee also gives opinions on the classification of loans and guideline on debt collection and correction. It has the approval authority as assigned by the Executive Committee and report to the Executive Committee.

7.3 Asset Liability Management Committee

It has the duty and authority to set the target of the bank's financial structure for both assets and liabilities, set the threshold of liquidity and interest rate risks to align with the bank's revenue goal, approve investment policy to manage liquidity and interest rate risks by focusing on instruments, determine the loan rate, deposit rate and board rate, approve the launch of financial products related to fund mobilization to respond to the needs and investment goals of customers and to maximize the effectiveness of the bank's liquidity management, consider and keep track of the bank's cash flow and deposit and withdrawal trends to evaluate the liquidity risk and lay down strategies for different scenarios appropriately and in compliance with the bank's policies, determine key indicators to be used as tools in reflecting the management of assets and liabilities to be in line with the bank's policies, and set investment plan and ensure its implementation.

7.4 Investment Committee

It has the duty and authority to set investment plan (equity instrument) to align with investment policies, overall policies on strategy, business operation and returns, study and adhere to the bookkeeping principle of accounting standards, determine the process and investment procedure, operation, investment-related staff management, and report overall investment results to the Executive Committee.

Board of Directors Meetings

Land and Houses Bank Public Company Limited regularly holds the Board of Directors meetings. In each meeting, clear agenda is determined in advance which contains important agenda items such as review of the financial statements of each quarter, and the monitoring of the bank's performances. In this regard, the bank will send an invitation letter and meeting agenda with relevant documents to the directors before the meeting date in order for them to have sufficient time to review such information. The minutes are recorded in writing, certified by the Board of directors and then filed for auditing purposes.

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

Table: Meeting Attendance of the Directors and Executives in the Year 2019

List of Directors	Board of Directors		Executive Committee		Audit Committee		Corporate Governance Committee		Nomination and Remuneration Committee		Risk Oversight Committee	
	No. of Attendance	(%)	No. of Attendance	(%)	No. of Attendance	(%)	No. of Attendance	(%)	No. of Attendance	(%)	No. of Attendance	(%)
Total Meetings (Times)	13		24		13		12		7		12	
1. Mr. Rutt Phanijphand	13	100										
2. Mr. Pairoj Hengsakul	13	100			13	100	12	100				
3. Mr. Pradit Sawattananond	13	100			13	100	12	100	7	100	12	100
4. Mr. Somsak Assavapokee	13	100			13	100	12	100	7	100	12	100
5. Dr. Supriya Kuandachakupt	13	100			13	100	12	100				
6. Mr. Li, Ming-Shieh	11	84.61										
7. Mr. Shih, Jiing-Fuh	11	84.61							5	71.43	11	91.67
8. Mr. Naporn Sunthornchitcharoen	13	100	22	91.67								
9. Mr. Sirichai Sombutsiri	11	84.61	22	91.67								
10. Mr. Wu, Kuo-Chin	13	100	21	87.50								
11. Mrs. Sasitorn ² Phongsathorn	6 (of 6 times)	100	9 (of 6 times)									
12. Ms. Chompoonoot ² Pathomporn	6 (of 7 times)	85.71	12 (of 14 times)	85.71								

Note: ¹ Mrs. Sasitorn Pongsatorn ended her term of Chief Executive Officer and President on 31 May 2019.

² Ms. Chompoonoot Pathomporn was appointed as the President from 1 June 2019 and attended the BOD no. 7/2019 dated 24 June 2019 and Executive Committee no. 11/2019 dated 14 June 2019.

Executives

Land and Houses Bank Public Company Limited has 12 executives as follows:

List of Executives	Position in the Bank	LH Fund	LH Securities	LH Advisory
1. Ms. Chompoonoot Pathomporn	President	-	-	-
2. Mr. Jing-Ming Chen	Senior Executive Vice President, Taiwanese Business Group	-	-	-
3. Mr. Thanee Phalawong	Senior Executive Vice President, Information and Technology Group	-	-	-
4. Ms. Chutamas Sombunyavios	Executive Vice President, Commercial Banking Marketing Group	Director	-	-
5. Mr. Pairath Tragarnrueng	Executive Vice President, Branch Network Administration Group	-	-	-
6. Mr. Kosol Kavayavong	Executive Vice President, Assets and Operation Group	-	-	-
7. Ms. Chintana Klaisuan	Executive Vice President 1	-	-	-
8. Mr. Anucha Buppaves	Executive Vice President 2	-	-	-
9. Mr. Somsak Deemongkulsuk	Executive Vice President 3	-	-	-
10. Mr. Paradorn Preyaprawat	Executive Vice President, Bank Operation Group	-	-	-
11. Mr. Sompob Asavaritikrai	Executive Vice President, Global Markets Group	-	-	-
12. Mr. Narong Lertlakanawong	Executive Vice President, Corporate Banking Product and Corporate Development Group	-	-	-

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

Remuneration of Directors and Executives

Remuneration Policy for Directors and Executives

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

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

Financial Remuneration

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

The directors' remunerations of Land and Houses Bank Public Company Limited has been approved by the 2019 Annual General Meeting of Shareholders of Bank on 18 March 2019, with the resolution as follows:

1. Annual remuneration of directors for the Year 2019

Table: Annual Remuneration of Directors for the Year 2019 and 2018

Position	Remuneration (Baht/Month)	
	2019	2018
Chairman (Mr. Rutt Phanijsphand)	1,000,000	1,000,000
Non-Executive Directors	40,000	40,000
Executive Directors	40,000	40,000

2. Meeting allowances of directors for the Year 2019

Table: Meeting Allowances of Directors for the Year 2019 and 2018

Position	Allowance (per time)											
	Board of Directors		Audit Committee		Executive Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Risk Oversight Committee	
	2562	2561	2562	2561	2562	2561	2562	2561	2562	2561	2562	2561
Chairman	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Non-Executive Directors	25,000	25,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Executive Directors	-	-	-	-	-	-	-	-	-	-	-	-

3. Directors' gratuity for the year 2019

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

LH Financial Group Public Company Limited, the parent company of the bank, has determined the directors' gratuity. Any director who receives the gratuity from LH Financial Group Public Company Limited shall not get the gratuity from the bank. As a result, the gratuity of Baht 3,400,000 was appropriate for their duties, responsibilities and workload. Allocation of such remuneration is subject to the discretion of the Board of Directors and 5 directors listed below are eligible for such gratuity.

1. Mr. Pairoj Hengsakul
2. Mr. Sirichai Sombutsiri
3. Mr. Somsak Assavapokee
4. Mr. Li, Ming-Sieh
5. Mr. Pradit Sawattananond

Table: Directors' Gratuity for the Year 2019 and 2018

Directors' Gratuity (Baht)	
2019 (5 directors)	2018 (3 directors)
3,400,000	3,200,000

4. Other non-financial remunerations

According to the resolution of the Extraordinary Shareholders Meeting no. 1/2015 dated 21 January 2015, it resolved to provide vehicles for directors including fuel, car insurance premium, maintenance and salary for drivers. The Board of Directors has authority to consider the provision of vehicles at its discretion and it will take effect until the Shareholders meeting will have a resolution to change or terminate.

Other remunerations of directors

Other remunerations of directors or other benefits refer to shares, debentures and other benefits both in monetary and non-monetary forms that are apart from regular benefits receivable such as monthly salary, or meeting allowance. Details are as follows:

Table: Remunerations of Directors for the Year 2019 and 2018

List of Directors	Date of Directorship	2019 ^{/1}		2018 ^{/1}	
		Remuneration and Meeting Allowance (Baht)	Bonus (Baht)	Remuneration and Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Rutt Phanijphand	28 Dec. 2005	12,030,000.00	-	12,000,000.00	-
2. Mr. Pairoj Hengsakul	1 Feb. 2009	2,598,478.00	-	2,527,631.58	-
3. Mr. Pradit Sawattananond	21 Mar. 2018	499,341.00	-	210,333.34	-
4. Mr. Somsak Assavapokee	5 Oct. 2012	1,258,478.00	-	2,502,631.58	-
5. Dr. Supriya Kuandachakupt	1 Aug. 2017	25,000.00	-	20,000.00	-
6. Mr. Sirichai Sombutsiri	2 Jan. 2014	2,488,478.00	-	2,492,631.58	-
7. Mr. Naporn Sunthornchitcharoen	19 Dec. 2005	485,000.00	-	440,000.00	-
8. Mr. Li, Ming-Shieh	21 Mar. 2018	94,341.00	-	70,333.34	-
9. Mr. Shih, Jiing-Fuh	1 Aug. 2017	150,000.00	-	90,000.00	-
10. Mr. Wu, Kuo-Chin	1 Aug. 2017	465,000.00	-	480,000.00	-
11. Ms. Chompoonoot Pathomporn	1 Jun. 2019	280,000.00	-	-	-
Total		20,374,116.00	-	20,833,561.42	-

Note: ^{/1} Directors' remuneration for the year 2019 and 2018, as directors of the bank are the same as those of its parent company, LH Financial Group Public Company Limited. As a result, directors will receive payments from LH Financial Group Public Company Limited only.

Remunerations of Executives

The bank paid the remuneration for 12 executives which consist of salary, bonus and other remuneration in total of Baht 66,360,826.22.

Other remunerations of executives

Other remunerations or benefits apart from usual benefits are contributions to provident fund, premiums for group insurance, uniform, medical expenses and other remunerations as detailed below.

Table: Other Remunerations of Executives for the Year 2019 and 2018

Type of Remunerations	2019		2018	
	Number (Persons)	Remuneration (Baht)	Number (Persons)	Remuneration (Baht)
Salary	12	47,973,860.00	31	103,482,220.99
Bonus		13,380,200.00		25,859,500
Contributions to provident fund		3,025,406.75		4,708,880.50
Premiums for group insurance		35,456.62		70,813.74
Medical expenses		76,769.10		146,568.43
Other remunerations		1,869,133.75		708,500.00
Total		66,360,826.22		134,976,483.66

Employees

The total number of employees of the bank as of 31 December 2019 was 1,229 persons, declined by 207 persons when compared to 2018 as detailed below.

	31 December 2019	31 December 2018	31 December 2017
Number of Employees (person)	1,229	1,436	1,504

In 2019, the bank had total personnel expenses in the amount of 1,191.98 Baht, decreased by 0.74% or Baht 8.90 million when compared to 2018 due to increasing of salary and other remuneration.

Employee Development Policy

For sustainable growth of organization, the bank, therefore, carried out a policy supporting the continued development of human resource which is an essential resource of the bank by providing various seminars conducted by internal units, sending out employees to receive trainings from external institutes, and encouraging work-related coaching from supervisors. These means bring about sustainable development, professional and efficient performance, and fruitful collaboration beneficial to all parties and overall performance of organization.

Corporate Value (PRO-Active)

Land and Houses Bank Public Company Limited is aware of the importance of employees as key factor for driving business with stable and sustainable growth according to the mission of the bank in developing and supporting human resources both in terms of knowledge and benefits of employees.

The bank has defined corporate values to encourage employees to share the same goal and guideline for operation called “PRO-Active” including;

Professional	:	Self-development, proactive creativity and flexibility
Accountability	:	Hold responsible for all actions, be determined, keep promises and endeavor
Teamwork	:	Open-mindedness, team player and mutual target
Integrity	:	Honesty, morality and transparency
Visioning	:	Think out of the box, broaden vision and commit to goal
Excellence Service	:	Service-minded, value people and volunteer spirit

Employee Orientation

The objective of employee orientation is to expand knowledge and understanding of newcomers about banking business overview, to get them ready to work together with happiness, to get them know their roles and responsibilities in organization, and to instill them with the corporate value.

Remuneration and Employee Welfare

The bank has policies to take care of employees' health and safety in life so that they can work happily. The bank has also determined appropriate remuneration and welfares for them such as salary, bonus, provident fund, social security, medical expenses, uniform and other benefits.

Provident Fund

The bank has set up a provident fund for employees as a good welfare which is crucial for lifting up morale and spirit of employees. The fund also secures them with good life quality. Employees are required to contribute 3-15% of their monthly salaries and the bank will contribute to the fund at 3-7%, varied by years of service. Moreover, the bank has set up the fund committee consisting of elected members and members appointed by employer. Such committee has duties and responsibilities to manage fund including determining investment policy on behalf of members. In addition, the bank has added various investment options for staff to choose by selecting master fund policy. As of 31 December 2019 and 2018, the bank paid all contributions to the fund in the amount of 37.9 million Baht and 38.6 million Baht respectively.

The shareholding of directors and executives of Land and Houses Bank Public Company Limited in the parent company and the bank as of 31 December 2019 and 31 December 2018 is as follows:

Table: Directors' Shareholding Proportion in the Parent Company and the Bank.

Name of Directors	Position	31 December 2019		31 December 2019	
		Number of Shares Held		Number of Shares Held	
		The Parent Company ^{/1}	The Bank ^{/2}	The Parent Company ^{/1}	The Bank ^{/2}
1. Mr. Rutt Phanijphand	Chairman				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
2. Mr. Pairoj Hengsakul	Independent Director				
- Number of direct shareholding :		5,606,797 shares 0.027%	-None-	5,606,797 shares 0.027%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
3. Mr. Pradit Sawattananond	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
4. Mr. Somsak Assavapokee	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
5. Dr. Supriya Kuandachakupt	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
6. Mr. Li, Ming-Shieh	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
7. Mr. Shih, Jiing-Fuh	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
8. Mr. Naporn Sunthornchitcharoen	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
9. Mr. Sirichai Sombutsiri	Director				
- Number of direct shareholding:		150,000 shares 0.001%	-None-	150,000 shares 0.001%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
10. Mr. Wu, Kuo-Chin	Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
11. Mrs. Sasitorn Phongsathorn	Director				
- Number of direct shareholding:		1,983,622 shares 0.009%	-None-	1,983,622 shares 0.009%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-

Note:

The Parent Company^{/1}
The Bank^{/2}

refers to LH Financial Group Public Company Limited.
refers to Land and Houses Bank Public Company Limited.

Table: Executives' Shareholding Proportion in the Parent Company, and the Bank.

Name of Executives	Position	31 December 2019		31 December 2019	
		Number of Shares Held		Number of Shares Held	
		The Parent Company ^{/1}	The Bank ^{/2}	The Parent Company ^{/1}	The Bank ^{/2}
1. Ms. Chompoonoot Pathomporn	President				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
2. Mr. Chen Ching-Ming	Senior Executive Vice Presidency Taiwanese Business Development Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
3. Mr. Thanee Phalawong	Senior Executive Vice President Information Technology Group				
- Number of direct shareholding:		1,067,230 shares 0.005%	-None-	1,016,962 shares 0.005%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
4. Miss Chutamas Sombunyavirog	First Executive Vice President Commercial Banking Marketing Group				
- Number of direct shareholding:		1,287,850 shares 0.006%	-None-	1,240,572 shares 0.006%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
5. Mr. Pairath Trangarnrueng	Executive Vice President Branch Network Administration Group				
- Number of direct shareholding:		1,511,999 shares 0.007%	-None-	1,469,707 shares 0.007%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
6. Mr. Kosol Kavayavong	Executive Vice President Assets and Operation Group				
- Number of direct shareholding:		807,890 shares 0.004%	-None-	764,167 shares 0.004%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
7. Miss Chintana Klaisuan	Executive Vice President 1				
- Number of direct shareholding:		1,435,098 shares 0.007%	-None-	1,392,228 shares 0.006%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
8. Mr. Anucha Bupphaves	Executive Vice President 2				
- Number of direct shareholding:		69 shares 0.000%	-None-	701,630 shares 0.003%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
9. Mr. Somsak Deemongkolsuk	Executive Vice President 3				
- Number of direct shareholding:		882,725 shares 0.004%	-None-	840,010 shares 0.003%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
10. Mr. Paradorn Preyaprawat	Executive Vice President Bank Operation Group				
- Number of direct shareholding:		700,085 shares 0.003%	-None-	728,204 shares 0.003%	-None-
- Number of shares held by spouse and minor child:		200,000 shares 0.001%	-None-	200,000 shares 0.001%	-None-
11. Mr. Sompob Asavaritikrai	Executive Vice President Global Markets Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
12. Mr. Narong Lerdluckanawong	Executive Vice President Corporate Banking Product and Corporate Development Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-

Note: The Parent Company^{/1}
The Bank^{/2}

refers to LH Financial Group Public Company Limited.
refers to Land and Houses Bank Public Company Limited.

RISK OVERSIGHT COMMITTEE'S REPORT

The Risk Oversight Committee consists of 3 members as follows:

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

Ms. Apinya Pawangkanan, Senior Vice President, Credit Risk Management and Capital Department of LH Financial Group Public Company Limited, is the secretary.

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

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

1. Consider risk management policies such as credit risk, market risk, liquidity risk, operational risk, reputational risk and IT risk by taking into account the risk governance framework as well as creating and cultivating risk culture in organization that complies with the regulations on risk supervision of financial business group as prescribed by the Bank of Thailand.
2. Report the assessments of risk management, monitor risk management and its efficiency as well as ensure the management team have appropriate measures to prevent, improve and limit risks.
3. Report the risk profile and any changes affecting risk appetites and boost confidence on risk management and risk supervision to the Board of Directors.



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

RISK FACTORS

Risk Management Overview

Land and Houses Bank Public Company Limited sets the framework and strategies of its business operation to promote growth based on the efficient risk management along with creating the sustainable profits. The bank controls and supervises the risk management systematically. The risk management structure and policies have been defined clearly in writing as to manage risks effectively.

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

Risk Supervision Structure

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

The Board of Directors

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

The Audit Committee

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

The Corporate Governance Committee

- To frame the good corporate governance policy and anti-corruption policy and to monitor the implementation of such policies
- To be a representative to communicate and stimulate any activities involved in the corporate governance, corrupt payment prevention among executives, staff and external agents

The Risk Oversight Committee

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

The Executive Committee

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

The Risk Management Committee

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

The Asset and Liabilities Committee

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

The Credit Committee

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

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

Risk Management Policy

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

Risk Factor

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

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

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

1. Strategic Risk

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

1.1 Risk Incurred from the Economic Uncertainty and Competition

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

1.2 Risk from Inadequacy of Capital

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

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

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

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

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

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

2. Credit Risk

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

Tools for Credit Risk Management

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

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

Credit Risk Management Process

The bank has put in place a credit risk management process where checks and balances are incorporated through a clear separation of duties among marketing officers, credit-risk analysts, collateral appraisal officers and operation officers. Furthermore, to consider approving credit, the bank has set up independent units; namely, the Corporate Credit Underwriting Office and Retail Credit Underwriting Office to supervise and give opinions on risk elements that may arise from granting loans to each customer. This is to ensure that the credits to be approved have been considered and screened prudently. The bank has set up an independent Credit Review Office to review the accuracy of approved credits, monitor customers' compliance with the loan covenants, deepen understanding and provide credit trainings for credit officers to enhance the efficiency of credit marketing to acquire high quality loans.

Credit Portfolio Management

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

Credit Risk consists of:

2.1 Risk from Deteriorating Credit Quality

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

2.2 Risk from Credit Concentration

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

2.3 Risk from Devaluation of Asset Collateral Value

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

3. Market Risk

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

3.1 Price Risk

Price risk may cause loss from the change of securities price. Price risk can create income fluctuations to the bank. At present, the bank is exposed to minimal price risk since it has no policy to invest in high-risk securities.

To manage price risk in compliance with the Bank of Thailand's notification, the bank uses the Value-at-Risk (VaR) model to measure the maximum loss at a certain level of confidence and within certain period of time. The bank uses the calculated risk values as a guideline to determine the risk appetite. In addition, the bank has set up different scenarios illustrating different situations with rapid plunge of securities price or has taken Stress Test to assess potential damages from the crisis and emergency risk.

3.2 Interest Rate Risk

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

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

3.3 Exchange Rate Risk

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

4. Liquidity Risk

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

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

5. Operational Risk

Operational risk refers to risks of losses arising from the inadequacies or dysfunctions of internal working processes, human resources, systems or external factors including legal risk but excluding strategic risk and reputational risk. The operational risk is inevitable as it is part of banking business. The bank hence has clearly defined the framework of its operational risk management policy. It also has good internal control and has published an operating manual so that every employee understands the workflow and can perform their duties efficiently. Procedures have been laid down for business analysis, risk monitoring and assessment, etc.

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

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

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

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

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

6. Information Technology Risk

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

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

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

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

THE EXECUTIVE COMMITTEE'S REPORT

The Executive Committee consists of 4 directors as follows:

- | | | |
|---------------------|---------------------|---|
| 1. Mr. Sirichai | Sombutsiri | Chairman of the Executive Committee |
| 2. Mr. Naporn | Sunthornchitcharoen | Member of the Executive Committee |
| 3. Mr. Wu, | Kuo-Chin | Member of the Executive Committee |
| 4. Miss Chompoonoot | Prathomporn | Member of the Executive Committee and President |

And Mr. Vichian Amornpoonchai, Executive Vice President, Corporate Affairs and Legal Group of LH Financial Group Public Company Limited is the secretary.

The Executive Committee has performed duties under the scope of responsibilities assigned by the Board of Directors. In 2019, the Executive Committee arranged 24 meetings and reported the result of each meeting along with suggestions to the Board of Directors. Details are summarized as follows:

- Propose the strategies and directions of the bank's operations in the year 2019 to the Board of Directors.
- Delegate work and coordinate with the executives to ensure the operations are in line with the strategic plans. Monitor, assess, and analyze the operations to determine strengths and weaknesses, and solutions.
- Manage and develop the organization to enhance its effectiveness.
- Determined the policy for loan lending and credit underwriting.
- Screen any task prior to proposing to the Board of Directors.
- Assess the performance of the President to propose to the Nomination and Remuneration Committee and further submit to the Board of Directors.



(Mr. Sirichai Sombutsiri)
Chairman of the Executive Committee

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

2019 Economic Overview and Outlook 2020

2019 Economic Overview

Thai economy in 2019 expanded at a slower pace and below its potential by 2.4%, the lowest since 2015 and a significant decrease from 4.2% in 2018. The slowdown was from the continued contraction of export sector following the global trade and the sluggish economy of the partnering countries caused by trade protectionism and the structural shift in manufacturing sector that results in exporters' competitiveness. On the other hand, the tourism sector continued to grow owing to the increasing number of foreign tourists. Domestic demand and private sector consumption were slowing down as a result of declined household income and lower employment rate, particularly in the production and export sectors even though the government has launched a series of stimulus measures. Public sector expenditures and private investments were decelerating due to the delayed investments in some infrastructure projects, deteriorating economic activities and low production capacity of the industrial sector.

Economic Outlook 2020

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

1. Public sector expenditures tend to continue expanding sluggishly due to the delay in the Budget Act 2020 resulting in fiscal disbursements, particularly, investments.
2. Household expenditures are likely to shrink following the slow economy, limitation of significant reduction on household income of both agricultural, industrial and service sectors as well as high household debts.
3. Tourism sector is in a downtrend from the previous forecast according to the decline in number of tourists, especially Chinese visitors thanks to the spread of COVID-19 (Coronavirus disease).
4. Export is slowing following the partnering countries and the impacts on the production chain.

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

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

Overview of Commercial Banking Industry and Competition in 2019

In 2019, the overall commercial banking industry was slow down according to the trend of the Thai economy. The loan has increased by 2.1 percent from the end of the previous year. The commercial banks have been facing a significantly high increase in the non-performing loans (NPL), especially from SMEs and retail loans including constantly rising household debts. As a result, commercial banks are cautious in granting loans and placing the importance on the growth of loans with close monitoring. Moreover, the potential business sector has found a new source of investment fund by issuing both domestic and foreign debentures by less relying on loans from commercial banks.

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

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

The performance of Land and Houses Bank Public Company Limited compared to the commercial banking system
As of December 31, 2019

(Unit : Million Baht)

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

Source: BOT- 15 commercial banks registered in Thailand (The bank's separate financial statement)

Trend of Commercial Banking Industry and Competition in 2020

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

2. Performance

2.1 The performance of Land and Houses Bank Public Company Limited is as follows:

Financial Ratio	Separate Financial Statement		
	2019	2018	2017
Profitability Ratio			
Gross profit margin (%)	46.13	49.29	49.53
Net profit margin (%)	33.05	42.41	39.90
Return on equity (%)	5.67	7.27	8.79
Yield on interest income (%)	3.93	3.96	4.18
Yield on interest expense (%)	2.07	1.93	1.97
Net interest margin (%)	1.86	2.03	2.21
Return on investment (%)	4.87	4.34	3.96
Efficiency Ratio			
Net interest income to assets ratio (%)	2.02	2.09	2.26
Return on assets (%)	0.87	1.10	1.05
Total assets turnover (time)	0.03	0.03	0.03
Financial Ratio			
Debt to equity ratio (time)	5.35	5.70	5.56
Loans to borrowings ratio (%)	85.67	84.60	87.19
Loans to deposits ratio (%)	94.38	96.40	107.33
Deposits to total liabilities ratio (%)	84.94	82.82	73.61
Dividend payout ratio (%)	68.68	91.08	64.87
Total capital funds to risk assets ratio (%)	19.304	20.045	21.857
Asset Quality Ratio			
Loan loss reserve ratio (%)	2.54	2.33	2.20
Non-performing loan to total loans ratio (%)	1.55	1.94	1.90
Accrued interest receivables to total loans ratio (%)	0.14	0.14	0.17
Comparing per Share			
Book value per share (Baht)	18.140	17.802	17.561
Earnings per share (Baht)	1.02	1.29	1.40

Overall Performance

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

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

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

An allowance for doubtful accounts recorded by the bank increased by Baht 519.84 million or 91.17% from the year 2018.

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

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

Table: Operating Results

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

1. Structure of Operating Income

The structure of operating income of Land and Houses Bank public company limited is as follows:

Operating Income

In 2019, the bank had operating income at Baht 6,167.59 million, increased by Baht 109.52 million or 1.81% from the year 2018, with the following details:

Table: Operating Income

Operating Income	Separate Financial Statement			Change (2019 vs 2018) Increase (Decrease)	
	2019	2018	2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Interest income					
Loans to customers	6,623.25	6,343.58	6,395.74	279.67	4.41
Investments in debt securities	1,519.64	1,547.17	1,626.91	(27.53)	(1.78)
Interbank and money market items	632.50	659.65	583.59	(27.15)	(4.12)
Hire purchase	12.30	24.27	47.45	(11.97)	(49.32)
Others	0.03	-	-	0.03	n/a
Total interest income	8,787.72	8,574.67	8,653.69	213.05	2.48
Interest expenses	(4,046.54)	(3,671.07)	(3,673.47)	375.47	10.23
Net interest income	4,741.18	4,903.60	4,980.22	(162.42)	(3.31)
Fees and service income	391.69	356.25	400.58	35.44	9.95
Fees and service expenses	(80.12)	(73.14)	(74.86)	6.98	9.94
Net fees and service income	311.57	283.11	325.72	28.46	10.05
Gains on investments	503.85	191.74	65.77	312.11	162.78
Dividend income	582.17	658.74	392.83	(76.57)	(11.62)
Other operating incomes	28.82	20.88	29.65	7.94	38.03
Total other incomes	1,114.84	871.36	448.25	243.48	27.94
Total operating income	6,167.59	6,058.07	5,794.19	109.52	1.81

Net Interest Income

In 2019, the bank had net interest income at Baht 4,741.18 million, decreased by Baht 162.42 million or 3.31% from the year 2018 due to an increase in interest expenses.

Interest expenses were Baht 4,046.54 million, increased by Baht 375.47 million or 10.23% from the year 2018 due to the increase in deposit interest.

Non-Interest Income

Non-interest income consisted of net fee and service income and other incomes (which comprised gains on investments, dividend income and other operating incomes). In 2019, the bank had non-interest income at Baht 1,426.41 million, increased by Baht 271.94 million, or 23.56% from the year 2018, with the following details:

- Net Fee and Service Income

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

- Other Incomes

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

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

The bank has put provisions for bad debts and doubtful accounts according to the rules and regulations of the Bank of Thailand and on the evaluation of profiles of debtors based on its experiences.

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

Bad Debts, Doubtful Accounts and Impairment Loss

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

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

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

Other Operating Expenses

Other operating expenses consisted of employee's expenses, directors' remuneration, premises and equipment expenses, taxes and duties, advertising and promotional expenses, amortization for intangible assets, supporting service expenses and other expenses. In 2019, the bank had other operating expenses at Baht 2,596.76 million, increased by Baht 234.68 million or 9.94% from the year 2018, mainly from the increase in supporting service expenses and amortization on intangible assets. The operating expenses to total operating income in 2019 was 42.10%, increased from 38.99% in 2018.

Table: Other Operating Expenses

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

- **Employees' Expenses**

The bank had employees' expenses of Baht 1,191.98 million, decreased by Baht 8.90 million or 0.74% from the year 2018.

As of 31 December 2019, the bank had a total of 1,229 employees, decreased by 207 employees from the year 2018.

Table: Number of Employees

	31 December 2019	31 December 2018	31 December 2017
Number of Employees (Person)	1,229	1,436	1,504

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

- **Premises and Equipment Expenses**

Premises and equipment expenses were Baht 659.17 million, decreased by Baht 11.89 million or 1.77% from the year 2018.

- **Amortization on Intangible Assets**

Amortization on intangible assets was Baht 104.35 million, increased by Baht 53.36 million or 104.65% from the year 2018.

- **Supporting service expenses**

Supporting service expenses was Baht 194.22 million. In 2019, The bank used supportive financial services from companies in the financial business group.

- **Other expenses**

Other expenses was Baht 114.25 million, decreased by Bath 7.91 million or 6.48% from 2019.

2. Asset Management Efficiency

Analysis of Financial Positions

The analysis of financial positions of Land and Houses Bank Public Company Limited shows the comparison of financial positions as of 31 December 2019 and 31 December 2018.

Table: Total Assets

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

Total Assets

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

Net Investments

As of 31 December 2019, the bank had net investments in securities which had a book value of Baht 51,646.77 million, decreased by Baht 3,666.14 million or 6.63% from the year 2018, mainly from held-to-maturity (HTM) securities in private sector debt securities when they are mature. And during the year 2019, there is the transfer of available-for-sale (AFS) investments in domestic marketable equity securities to trading investments (cost) in the amount of Baht 8,513.61 million.

Table: Investments Classified by Type of Investments at Book Value

Investments - Net	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Trading investments					
Domestic marketable equity securities	8,509.51	-	-	8,509.51	n/a
Total trading investments	8,509.51	-	-	8,509.51	n/a
Available-for-sale investments					
Government and state enterprise securities	-	180.52	-	(180.52)	(100.00)
Private sector debt securities	1,055.56	1,033.76	-	21.80	2.11
Domestic marketable equity securities	-	10,852.52	8,085.41	(10,852.52)	(100.00)
Total available-for-sale investments	1,055.56	12,066.80	8,085.41	(11,011.24)	(91.25)
Held-to-maturity investments					
Government and state enterprise securities					
	18,336.81	17,308.65	18,221.11	1,028.16	5.94
Private sector debt securities					
	18,347.05	20,467.77	23,952.94	(2,120.72)	(10.36)
Other debt securities	5,390.94	5,464.44	4,971.86	(73.50)	(1.35)
Total held-to-maturity investments	42,074.80	43,240.86	47,145.91	(1,166.06)	(2.70)
General investments - cost					
Domestic non-marketable equity securities	6.93	5.28	5.28	1.65	31.25
Less: Allowance for impairment	(0.03)	(0.03)	(0.03)	-	-
General investments - net	6.90	5.25	5.25	1.65	31.43
Investments - net	51,646.77	55,312.91	55,236.57	(3,666.14)	(6.63)

Loans to Customers

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

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

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

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

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

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

Asset Quality

As of 31 December 2019, classified assets consisted of interbank and money market items and accrued interest receivables, investments, loans and accrued interest receivables and other assets. Assets are categorized in compliance with the regulations of the Bank of Thailand as follows:

Table: Assets Classified by Type of Asset

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

Allowance for Doubtful Accounts

As of 31 December 2019, allowance for doubtful accounts was Baht 3,947.52 million, increased by Baht 184.29 million or 4.90% from the year 2018, in supporting uncertainty of domestic economy. Allowance for doubtful accounts to total loans was at 2.54%, increased from at 2.33% in 2018. LLR/NPL increased from 112.74% to 151.09%.

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

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

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

Table: Loans to Customers Classified by Maturity

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

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

Revaluation Allowance for Debt Restructuring

The bank recorded revaluation allowance for debt restructuring at Baht 13.99 million, increased by Baht 2.00 million or 16.68% from the year 2018.

Troubled Debt Restructuring

As of 31 December 2019, there were 9,644 debtors, 247 of which were those under debt restructuring, the outstanding balance was Baht 4,657.24 million.

Table: Troubled Debt Restructuring

Debtors	Separate Financial Statement			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017	Increase (Decrease)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)
Total debtors					
- Number	9,644	10,523	12,138	(879)	(8.35)
- Outstanding balance (principal and interest)	155,744.54	162,117.38	154,277.32	(6,372.84)	(3.93)
Debtors under debt restructuring					
- Number	247	278	284	(31)	(11.15)
- Outstanding balance (principal and interest)	4,657.24	6,356.71	4,092.41	(1,699.47)	(26.74)

Non-Performing Loans

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

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

Total Liabilities

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

Table: Liabilities Classified by Type of Liabilities

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

Deposits

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

Table: Deposits Classified by Type of Deposits

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

Owners' Equity

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

Table: Owners' Equity

Owners' Equity	Separate Financial Statement			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Paid-up share capital	20,000.00	20,000.00	20,000.00	-	-
Share premium	10,598.92	10,598.92	10,598.92	-	-
Other components of owners' equity	(43.59)	(102.22)	145.10	58.63	57.36
Retained earnings - statutory reserve	819.30	717.20	588.70	102.10	14.24
Retained earnings - unappropriated	4,904.96	4,390.34	3,789.60	514.62	11.72
Total owners' equity	36,279.59	35,604.24	35,122.32	675.35	1.90

3. Capital Adequacy

Sources and Uses of Fund

As of 31 December 2019, capital structure consisted of liabilities totalling Baht 194,268.72 million and owners' equity in the amount of Baht 36,279.59 million, or 5.35 times of D/E ratio. The composition of sources of fund in terms of liabilities was deposits at 71.58%, interbank and money market items at 4.55%, debts issued and borrowings at 7.25%, on call debts and others at 0.88% and owner's equity at 0.88%, and owner's equity at 15.74%.

Relations Between Sources and Uses of Fund

As of 31 December 2019, loans to customers (before deducting deferred revenue) were Baht 155,556.42 million. Loans to deposit ratio was 94.38%. For the excess liquidity, the bank invested in liquid assets such as interbank and money market items.

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

Table: Sources and Uses of Fund

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

4. Change of Cash Flow

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

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

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

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

5. Liquidity Adequacy

Liquid assets consisted of cash, interbank and money market-net items (assets) and net investments in liquid assets continuously increased from Baht 63,882.63 million in 2018 to Baht 65,607.33 million in 2019 or increased by Baht 1,724.70 million or 2.70%.

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

6. Maintenance of Reserve Requirement

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

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

Capital Adequacy and Capital Adequacy Ratio

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

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

Table: Capital Adequacy Ratio

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

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

Off-Balance Sheet Commitments

As of 31 December 2019, the bank had off-balance sheet commitments at Baht 46,386.76 million, increased by Baht 2,042.75 million or 4.61% compared to the year 2018.

Table: Off-Balance Sheet Commitments

Off-Balance Sheet Commitments	Separate Financial Statements			Change (2019 vs 2018) Increase (Decrease)	
	31 December 2019	31 December 2018	31 December 2017		
	Amount (million Baht)	Amount (million Baht)	Amount (million Baht)	Amount (million Baht)	Ratio (%)
Avals to bills	1.33	135.52	149.60	(134.19)	(99.02)
Under unmaturing import bills	130.54	-	-	130.54	n/a
Guarantee - others	5,120.82	5,408.22	3,642.23	(287.40)	(5.31)
Letters of credit	254.88	-	10.82	254.88	n/a
Undrawn overdrafts	4,838.06	4,623.40	4,773.90	214.66	4.64
Other commitments	36,041.13	34,176.87	26,816.20	1,864.26	5.45
Total	46,386.76	44,344.01	35,392.75	2,042.75	4.61

Credit Rating

Land and Houses Bank Public Company Limited was rated by Tris Rating at “A-” (Single A Minus) with “positive” outlook and the rating of Tier 2 capital securities was at “BBB” (Triple B Straight). The bank rating reflects bank’s continuous improvements in the business position and financial profiles including having good quality assets and strong capital base.

7. Factors Affecting Future Operations

The main factor that might affect the operation in the future is the trade protectionism between the United States of America and China that may cause volatility in the money market, capital markets and product exports in the future, as well as domestic political factors during the transition to the general election that might affect the continuity and confidence in project policy. These potentially impact loan demand and loan quality and decrease to interest income of commercial banks. The higher level of NPLs, the greater provision required.

3. New and revised financial reporting standards

3.1 Financial reporting standards that became effective in the current year

The bank adopted the revised financial reporting standards and interpretations (revised 2017) of many new and revised versions of financial reporting standards which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were frequently revised to keep abreast of International Financial Reporting Standards. Changes were mainly about the clarification of accounting practice, and accounting guidelines for users of such standards. The adoption of these financial reporting standards does not create any significant impact on financial statements. Key changes of these many new and revised versions of financial reporting standards are summarized as follows:

TFRS 15 ‘Revenue from Contracts with Customers’

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

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

Entities are to apply TFRS 15, ‘Revenue from Contracts with Customers’ unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, and take into consideration all of facts and related incidents according to requirement in each step.

This standard does not significantly impact on the bank's financial statements.

Financial Reporting Standard 4 (revised 2018) 'Insurance Contracts'

This financial reporting standard provides the insured, who are under the criteria specified in this financial reporting standard, with an alternative to be able to be exempted from following financial reporting standard 9 regarding financial instruments and from financial reporting standard 7 regarding financial instruments: disclosures (which will come into effect for fiscal years beginning on or after 1 January 2020) on case by case basis. The insured instead shall be under the accounting practices of financial instruments and information disclosures of insurance business for fiscal years beginning before 1 January 2022 or before financial reporting standard 17 regarding insurance contracts (when effective) comes into effect.

This standard does not significantly impact on the bank's financial statements.

- 3.2 Concerning the financial reporting standards effective for financial statements with fiscal years beginning on or after 1 January 2020, the Federation of Accounting Professions has announced new and revised financial reporting standards and the interpretations of financial reporting standards which will be effective on and after 1 January 2020. Such standards has been revised to measure up with international financial reporting standards. The revision focuses on the clarification of accounting practice, and accounting guidelines for users of such standards. Key changes are summarized as follows:

Financial reporting standards: Financial Instrument Group

Financial reporting standards: financial instrument group consists of standards and the interpretation of standards (5 issues)

Financial Reporting Standards

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the company's business model), the calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The bank's management team is currently evaluating the impact that may have from the adoption of TFRSs as follows:

- To classify and measure the fair value of investments in equity securities of non-listed companies, the bank must measure the fair value of investments in equity securities of non-listed companies and classify such investments as financial assets that measure fair value through other comprehensive income. However, if the presentation of change in fair value of any investment are later made through other comprehensive income, it cannot be canceled.

- The bank must realize the provision for anticipated credit loss to financial assets. The bank's management expects that the reserve allotted on 31 December 2019 is higher than the required reserve specified in the Thai Financial Reporting Standard 9 on 1 January 2020. The bank shall follow the guidelines reported to the Bank of Thailand.
- Realizing the derivative transactions, the bank has some derivatives to hedge its risks. The contractual amount of derivatives is at Baht 1,149 million, recorded as an off-financial statement item and presented with accrued method. On which the date this standard is adopted, the bank shall realize derivative transactions at fair value and adjust the effect to retained earnings as at January 1, 2020.

Financial Reporting Standard 16: Property, Plant and Equipment

The financial reporting standard 16 can replace the financial reporting standard 17: leases and the interpretations of related standards. This standard sets the principles of transaction realization, value measurement, presentation and disclosure of lease agreements. The standard also stipulates lessee whose contractual tenor is longer than 12 months to realize all assets and liabilities unless the underlying assets are of low value.

Accounting concerns for the lessor has not significantly been changed from the Accounting Standard No. 17. The lessor shall still classify the lease as an operating lease or finance lease as required by the Accounting Standards 17.

As of now, the bank's management team is assessing the potential impact on the financial statements of the year that this standard is adopted.

THE CORPORATE GOVERNANCE COMMITTEE'S REPORT

The Corporate Governance Committee consists of 4 members as follows:

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

Mr. Weeravej Sirichatchai, Executive Vice President of LH Financial Group Public Company Limited, Compliance Group is the secretary.

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

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

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

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

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

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

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

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

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



(Mr. Pairoj Hengsakul)

Chairman of Corporate Governance Committee

MESSAGE FROM PRESIDENT



Land and Houses Bank Public Company Limited endeavors to enhance quality by leveraging the capacities of the bank, the companies in Land and Houses financial business group, and business partner, CTBC bank, to improve financial experiences in different aspects so that it can satisfy the unique need of each segment of customers. Financial services will also be made easier and more convenient for customers through M Choice and banking agents nationwide.

The business operation of the bank relates to all dimensions, namely economy, society, and environment. In order to be a socially responsible organization, the bank is keenly aware of social impacts it has created by exerting balance following the concept of sustainability and running its business under good governance principles such as employing responsible lending and operating its business under market conduct.

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

Finally, Land and Houses Bank Public Company Limited would like to thank our valued customers, shareholders, business partners, executives, and all employees for their continued support as always. The bank has determined to propel and upgrade its operation by fulfilling its responsibilities economically, socially, and environmentally in parallel with the good governance principles to deliver values and sustainability to society.

(Ms. Chompoonoot Pathomporn)

President

BUSINESS SUSTAINABILITY REPORT

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

Guidelines for Corporate Social Responsibility for Sustainable Business Development

The Board of Directors pays attention to substantial social responsibility and endeavors to put it into concrete practice in all operation processes for sustainable growth by encouraging employees at all levels to participate in social activities. The bank also instills the awareness of social responsibility operations. The chairman and Chief Executive Officer and President perform their duties as the representatives for driving the organization to sustainable development, and the Corporate Governance Committee is responsible for social responsibilities' operations, gives suggestions and monitors social responsibilities' action plan and report the results to the Board of Directors. The Chief Executive Officer and President has duties to encourage and support the operations to comply with the Board of Directors' guidelines.

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

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

CSR Logo



The Business Operation Sustainability Strategy

Land and Houses Bank Public Company Limited operates the business under the corporate governance principle, with accountabilities on economy, society and environment, having comprehensive risk management. The bank values the practice of market conduct aiming to enhance customers' confidence in the following dimensions:

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

Social Responsibility Operation

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 to follow.

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

CSR-in-Process

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

CSR-after-Process

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

Collective Action Coalition Against Corruption Certificate

The bank has joined the Thailand's Private Sector Collective Action Coalition Against Corruption project and has determined practical guidelines for the directors, the executives and the employees to acknowledge and adhere to. As a result, on October 16, 2014, the bank was awarded certificate of membership of Thailand's Private Sector Collective Action Coalition Against Corruption by the Institute of Directors for the first time and the second time on June 7, 2018 when the certificate was renewed.



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

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

Corporate Social Responsibility for Sustainable Business Development Policy

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

1. Good Corporate Governance
2. Fair Business Operation
3. Anti-Corruption
4. Respect for Human Rights
5. Fair Treatment of Labors
6. Responsibilities towards Consumers

7. Cooperation in the Development of Community and Society
8. Environmental Management
9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

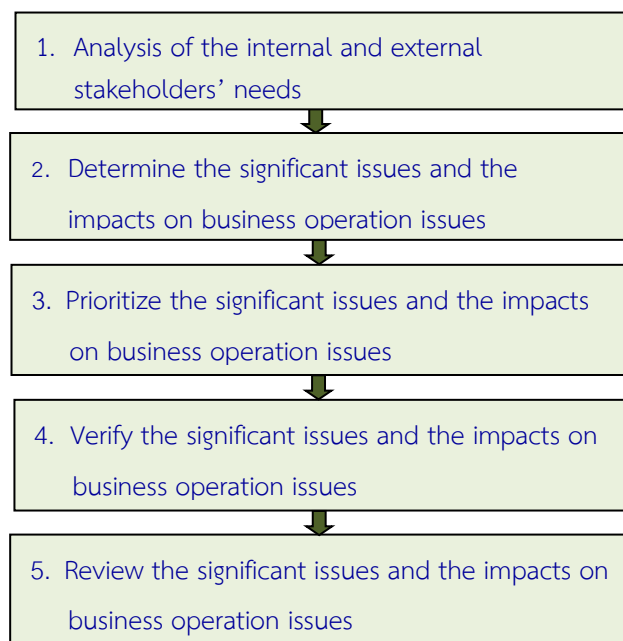


The bank reveals the details of Corporate Social Responsibility for Business Sustainability Policy published on bank's website (www.lhbank.co.th).

Guideline for Sustainable Business Development Report

The bank pays close attention to the sustainable business development report as part of the annual report for thorough communication with all groups of stakeholders to acknowledge the policy, management guidelines and the outcome of social and environmental responsibilities clearly under the report framework of Corporate Social Responsibility Institute, the Securities and Exchange Commission, and the Stock Exchange of Thailand. The content of the report covers the whole business by collecting data from the directly responsible departments from 1 January to 31 December 2019.

The bank reports the content of the sustainable business development which covers the analysis of the needs of both internal and external stakeholders. The analysis was applied to determine important issues and impacts on business operations under the social responsibility for sustainable business development policy as follows:



1. Analysis of Stakeholders' Needs

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



Practical Guideline for Stakeholders

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

The stakeholders group consists of:

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

Analysis of Stakeholders' Needs

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
1. Shareholders	- Appropriate compensation and sustainable growth. - Good business performance, stable growth under appropriate risk. - Work with transparency, fairness and accountability. - Prudent risk management	- Perform business under good corporate governance principles.	- Generate good performance under proper risk management. - Organize the Annual General Meeting of Shareholders once a year. - Organize the press conference and analyst meeting for once a year. - Disclose information through all channels with correctness, equality and transparency. - Provide channels for inquiries via the bank's website. - Receive suggestions and petitions through channels provided. - Invite shareholders to attend AGM and voice their opinions
2. Board of Directors	- Working with transparency following the corporate governance principles for sustainable growth of the organization. - Treat all stakeholders on the basis of fairness. - Evaluate the performance for work improvement	- Perform business under good corporate governance principles.	- Organize the bank's Board of Directors meeting every month. - Provide sufficient, complete and timely information. - Participate in good corporate governance. - Encourage, support and develop knowledge related to the duties of directors and the bank's business. - Have orientation program for new directors. - Conduct self-assessment for directors to improve more efficient work.

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
			1. Self-assessment of the Board of Directors and sub-committees on collective basis. 2. Self- Assessment of the Board of Directors and sub- committees on individual basis. 3. Cross- Assessment of directors 4. Assessment of good corporate governance principle
3. Employees	- Provide appropriate remunerations, proper positions and benefits - Always keep a workplace hygienic, clean and safe. - Arrange seminars for knowledge and potential development. - Provide trainings and life skill development. - Provide appropriate tools and equipment at work. - Allow enough time for work-life balance of employees.	- No discriminations on employments regardless of ethnic, color skin, religious belief, political views, or age. - Promote employment for vulnerable labors, such as provide employment opportunities for people with disabilities. - Develop human resources by providing skill trainings and capacity building for employees by creating learning opportunities and promotions for career progress. - Do not lay off or terminate any employee which is solely based on the management's decision or based on discrimination. - Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance. - Respect for the rights to freely express opinions of employees and comments without interventions, their rights to receive information or opinions through media, as well provide channels to hear the voice of employees. - Provide fair employment conditions which allows employees to receive proper compensations based on their competency or agreement made between the employer and each employee in accordance with proper industrial standards or standards of living. - Properly arrange working environment for work safety and dignity.	- Arrange welcome activity for new employees on their very first day of working. - Provide Orientation for new Employees. - Encourage employees to hold PRO-Active value. - Develop employees' potential by arranging capacity- building learning for all levels of employees including increasing the learning channels via the bank's intranet on which they can learn any time. This is under LHFG People Connect project aimed to reinforce their potential to keep up with rapid change. - Succession plan to replace executives and key positions. - Activities to communicate and build stronger teamwork. - Survey market rate of compensation on a regular basis as to keep abreast of proper industrial standards or standards of living. - Provide channels to receive complaints, opinions and suggestions. - Protect and do not unjustly treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the bank. - Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment in a workplace. - Improve working environment to align with occupational safety guidelines. - Support and promote career opportunity for people with disabilities to live in the society with

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
		- Protect and do not unjustly treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the bank. - Prepare policy on safety and occupational health, as well as analyze and determine measures for risk control on safety and occupational health at work.	pride. - Air LHFG People Voice every the 2nd and 4th Friday of the month to update news within the Land and Houses financial business group.
4. Customers	- Relationship management with customers. - Market Conduct - Satisfaction for a wide variety of quality products and excellent services. - Promptness in hearing and responding to customers' requirements. - Customer confidentiality. - Equality of each segment of customers.	- Conduct the customers' satisfaction survey for branch services. - Offer products that can satisfy customers' requirements, improve employees' competency in making an offer to customers with well-integrated products and services as to meet all of their requirements, as well as ensure customers' confidentiality.	- Apply the survey results of customers' satisfaction to branch services for service improvement. - Understand customers by meeting up with them to strengthen relationship. - Organize activities/information on product orientation. - Collect suggestions or feedbacks for improvements. - Innovate and create products and services that meet consumers' requirements. - Publicize products and services' information based on reality through various channels easily accessible by consumers to support their decisions. - Provide assistance and answer customers' enquiries to promote good understanding on our products and services. - Collect complaints and opinions from customers and cope with them in a timely manner. - Arrange My Bank My Love activity to create good relationship between customers and bank annually. - Have customers' data privacy process in place.
5. Community, Environment and Society	- Support communities' activities. - Enhance and develop learning and	- Perform business with ethics in parallel with environmental and social responsibilities. - Support social activities	- Receive any feedbacks of neighboring communities for correction, improvement, and support. - Provide support for cultural activities

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
	knowledge. - Support government's policies. - Preserve environments. - Collect the voice of neighboring communities	benefiting communities and encourage employees to participate in such activities. - Support and promote education as well as promote equal education accessibility. - Promote cultural activities in accordance with local culture, traditions and religions. - Promote effective use of resources by concerning capability in resource optimization. - Prepare emergency plan suitable for reducing losses. - Promote and facilitate benefits to all stakeholders on creativity which is the foundation for creating innovations leading to continuous creation of innovations. - Promote and cooperate with the stakeholders, such as trade partners, to develop and disseminate innovations - Regularly review business procedure to check whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly.	suitable for local culture, traditions, and religions. - Provide appropriate emergency plan to serve any loss or damages on environment. - Through Green Office project, reduce electricity and paper uses, as well as shift to use environmental-friendly office automations. - Involve in the development of youth learning via the financial literacy project where the bank sends out trainers to train youths about financial knowledge. - Run project called "LH Bank Support Scholarship" - Participate in the project "Soft-Loan Program for SMEs" by the Ministry of Finance. - Run used computer donation project - Lend a hand by giving consumer goods, money and also providing restructuring debt for customers who are affected by natural disaster.
6. Trade Partners	- Perform business with transparency. - Facility and Process Sharing: Referring customers in Land and Houses financial business group to partners. - Information Sharing: Exchanging information for business performance. - Network Extension: Extend bank networks together with partners.	- Comply with trade terms and conditions and agreements. - Creating partnerships with potential trade partners. - Fair business practices. - No barriers for trade partners.	- Meet up with trade partners. - Conduct marketing together with the trade partners of Land and Houses financial business group. - Create partnerships with the purpose to have customers refer other customers to receive the bank's services. - Receive suggestions or complaints. - Appoint Procurement Committee in order to manage procurement process appropriate and fair for partners
7. Trade Competitors	- Perform business with transparency.	- Comply to the rules of competition and never use any dishonest method.	- Determine mutually fair competition conditions.

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
8. Creditors	- Pay interest and payback when due. - Continuous communications.	- Comply to the agreements or terms and conditions in the agreements and their duties.	- Comply to the contract or any conditions agreements and duties. - Collect feedbacks or complaints.

2. Determine Significant Issues and Impacts on Business Operations

The bank takes into account all issues, opinions, suggestions and expectations in operations for sustainability which is important and affects business operations. The analysis of internal and external stakeholders' demands is also factored as specified by the policy on corporate social responsibilities for sustainable business development in order to determine the important issues and impacts on business operations as follows:

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

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

3. Prioritizing Significant Issues and Impacts on Business Operations

The bank analyzes and considers data obtained from the interviews of both internal and external stakeholders in order to prioritize the critical topics and the topics that can affect business operations. Therefore, they can be broken down into 8 topics in 3 levels; low; medium; high. The prioritized issues were then made in Materiality Matrix chart with the vertical axis showing the key issues relating to stakeholders and the horizontal axis showing the issues critical to the bank.



Key Issues and Impacts on Business Operations Analysis

Significant Issues and Impacts on Business Operations	Internal Stakeholders	External Stakeholders	Topics Presented in the Report
Good corporate governance	- Companies in the financial business group - Directors, executives and employees	- Shareholders - Customers - Trade partners	Good corporate governance
Implementation of market conduct	- Companies in the financial business group - Directors, executives and employees	- Customers	- Sustainable business operation strategy - Responsibility towards Customers
Digital development	- Companies in the financial business group	- Customers	- Innovation and dissemination of innovation from corporate social responsibilities
Code of conduct and ethics	- Companies in the financial business group - Directors, executives and employees	- Shareholders - Customers - Trade Partners	- Code of conduct and ethics - Anti-corruption
Risk management	- Companies in the financial business group - Directors, executive and employees	- Shareholders - Customers - Trade Partners	- Risk factors - Internal control and risk management - Good corporate governance
Human resource management	- Companies in the financial business group - Directors and executives	- Trade Partners	- Fair treatment of labor - Respect for human rights
Enhancement for financial literacy	- Companies in the financial business group	- Customers - Community, environment and society	- Community and social development
Community, environment and society's accountability	- Companies in the financial business group	- Customers - Community, environment and society	- Community and social development

4. Verify the Significant Issues and Impacts on Business Operations

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

5. Review the Significant Issues and Impacts on Business Operations

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

Quality Inspection of Report

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

Inviting the Trade Partners to Join the Anti-Corruption Association

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

Credit Underwriting Following Risk of Environment, Society and Good Governance

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

Customer Relationship Management

The bank is committed to raising the level of service quality by conducting a research on the satisfaction of customers who had the service experiences at our branches in order to understand their requirements as well as collecting the information through call center service and branches. Thus, we can improve the service quality based on their requirements and can also determine the indicators of service quality. Besides, the bank has provided operating guide books for branch operations as to set the standard of services and meet the customers' satisfaction.

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

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

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

Supply Chain Management

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

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

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

The selection of the methods depends on the budget of operation available in each time and it must be considered and approved by the Procurement Committee. For fairness and equality, the selection for suppliers or facilitators, the bank has determined the criteria for selection based on business stability, product qualification, service and pricing.

Selection of suppliers or facilitators has the following steps.

1. Acquire the lists of suppliers and providers to meet the needs of buyers.
2. Select the suppliers and the providers according to the selection criteria of business stability, product qualification, service and pricing which conform to the procurement guideline of the bank. The bank also procures good quality products at appropriate price from sellers who have no records of corruptions, do not operate any illegal business, have no illegal labor policy, treat the trade partners with transparency, fairness, are aware of occupational safety in the workplace, and save environment so that with the bank, they can create a supply chain for mutual business operations and for the benefits of employees, community, society and environment as a whole.
3. After receiving the list of suppliers or vendors which passed the selection process, the next step is the evaluation process to find suppliers or vendors who provide supplies with good quality, proper cost and at appropriate price.

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

Monitoring, Auditing and Evaluating Results of Trade Partners

The bank has monitored and assessed the performance of partners in different ways, such as the evaluation of service satisfaction and the availability of channels for voicing complaints or feedbacks. However, to ensure that the bank has received the products and good services as required, the bank has the procurement management team to check out the products and services, and provide suggestions to the partners to improve and develop their product quality. In case the partners cannot measure up with the standard, the bank may consider terminating their services.

Tax Management

The bank operates its business under transparent monitor and adheres to the good governance principles with the determination to run its the business in conformity with the regulations and the rules of tax law.

Tax Management Strategy

The bank has planned tax management for the maximum benefits of the bank, and the stakeholders for the conformity of the regulations of revenue tax.

Tax Risk Management

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

Tax Incentives

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

1. Good Corporate Governance

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

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

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

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

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

Good Corporate Governance Policy

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

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

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

The details of the Good Corporate Governance Policy are published on the bank's website (www.lhbank.co.th).

Compliance with the Good Corporate Governance Principles

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

Principle 1 Establish clear leadership role and responsibilities of the board

1. The Board of Directors has set the objectives and goals through the approval of annual plans and budgets, including the business operation strategy and the allocation of resources to achieve the objectives and goals. In addition, the Board of Directors is responsible for supervising the management to align with strategies and required plans by considering the maximum benefit of the bank. It will also monitor the management to ensure that the strategy is effectively implemented and meets the goals and required plans on a monthly basis.

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

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

3. The Board of Directors supervises the executives to perform their duties with responsibilities, conservatism, honesty and compliance with laws, regulations and resolutions of shareholders' meeting, and also clearly determines the scope of duties and responsibilities and assignments for the President as well as monitors the President's performance to align with the roles and assignments while not giving a priority to self-interests over the responsibilities towards the bank.

4. The Board of Directors Meeting

- The bank has determined the meeting schedule for the Board of Directors and the sub-committees in advance for a one-year period. In case there is any special agenda item, the extra meetings will be arranged as deemed appropriate and necessary. The bank has informed all directors in advance so that they can schedule and attend the meeting, and disclosed the meeting schedule on Intranet of the bank. For each meeting, the company secretary will inform all departments for acknowledgement of the meeting date at least 14-21 days in advance and allow them to propose any key matters to put in the agenda.

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

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

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

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

The Board of Directors meeting takes about 2-2.3 hours for each meeting. The Chairman allocates sufficient time for each agenda. After the meeting is completed, the company secretary has duties to provide the meeting minutes in writing covering complete details, opinions and significant information within the appropriate time. Once the meeting minutes is certified by the Board of Directors, the company secretary will keep it and relevant documents systematically for audit and reference purposes.

- Extra meeting between non-executive directors can be arranged if required.

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

6. The Chairman allowed non-executive directors to be able to hold a meeting to discuss the issues or problems of their interest about the management and find ways to improve or provide the useful suggestions to the management and report the resolutions and summarize the comments received from the meeting to the executive directors for acknowledgement.

7. The annual performance assessment of the President

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

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

Principle 2: Define the objectives that Promote Sustainable Value Creation

1. The Board of Directors shall define the bank's objectives and main goals for the sustainable growth in compliance with creating value to the bank, customers, stakeholders and society as a whole.
2. The Board of Directors supervise and review the business plan, budget and strategies on semi-annual basis to ensure that they correspond to the objectives, core goals, economic conditions and competition.

Principle 3: Strengthen Board Effectiveness

The Board of Directors is considered the heart of good corporate governance. There are experts in various fields with experiences, leadership, vision, independence in making decisions and dedication. Moreover, they perform their duties responsibly, cautiously and honestly for the maximum benefit of the bank and shareholders.

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

- The Board of Directors composes of well-qualified persons who have expertise, leadership, vision, independence in making decisions and experiences that are useful and necessary for business operation, who devote their time, and fully operate their duties according to their responsibilities, who have conservatism and honesty for the highest benefit of the bank and shareholders as well as supervise the good management of the bank.

The bank has determined the structure of the Board of Directors to have the number of directors appropriate for business, consisting of 11 directors which are 2 female directors and 9 male directors. The election of directors is in accordance with the resolution of the shareholders' meeting, rules, regulations and the articles of association. The composition of the Board of Directors shall conform to the notifications of the Bank of Thailand, the Capital Market Supervisory Board and the Stock Exchange of Thailand.

The structure of the Board of Directors consists of:

- **Independent director^{/1} 4 positions**, accounting for 36.36% of the Board of Directors which includes Mr. Phairoj Hengsakul, Mr. Pradit Sawattananond, Dr. Supriya Kuandachakupt and Mr. Somsak Assavapokee.
- **Executive director^{/2} 4 positions**, accounting for 36.36% of the Board of Directors which consists of Ms. Chompoonoot Pathomporn, Mr. Wu, Kuo-Chin, Mr. Naporn Sunthornchitcharoen, and Mr. Sirichai Sombutsiri.
- **Non-Executive Director 3 positions**, accounting for 27.28% of the Board of Directors which consists of Mr. Rutt Phanijphand, Mr. Li, Ming-Shieh, and Mr. Shih, Jiing-Fuh.

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

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

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

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

The bank reveals the details of the Independent Director Qualifications under the topic of Management Structure on Independent Directors Qualifications.

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

2. Nomination of Directors

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

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

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

3. Number of Directorship in Other Companies

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

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

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

4. Term of Independent Directors

The term of independent directors conforms to the Public Limited Companies Act and the Articles of Association that the independent directors can hold the position no more than a maximum of 9 consecutive years according to the Bank of Thailand's regulations by allowing independent directors who have been in office for more than 9 years to be able to continue their positions within 2022.

5. Number of Directors to Retire by Rotation

At every Annual General Meeting of Shareholders, one-thirds of the directors, or, if the number is not a multiple of three, then the number nearest to one-thirds must retire from office. However, the directors who have been in office longest shall retire first, and, if there are any disagreements arising, it is suggested to use the drawing of lots, and the directors who vacates office may be re-elected.

6. Sub-committees

The management structure of the bank consists of the Board of Directors who has decentralized for the purpose of more effective management and transparency in management. The Board of Directors has appointed the sub-committees to help study the details and screen the work so as to ease the burden of the Board of Directors and to consider various matters and report their performance to the Board of Directors. The sub-committees consist of:

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

However, the Chairman of the Audit Committee, the Chairman of the Corporate Governance Committee and the Chairman of the Nomination and Remuneration Committee are independent directors for the sake of being transparent and independent in performing the duties.

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

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

7. Company secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, First Executive Vice President, Corporate Affairs and Legal Group of LH Financial Group Public Company Limited, to be the company secretary since March 21, 2008. His duties involve providing some advice regarding laws and regulations that the Board of Directors should acknowledge, and monitoring activities of the Board of Directors. In addition, the company secretary shall cooperate with related parties to ensure that the resolutions of the Board of Directors and the shareholders' meeting have been followed. In addition, the company secretary has the scope of duties and responsibilities with responsibility, conservatism and honesty according to the laws.

- The Board of Directors has encouraged and supported the company secretary for trainings and developments of necessary skills and knowledge in law, accounting, or corporate secretarial duties.

The bank has disclosed the profile of the company secretary on the topic of management structure, No.8 the company Secretary.

8. Remuneration of Directors and Executives

The remuneration of the directors determined by the Annual General Meeting of Shareholders in monetary form consists of salary and meeting allowances. It was also consented by the Board of Directors based on the proposal from the Nomination and Remuneration Committee, and clearly defined, fair, reasonable, transparent and in conformity to their duties, the bank's performance and individual performance which also aligns with industry and sufficient to maintain the desired directors. Moreover, it shall be proposed to the shareholders' meeting for approval on an annual basis.

9. Self-assessment of the Board of Directors

The Board of Directors provides the self-assessment for the Board of Directors and the sub-committees in form of collective assessment, individual assessment and cross-assessment at least once a year to review the performance, troubles and obstacles from last year with the aim to enhance more efficient performance because the Board of Directors is clearly aware of their roles and responsibilities. The self-assessment is essential to assess the appropriateness of the Board of Directors' composition and its performance. The assessment results and recommendations from the directors shall be applied to improve their duties of the Board of Directors and individual director. The form of self-evaluation of the Stock Exchange of Thailand has been applied according to the bank's business environment and operations. The self-assessment includes:

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

- Self-assessment of the Board of Directors and Sub-committees

Self-assessment is divided into 6 areas as follows:

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

Scoring: The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

Evaluation Method and Results, at the meetings of the board of directors and the sub-committees, the directors thereof jointly conducted an evaluation by marking a score for each assessment item. In a 2019 self-assessment, most items were marked in the score of 4.

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

The **assessment** is divided into 3 areas as follows:

1. Structure and qualifications of directors
2. Meeting of the board and sub-committees
3. Roles, duties and responsibilities of directors

Scoring: The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

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

- Cross-Assessment of Directors

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

Scoring: The assessment form contains scores so that directors can compare the result of each topic year over year. Here is the definition of scoring system.

- 0 = Strongly disagreed or never conducted
- 1 = Disagreed or seldom conducted
- 2 = Fairly or moderately conducted
- 3 = Agreed or well conducted
- 4 = Strongly agreed or excellently conducted

Evaluation Method and Results, the company secretary submits the cross-assessment of directors to the chairman to evaluate them individually and in turn the individual directors evaluate the chairman. The completed forms will then be returned to the company secretary to report the result to the directors.

- Good Corporate Governance Self-Assessment

The Board of Directors has provided the self-assessment on the good corporate governance principles as a tool for directors to evaluate themselves on the issues that the bank has done or has not, for an adequate disclosure of the bank. The Board of Directors has analyzed the evaluation results, recommendations and observations in order for them to apply the results to align with the business operation environments as follows:

The assessment is divided into 4 areas as follows:

1. Rights of Shareholders and Equitable Treatment of Shareholders
2. Roles of Stakeholders
3. Information Disclosures and Transparency
4. Responsibilities of the Board of Directors

Scoring: No scorings are specified in the assessment form; only check boxes are provided for checking whether a particular practice had been followed or not:

- If the bank has fulfilled the principles of good corporate governance, please check (√) in the "Yes" box
- If the bank has not yet complied or not fully implemented any principles of good corporate governance, please check (√) in the "No" box

Evaluation Method and Results, the Corporate Governance Committee collectively conducted an evaluation and proposed the results of the self- assessment to the Board of Directors for consent. The assessment results of good corporate governance for the year 2019, most items were marked in “Yes” box.

Principle 4: Ensure effective CEO and employee management

The Board of Directors has appointed the Nomination and Remuneration Committee to clearly and transparently nominate the directors, Chief Executive Officer and President, and define their remunerations which are consistent with their roles and responsibilities. The remunerations of directors must be approved by the shareholders' meeting and disclosed in the annual report.

1. Knowledge Development for Directors, Executives and Employees

The bank pays attention to increase efficiency of the directors, executives, employees, secretary team, compliance team, internal audit team and corporate governance team. The bank has the policies to encourage them to attend external trainings and in-house seminars to improve their skills, knowledge and competencies to accommodate both short-term and long-term business growth. Such trainings include various training courses held by the Institute of Directors, the Securities and Exchange Commission, the Stock Exchange of Thailand, and the Thai Listed Companies Association. The company secretary is the center for monitoring different news and supporting the staff to attend a training course that benefits their duties. The bank will notify the seminar programs to the directors in advance.

In the year 2019, the directors attended the trainings and seminars as follows:

Name of Directors	Training and Seminar Program
1. Mr. Rutt Phanijphand Chairman	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
2. Mr. Phairoj Hengsakul Independent Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited - SHAPING THE FUTURE OF CENTRAL BANKS Arranged by the Bank of Thailand – OMFIF High-Level Seminar Date: October 9, 2019 Venue: Pattara Ruamjai Room, The Bank of Thailand - Sustainable Business in the Digital Era: Learn Fast - Act Fast Arranged by EY Company Limited Date: November 25, 2019 Venue: Crystal Hall at The Athenee Hotel
3. Mr. Pradit Sawattananond Independent Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited - Cyber Resilience Workshop Arranged by the Bank of Thailand Date: June 20, 2019 Venue: The Bank of Thailand Learning Center of the Bank of Thailand - Sustainable Business in the Digital Era: Learn Fast- Act Fast Arranged by EY Company Limited Date: November 25, 2019 Venue: Crystal Hall at The Athenee Hotel

4. Dr. Supriya Kuandachakupt Independent Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13,2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited - Cyber Resilience Workshop Arranged by the Bank of Thailand Date: July 8, 2019 Venue: The Bank of Thailand Learning Center of the Bank of Thailand, 5th floor - Sustainable Business in the Digital Era: Learn Fast- Act Fast Arranged by EY Company Limited Date: November 25,2019 Venue: Crystal Hall at The Athenee Hotel
5. Mr. Somsak Assavapokee Independent Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13,2019 Venue: Board Meeting Room 2, Land and Houses Bank
6. Mr. Li, Ming-Shieh Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited - Director Accreditation Program (DAP) 164/2019 Arranged by Thai Institute of Directors Association Date: September 30, 2019 Venue: Meeting Room, 4th floor, CMA Building No. 2, Northpark Project
7. Mr. Shih, Jiing-Fuh Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
8. Mr. Sirichai Sombutsiri Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13,2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited

9. Mr. Naporn Sunthornchitcharoen Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
10. Mr. Wu, Kuo-Chin Director	- Information and Technology Securities Seminar Arranged by Land and Houses Bank Public Company Limited Date: May 13, 2019 Venue: Board Meeting Room 2, Land and Houses Bank Public Company Limited
11. Ms. Chompoonoot Pathomporn President	- Director Accreditation Program (DAP) 164/2019 Arranged by Thai Institute of Directors Association Date: September 30, 2019 Venue: Meeting Room, 4 th Floor, CMA Building No. 2, Northpark Project

2. The Remuneration and Employee Welfare

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

3. Provident Fund

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

4. Orientation Program for New Directors

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

5. Succession Plan for Top Executives

The Board of Directors pays attention to the development of successors for key positions for continuous business operations and to ensure that the bank has prepared qualified personnel for the key positions which are important to business operations.

Succession Plan for Executives and Key Positions

To get the organization ready for the key positions in the future, the bank has developed skills of successors by providing exclusive programs for top executives and successors to attend, allowing more participations in the Board of Directors and the Management Committee, being the bank's representative for various operations to ensure stability and continuity of the bank's business operations and to ensure that the bank has prepared staff to fill in important positions critical to the bank's business operations. The Nomination and Remuneration Committee will select and scrutinize the qualified persons who have knowledge, abilities and various experiences including sufficient understanding in business, economy, laws and other areas by taking into account the organization's necessity and the good corporate governance. The bank has provided the Management Development Program and Workshops for developing the executives in the future plan. The program provides learning in 4 dimensions namely, Visionary Leadership, Leadership Role & Situational Leadership, Change Leadership and Management & Developing People.

Nomination of Directors and Top Executives

The qualified candidates with sound knowledge, experiences in various areas and understanding in banking, finance, economy, laws and related fields, will be screened against the nomination criteria to form the Board of Directors as required, and then prepare the board skill matrix to help the nomination to respond to the direction of the bank. The Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors, in case of vacancy from other causes rather than completing the term or to the shareholder's meeting in order to elect the directors and/or independent directors in case of completion of the term or election of the new directors.

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

The criteria for nomination and appointment of the Independent Director, such person must have the qualifications of the independent director as required by the bank which is in accordance with the Notification of the Capital Market Supervisory Board and in line with the good corporate governance policy.

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

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

Remuneration of Directors and Executives

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

- Directors' remuneration is fixed by the shareholders' meeting in pecuniary form and other forms considered and proposed by the Nomination and Remuneration Committee. Remuneration consideration was taken on the basis of general practices of the industry, taking in account work experience, knowledge and competencies, duties and responsibilities, including directors' contributions made towards the bank. The remuneration is compared with that of SET listed companies in akin industries and with similar business, and compared with that of listed companies on average according to a survey report on remuneration rates for directors of listed companies by the Thai Institute of Directors. The bank rates of monetary remuneration and other compensations for the directors approved by the 2019 Annual General Meeting dated March 18, 2019 are disclosed in the annual report.

The details of compensations for the directors approved by the shareholders' meeting are disclosed in Management Structure, No. 9: Remuneration for Directors and Executives.

Principle 5: Nurture innovation and responsible business

1. Taking into account the rights of stakeholders

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

2. Determining the policy on the treatment of stakeholders

- Raise awareness to work in a moral manner and follow guidelines to carry out the work honestly and fairly for the bank, stakeholders, public and society.
- Disclose the information of the bank to shareholders, investors, and public accurately, comprehensively and in a timely manner, according to related laws and regulations as well as cooperate with regulators by providing reports with accuracy, completeness and in a timely manner.
- Set up the good corporate governance policy to support the honest, correct, transparent and effective management to enhance the values and worth of business in long term including security and sustainable growth.
- Establish the code of conduct and ethics of the bank in writing to be used as guidelines for all groups of stakeholders consisting of internal stakeholders, namely, employees and executives, and external stakeholders, namely, shareholders, customers, trade partners, competitors, government sectors and other agencies as well as to ensure operations with transparency. In addition, the bank supported the cooperation between the bank and stakeholders in creating a mutual benefit and to ensure that the stakeholders received protection and good treatment.
- Establish the ethics of directors and employees and promote their participations in order for them to perform their duties with ethical, honest, moral and conservative principles and practices and prevent any acts that violate the rules and regulations which may have a negative impact on the bank's reputation.

The bank has published the good corporate governance policy, code of conduct and code of business ethics, code of ethics for directors and employees through the bank's intranet and included them in the training curriculum for employees. The bank also published them on its website as detailed below.

Section 1 Intention

The purpose of the code of conduct of the bank and the ethics of directors and employees is to provide good practical guidelines as a working standard for all employees and directors. The bank is considered the trusted financial institution and a source of funding which emphasizes the business operation with honesty and balance between operating results and impacts on shareholders and customers. It also adheres to the sustainable business operations by considering society and environment together with humanitarian principles.

In addition, the bank intends to operate its business under the principles of maintaining honesty and reliability as well as facilitating customers. The bank also performs its business with regard to the corporate governance principles to ensure the balance between the bank and stakeholders. The bank's code of conduct, and code of ethics can be categorized into 4 sections as follows:

Section 1: Intention

Section 2: The Bank's Code of Conduct

Section 3: The Code of Ethics for Directors

Section 4: The Code of Ethics for Employees

Definitions

"Code of Conduct" refers to rules of practices that the financial institution has defined to maintain and improve a good reputation and status of the commercial bank's employees.

"Ethics" refers to the basic practices for controlling physical and verbal behaviors that employees shall adhere to and practice regularly at work.

"Bank" refers to Land and Houses Bank Public Company Limited.

"Director" refers to the bank's directors.

"Employee" refers to all types of the bank's employees; trainees, permanent employees and the employees with special contracts.

Section 2 The Bank's Code of Conduct

2. The bank's code of conduct can be divided into 10 areas as follows:

2.1 Code of Business Ethics

The bank shall ensure that employees comply with the code of business ethics as follows:

2.1.1 Perform duties with honesty, morality and responsibility to strictly conform to related laws, regulations and rules, including anti-corruption policy, and anti-money laundering and combating the financing of terrorism policy.

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

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

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

2.2 Roles of Directors and Executives

The bank's directors and executives shall have awareness with regard to their duties and responsibilities under the moral and ethical framework to promote good governance at all levels in the bank as follows:

- 2.2.1 Directors and executives shall carefully perform their duties and oversee operations with honesty, fairness, morality, responsibility and ethics for the maximum benefit of the bank and stakeholders under the framework and guidelines of Business Judgment Rules, including considering and maintaining the bank's benefits by paying attention to the incidents that occur to the bank or its operations.
- 2.2.2 Directors and executives will play an important role in creating good corporate governance, which will boost up the confidence for shareholders, customers, regulators and all stakeholders for maximum benefits to the bank, industry and nation. For this reason, the good corporate governance policies and ethics has been set clearly in writing as well as communicated to employees and executives to follow effectively.
- 2.2.3 Directors shall follow good corporate governance principles and shall be the link between shareholders and management team by determining policies that are relevant to business operations and directions. They are also responsible for setting the good corporate governance and supervise executives and management team to perform their duties in accordance with the defined policies efficiently and effectively.
- 2.2.4 The bank operates its business under the laws, regulations, standards and practices of the government agencies as well as many other related rules. Consequently, directors as the representatives of shareholders shall set policies while executives as the representatives of management team shall carry forward the policies to be implemented properly, efficiently and effectively. The bank shall provide the effective internal control system to monitor the bank to carry out its business appropriately in accordance with laws, rules and regulations strictly.
- 2.2.5 Directors shall oversee that the bank has policies and efficient risk management system to handle the significant risks of the bank. They shall supervise the risk management committee to perform its duties properly with expertise and shall not be dominated by any business units. In addition, the executives shall be aware of potential risks in a business, protect the bank's benefits and limit any damages that may occur to acceptable level under the effective risk management.
- 2.2.6 Any actions of directors and executives which link to the bank shall be at an appropriate level or shall be considered as the normal business transactions as the transactions with general person who is not particularly related to the bank. The transactions shall adhere to the bank's benefits and avoid any conflicts of interest that may arise or be expected to occur. In case of conflicts of interests, they must be handled fairly and immediately.

2.3 Service Standards

The bank will enhance the confidence of its customers and stakeholders by providing service standards as follows:

- 2.3.1 Manage its business effectively to provide good services to customers and stakeholders
- 2.3.2 Set a good corporate governance system to provide services that comply with related regulations of the government agencies
- 2.3.3 Cautiously set an internal management and control system carefully to prevent service errors
- 2.3.4 Set the risk management system that aligns with the business to ensure that the bank is able to manage potential risks and handle them properly

2.4 Employees and Work Environment

In order to support the employees to work effectively, bank will provide them the following facilities:

- 2.4.1 Provide a good and safe of working environment; therefore, employees are ready to service customers.
- 2.4.2 Pay attention to treat all employees fairly and honorably.
- 2.4.3 Promote and support employees to have the opportunities to improve themselves by attending trainings regularly.
- 2.4.4 Provide fair compensations for employees according to their fair performance evaluation.
- 2.4.5 Keep employees' personal information confidential and do not take their information to seek other benefits.
- 2.4.6 In case of employee's investigation on his/her operations, the bank will take care of its employee to cooperate with both internal and external audit and compliance units to ensure fairness.
- 2.4.7 Do not discriminate the differences of gender, race, age, religion or disability
- 2.4.8 Prevent any threats both verbal and physical that may affect the honor or human dignity of others in the workplace
- 2.4.9 Provide appropriate communication channels for complaints and whistleblowing

2.5 Customer Accountability

The bank will pay attention to customers and treat them with accountabilities as follows:

- 2.5.1 Deliver products and services that meet the customers' needs and capabilities
- 2.5.2 Disclose the information of the bank's products and services covering the relevant conditions and risks, service fee and interest rate correctly, clearly and timely to help customers gain more understanding and provide them with the sufficient information for making decisions. Moreover, the advertising and public relations must be communicated transparently with clear messages to prevent misleading.

- 2.5.3 Protect the confidentiality of information of customers, except in case that their consent is obtained or in case that the bank has to abide by laws.
- 2.5.4 Provide a process to gather complaints from customers and handle them clearly and properly.
- 2.5.5 Keep a sustainable relationship with customers and do not take a bribe and/or benefits, gifts, assets and any receptions arranged with the intention that could be contributable to incorrectly benefit customers.

2.6 Conflicts of Interest

The bank will provide measures to manage conflicts of interest in business operation as follows:

2.6.1 Protection of internal information

- (1) Provide measures to control securities trading and disclose securities trading account of directors, executives, and employees who may have access to internal information, including related parties to protect the misuse of internal information from their positions, duties or operations for unlawful personal interests or interests of others.
- (2) Arrange a separate working area to prevent information leakage between business units by putting the business units that may have conflicts of interest apart.

2.6.2 Transactions with Related Persons and Connected Transactions

- (1) Transactions between the bank and directors, executives, major shareholders and related persons shall not be within the scope of transferring the benefits of the bank to related persons.
- (2) The employees who have interests or involve in any transaction shall not participate in the decision-making process of that transaction to ensure that the decision-making is considered for the maximum benefits of the bank.
- (3) Set the regulations in regard to connected transactions and also set the process of consideration carefully to ensure the benefits of the bank and its shareholders.

2.6.3 Receiving and giving gifts, receptions and other benefits

- (1) Receiving and giving gifts, receptions and other benefits of the bank to promote business relationships, the bank shall operate with conservatism, reasonability and proper value suitable for occasions and tradition.
- (2) Do not offer a bribe, reward, provide or claim for any other inappropriate benefits either directly or indirectly to/ from customers, a government agencies, a private sector, or a third party to influence their neutral judgment or to influence others on their duties as to gain improper benefits.

2.7 Information Management

The bank has guidelines to appropriately manage and communicate its information as follows:

2.7.1 Information Management

- (1) Protect, store and maintain customers' information including the bank's information required by laws not to disclose it, collect, maintain and use the customers' personal information appropriately.
- (2) Not disclose customers' and the bank's information, except in case where customers give consent or to comply with related laws.

2.7.2 Communication

Communications, statements or provisions of any information related to the bank, its business and customers shall be conducted properly and correctly. Any such action to mass media or any media shall be made by the person assigned to perform on behalf of the bank only.

2.8 Overall Supervision

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

- 2.8.1 Provide employees with knowledge and understanding of laws and regulations, and encourage them to realize the risks that may occur when neglecting regulations. The negligence may affect the bank's operations, image, reputation and roles and responsibilities of employees.
- 2.8.2 Establish the department responsible for compliance with laws and regulations. The department shall perform its duties independently from the bank's management. There should be a good practice in allocating human resources and other resources for that department appropriately and sufficiently.
- 2.8.3 Provide the supervision to regularly verify the compliance with laws, regulations of the related government agencies, policies and regulations of the bank by managing and finding solutions and protective measures under the framework of laws, principles, good governance, policies and procedures of the bank.
- 2.8.4 Enforce a disciplinary action against those who do not comply with laws and regulations appropriately by considering the effect and nature of offenses and ensure the fairness to all parties without discriminations.
- 2.8.5 Provide communication channels for whistleblowing or reporting suspicions about honesty or any action that does not comply to the related laws and regulations.

2.9 Trade Competition and Dispute Resolution

To ensure that the bank's operation has been performed efficiently and sustainably, the bank shall proceed as follows;

- 2.9.1 The bank shall operate its business freely and compete fairly without making agreements among banks to determine the purchase price, selling price, or terms of service that are unfair to customers.
- 2.9.2 The bank shall offer beneficial and valuable products and services to customers and customers shall select products and services freely and shall not be obstructed when they change their mind to use other bank's services.
- 2.9.3 The bank shall not attack its competitors or perform any action that is considered a monopoly or reduces competition or restricts competition in the market.
- 2.9.4 In case of dispute, the bank will provide the appropriate process to settle or mediate a dispute.

2.10 Society and Environment

The bank adheres to operate its business by considering the responsibility to society and environment and carefully operates any action that may affect the public sentiment and inspires employees to have awareness and sense of environmental responsibility.

Section 3 Code of Ethics for Directors

Since the Board of Directors plays an important role in leading the bank to success by determining policies and directing the employees' behaviors to the right directions, consequently, under the Code of Conduct and Ethics, the Board of Directors serve as a good role model for the executives and all levels of employees.

3. The Directors' Code of Ethics consists of 3 areas as follows:

3.1 Business Management

- 3.1.1 Supervise the bank to operate its business without security risks.
- 3.1.2 Perform the duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the bank has been taken into consideration and to ensure that decision-making process and any actions taken are practiced without discriminations or abstentions by upholding the principle of equality.
- 3.1.3 Perform the duties professionally with knowledge, skills, determination and caution, and apply the existing knowledge and skills to manage duties for the bank to the fullest.
- 3.1.4 Refrain from seeking personal and related persons' interests by disclosing or exploiting internal information which has not yet been disclosed to the public, or doing any act that may constitute conflicts of interest both intentionally and unintentionally with a third party. Information gained from their positions is not used for the personal benefits and other person's interests financially.
- 3.1.5 Supervise the bank's operations to be in compliance with related laws, regulations and the government's policies, and ensure that no facts are concealed and the information is reported accurately, completely, timely and regularly.
- 3.1.6 Perform the duties according to the laws and regulations relating to the business operations.

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

- 3.2.1 Directors have responsibilities to shareholders such as disclosing the information, accounting practices, use of internal information and conflicts of interest.
- 3.2.2 Protect customers' interests, pay attention and take responsibility to them, including providing them with good quality products as well as keeping products' standards
- 3.2.3 Behave within the rules of good competition by refraining from tarnishing the reputation of competitors and do not seek their information dishonestly and unfairly.
- 3.2.4 Supervise to ensure equal employment opportunities and establish other employee-related principles to build confidence that they have the knowledge and skills necessary for the operations.

3.3 Social and Environmental Responsibilities

- 3.3.1 Operates the business with the responsibilities to society and environment.
- 3.3.2 Take precautions and pay attention to any operations that may affect the public.
- 3.3.3 Promote environmental awareness and responsibility.

Section 4 Code of Ethics for Employees

4. Code of Ethics for Employees consists of 4 areas as follows:

4.1 Integrity

Integrity is a fundamental qualification of employees and executives at all levels of the bank. The employees and executives at all levels have opportunities to provide gains or incur damages to customers, colleagues, shareholders, financial systems and the whole society. As a consequence, in order to win trust and credibility among the customers, shareholders and regulators, all employees and all executives must be honest, mentally strong and ethical and perform their duties with justice. They may not succumb to bribery or personal gains and have to act in the best interests of customers and public as whole.

A. Code of Conducts for Bank's Supervisors and Executives

- 1. Understand the importance of Code of Ethics for Financial Professionals that they have to adhere to honesty as their first priority.
- 2. Be a coordinator who passes on the policies of the government agencies and shareholders to related parties to understand and put them into practices.
- 3. Be a leader who is a good role model.
- 4. Encourage and support employees to realize the importance and virtue of performing duties honestly and fairly by providing them the related knowledge and understanding as well as praises and/or rewards to executives and employees who work with honesty, sincerity and morality.
- 5. Build trust, reliability and satisfaction to customers by pointing out disadvantages, inaccuracy and impact arising from giving bribes, rewards or other undue benefits to employees and executives.

B. Code of Conducts for Employees

1. Understand that honesty is the foundation for building trust and confidence among customers as to achieve the success in operating business and to develop a higher ethics.
2. Perform duties with honesty and protect the bank's benefits as their own business.
3. Provide services to customers with a purpose to maximize their benefits on the basis of honesty and legitimacy.
4. Shall not pay attention to personal interests over responsibility to the bank and shall not seek benefits or embezzle the assets that should belong to the bank or its customers.
5. Shall not disclose the information about customer's projects to another person or shall not run a business as the competitor of the customer.
6. Shall be honest with the customers and shall not use the customer's trust to seek personal benefits.
7. Avoid receiving valuable things or gifts but in case of unavoidable situation, the employee shall receive them for the bank as a service provider and shall not hold it for personal benefit.
8. Shall not exploit his/her position for personal benefits and shall not allow another person to seek benefits from his/her own name or position.
9. Shall not solicit for any other assets from customers, except expenses and fees charged by the bank.
10. Approve loan in line with the scope of authority delegated and uphold the bank's regulations.
11. Give priority to the supervision and follow up of the loan agreement to comply with the agreement and shall not conceal the problem when it arises.
12. Analyze loan under trusted data with prudence and shall not report false statements
13. Analyze loan with the concept of equality and without bias by realizing that the bank's business and customer's business depend on each other and have mutual benefits
14. Shall not give hope or pledge to customers with regard to the particular subject that he/she has no authority delegated.
15. Attempt to resolve customers' problems and be ready to assist as much as possible if the case is not contrary to the bank's benefits and it shall not cause any damage to the bank.
16. When receiving money from customers to pay to the bank, he/she shall submit and deliver the receipt to the customer promptly.

4.2 Confidentiality

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

- Financial information, account, name and address of customers
- 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 confidential information of the bank is very important in financial and banking business of which businesses are closely linked. To some extent, by the nature of the business, the employees are privy to the confidential information of customers, which, if disclosed, can cause some damages to the customers or other parties. Therefore, a guideline has been laid down to protect the reputation and avoid any damage to the bank, its customers, and public.

A. Code of Conducts for Supervisors and Executives

1. Receive guidelines and regulations from the coordination unit to apply to the bank's guidelines and policies by setting as the bank's practices.
2. The supervisor shall create the bank's environment to support the protection of confidential information.
3. Set up the department responsible for controlling employees' operations to be in accordance with the regulations of keeping the confidential information.
4. When all employees realize such practices, supervisors and executives are responsible to advise them in case of any interruption, including paying attention to their opinions and suggestions. Consequently, supervisors and executives will use their feedbacks to adjust the bank's practices to suit its operations.

B. Code of Conducts for Employees

1. Keeping the confidentiality of the bank and its customers is a fundamental principle of business. The employees shall maintain customer confidentiality and they shall not disclose the bank's information that have not yet been disclosed to the public, except when getting permission from the customer or in accordance with the laws or getting permission from top executives.
2. The employees shall not use the information obtained or has been prepared by their assigned duties to seek personal benefits or other persons' benefits.
3. The employees shall be aware of the defined procedures. In case of any obstacles or opinions and suggestions, the employees shall consult with the supervisors and executives to adjust the procedures to suit the bank's operations.

4. The employees shall keep the confidentiality of the customers' information strictly and shall not exploit customers' information for their own benefits.
5. In some cases, the employees shall not disclose customers' information to other employees or other departments because it may lead to conflicts of interest.
6. The employees who are responsible for the personal information of all employees such as salary and benefits are able to disclose the information to the internal and external persons when necessary with carefulness and it must be strictly confidential.
7. The employees shall not take personal matters or the customers' information and colleagues' information to criticize in a negative way.

C. Exceptions

The bank may disclose confidential information in some cases as follows:

- When required by laws such as court writ
- As a social responsibility and obligation
- As per a special request and a written consent from customers is required

4.3 Professional Ethics

To create an awareness of the executives and employees regarding working under the proper framework of procedures by considering the principles of morality, ethics and justice that will result in a positive image of the bank.

A. Code of Conducts for Supervisors and Executives

1. Set a guideline or work manuals concisely and clearly as the standards in operating business consistent with ethics, ethics and justice.
2. Supervise the operations of employees under supervision and / or in departments related to their duties to comply with the bank's guidelines.
3. Executives shall place themselves and act as role models to employees at all levels.
4. Executives shall develop their employees to have knowledge and expertise in products and services for maximum benefits of customers.
5. Shall not induce customers to use the bank's products or services through fraudulent propaganda or information that exaggerates facts which will lead to the misunderstanding among customers.

B. Code of Conducts for Employees

1. Have a good attitude and loyalty to the bank.
2. Perform duties with the best knowledge and abilities efficiently under the standards of their duties attentively and responsibly.
3. Provide the important information to customers in regard to their benefits, terms and conditions based on the fact completely and clearly.

4. Avoid inappropriate behaviors, such as temptation, drug, all types of gambling, insolvency and immorality, which may have a negative effect on his/her own image and the bank.
5. Always treat all customers with equality, honesty and good manners.
6. Cooperate and promote activities that will generate mutual understanding at all levels.
7. Follow laws, regulations and standards related to the bank's business strictly.
8. Provide customers' information adequately for using in performing duties and service customers efficiently.
9. Manage the business efficiently with a stable of financial status to ensure that it will not cause any damage to customers and the public.
10. Compete with peers or other companies under the defined rules and regulations without blaming and defaming others.
11. Behave properly in public on behalf of the bank.

4.4 Service to Community

The bank's business operations is not only limited to related associates, industries, companies and customers, but the bank acts as a person and a juristic person in the society of the country, possessing financial profession and realizes and is aware of social benefits in both business operations or individual.

A. Code of Conducts for Supervisors and Executives

1. Receive guidelines and regulations from coordinating departments or control of business ethics to use as guidelines for setting the bank's policies to suit the environment of the bank.
2. The executives shall behave as a good model and encourage the members of the bank to realize the importance of social activities.
3. Specify the purposes of the business to benefit society and be aware to not operate any business that can cause damages to society.
4. Support and follow the government policies and cooperate in the government's activities.

B. Code of Conducts for Employees

1. Comply with policies or regulations according to the scope of social practices defined by the bank strictly.
2. Participate in social and community activities by cooperating and supporting suitable for their status and opportunity.
3. Preserve the nation's arts and culture.
4. Shall not cooperate or support any operations that lead to damages on environment and society.

5. Shall not cooperate or support any operations which aim to endanger morality or to promote vigil.

Whistleblower Policy

The bank has determined the whistleblower policy to ensure effectiveness and provided the procedure and channels for receiving and managing the complaints. Moreover, the bank will also protect the whistleblowers from any impacts or damages. The practical guidelines are as follows:

1. Whistleblowing / complaints of fraud and corruption

- The employees shall not ignore or neglect when they found the operations that are in conflict with the bank's regulations and orders or any act of suspected corruption which is related to the bank. The employees shall inform suspected acts through the channels set by the bank. If employees feel reluctant to inform such acts based on their own consideration, they may consult with their supervisors or inquire the head of Compliance.

- The employees must collaborate with any investigation process and provide the facts of any cases of corruption which they have seen.

2. Issues for whistleblowing / complaints about corruption include;

- Misuse of authority to seek any benefits for individuals, family, friends and acquaintances such as giving or taking bribes or benefits, conflicts of interests, deception, violation of the bank's regulations and policies.

- Discovering evidence of the destruction of documents, distortion or concealment of information in order to support corruption.

- Discovering any act that may be suspected corruption or situation/ information that may be within the scope of the referred act.

- Receive the impacts from giving the corruption clues or providing information or collaborating in investigation process or refusing to involve in corruption such as being bullied at work, downgraded, penalized, dismissed from work or other impacts that harm the whistleblower.

In addition, complaints related to problems and/or disputes between individuals or anonymous complaints are not counted as whistleblowing / complaints about corruptions.

3. Channels for whistleblowing / complaints of fraud and corruption

Witnesses of suspected corruptions or victims of the impacts from refusing to engage in corruptions can raise any concerns/ lodge any complaints with or without name given together with defining the facts or providing obvious and sufficient evidence through the Chairman of the Corporate Governance Committee.

4. Protection for whistleblowing and persons refusing to engage in corrupt practices

The bank has set a protection mechanism for persons who collaborate with the bank for anti-corruption which includes whistleblowing, providing information, and refusing to engage in corruption, to ensure that all acts hold harmless to the informants.

1. The bank will protect the persons who collaborate with the bank for whistleblowing or refusing to engage in corruption from any trouble, danger or unfair treatment arising from the collaboration of anti-corruption whistleblowing.

2. The bank will not demote, impose penalties, or give any negative impact on staff or executives who reject corruption even if that act might cause the loss to the bank's business opportunity.

3. In case the whistleblowers/ complainants found to be at risk, they can request for appropriate protective measures from the bank.

4. To protect the rights of complainants supplying information in good faith, the bank will keep their personal information confidential by limiting information only among the investigation team. If it is found that such information is misused and disclosed inappropriately, it will be considered as a violation and subject to disciplinary actions.

5. In case, the employees or the executives are found guilty of unfair treatments or causing damages to others which is motivated by the fact that others have reported/ complained or refused to involve in corruption, this is subject to disciplinary actions.

Channels and Complaints

The bank has provided various channels for both external and internal stakeholders to whistleblow any clues of corruptions and report any corruption. Then, the working group will screen and consider the facts of misconduct or corruption case and report the progress and results to the President and the Corporate Governance Committee.

Complaints via the independent directors

The bank has channels for shareholders, investors, customers, and public can lodge a complaint via 4 independent directors of the bank as follows:

Mr. Phairoj Hengsakul	Chairman of the Audit committee
Tel. 08 1990 7448	
Email: phairojh@lhbanks.co.th	

Mr. Pradit Sawattananond	Member of the Audit committee
Tel. 08 1868 1487	
Email: pradits@lhbanks.co.th	

Dr. Supriya Kuandechakupt	Member of the Audit Committee
Tel. 08 5901 5888	
Email: supriyak@lhbanks.co.th	

Mr. Somsak Assavapokee	Member of the Audit Committee
Tel. 08 5485 4269	
Email: somsaka@lhbanks.co.th	

Bank's website www.lhbanks.co.th

Bank's email address presidentoffice@lhbanks.co.th

3. Disclosure of policy compliance and reporting for sustainable business development

The bank has a policy for corporate social responsibility (CSR) for sustainable business development by applying the business ethics together with good corporate governance and placing CSR as the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It also reinforces the executives and staff at all levels to participate and volunteer to build awareness of social responsibility. Besides, it also lays a strong foundation for sustainable development which leads to sustainability of social and national development.

Social Responsibility for Sustainable Business Development Policy

The bank realizes that the business operation under the social responsibility can lead to business sustainability by focusing on taking care of the stakeholders, economy, society and environment with morality and ethics as well as corporate governance. The business operations must be conducted with honesty, transparency and fairness with the awareness of negative impact on the economy, society and environment. The bank regulates the policy of social responsibilities for sustainable business development in written form following the guideline of Corporate Social Responsibility Institute, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand. The bank formulates the policy and practical guideline 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 what directions business organizations are heading to, people in the society always contribute some support. The policy and practical guideline will lead staff in the organization to operate perform social responsibility through CSR-in-process and CSR-after-process. Executives and all employees are encouraged to participate and volunteer by in CSR activities.

The policy on social responsibilities for sustainable business development consists of the principles and practical guidelines so that the directors, executives and all employees can conform to the following 9 areas:

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

- Disclosure for Policy Compliance and Reporting Social Responsibility

The bank discloses the practice following the policy of social responsibility in the annual report and on the bank’s website, including the participation of employees in conformity to the policy and creating the awareness of social responsibility.

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

The bank values treatment towards stakeholders, employees, communities and surrounding societies with fairness, equality, respect and dignity. Furthermore, to build good relationships, no violations of basic rights should occur and any operation possibly affect public feelings should be carefully conducted. This is considered the root of human resource management and development.

The bank is aware of fair treatments of employees, ensures that employees receive remunerations and benefits appropriately, empowers staff for their future careers and encourages the participation of employees as well as opens various channels to receive complaints and reports inappropriate actions of employees. Staff members are able to voice their opinions, report or lodge complaints or concerned issues which are considered unfair, corruptive or misconducted through supervisors or other channels. The bank has regulated steps for receiving complaints and carrying out an independent investigation and making a decision based on the results with remedies underlined by human rights. Staff members are encouraged to share opinions when discovering actions that might violate human rights. This will be useful for identifying problems and finding solutions for such issue.

In addition, the bank supports and respects all kinds of protection of human dignity and does not engage in forced labor and child labor which affect the confidence of external stakeholders.

Occupational Health and Safety Policy in Workplace

The bank has determined the occupational health and safety policy for the workplace and established the Safety Healthy Environment committee (SHE) in order to achieve the policy.

5. Reinforcement of Fair Treatments for Stakeholders

Fair Treatments for Employees

The bank provided appropriate remunerations, benefits and provident funds for good quality of life of the employees.

Fair Treatments of Trade Partners, Competitors and Creditors

The bank has encouraged treating the trade partners, trade competitors and creditors fairly in both costs and compensations. For example, the bank manages its procurements by determining adequate delivery period, fair trade agreements and do not involve in any activities that are the violations of property and intellectual property infringements including payments for usage or acquisition of properties fairly and timely.

Principle 6: Strengthen effective risk management and internal control

1. Internal Control and Internal Audit

The Board of Directors encourages and pays attention to internal control activities in 5 areas to ensure that the bank has adequate and appropriate internal control system which will achieve the established objectives of business operations under good compliance and good internal control including:

- Environment
- Internal control in the organization
- Risk assessment
- Information technology system control and communication activities
- Monitoring and evaluating

2. Risk Management

The Board of Directors pays attention to risk management across the organization and monitor the financial business group to have the risk governance framework and risk culture. The Board of Directors set up provide the risk management policy and the risk management procedure which consists of risk identification, risk assessment, risk monitoring and controls and risk reporting, as well as regular review for the adequacy of risk management and the effectiveness of risk management.

3. Compliance with Regulations

The Board of Directors, executives and employees of the companies in the financial business group have complied with related laws, regulations and rules to ensure that the business operations are performed with responsibilities, transparency, equal treatments of stakeholders, management with honesty and supervision over compliance with regulations. The companies operate their duties in line with the supervisory regulations, provide the regulations to control related transactions, report the performances, manage the business according to the good corporate governance principles, store their information and book the accounts according to the financial reporting standards.

Head of Compliance

The bank has appointed Mr. Weeravej Sirichatchai, Executive Vice President, Compliance Group of LH Financial Group Public Company Limited as the Head of Compliance since July 2, 2018 with duties and responsibilities as follows:

1. Compliance tasks
2. Information technology compliance tasks
3. AML/CFT compliance

Profile of the Head of Compliance

Name	Mr. Weeravej Sirichatchai
Position	Executive Vice President, Compliance Group
Age (Years)	47
Education	- Master of Laws (LL.M.), University of Illinois, Urbana-Champaign, USA - Graduate Diploma in Business Law, Thammasat University - Bachelor of Laws, Thammasat University
Training	- Practical Knowledge for Compliance on Securities Business - Regulatory Compliance and Law Enforcement on Money Market and Capital Market - Compliance Certificate on Debt Instruments - AML/CFT Basic Knowledge (AML computer-based training) - Compliance Officer, Chulalongkorn University and the Thai Bankers' Association - IT Risk Management Implementation Guideline and Sa-IT Examination Guideline - Thailand Data Protection Guideline (TDPG 2.0)

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug.2019 - Present	Executive Vice President, Compliance Group	LH Financial Group PLC
Jul. 2018 - Present	Secretary to the Corporate Governance Committee	
2013 - 2018	SVP, Consolidated Supervision & Foreign Banking Regulations Division	The Siam Commercial Bank PLC
2012 - 2013	FVP, Head of Legal Department	
2010 - 2012	FVP, Head of Compliance Department	
2008 - 2009	FVP, Head of Compliance Department	
2008 - 2008	VP, Head of Compliance Department	Kasikorn Bank PLC

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

Period	Position	Organization/Company
Jul. 2018 - Present	Secretary to the Corporate Governance Committee	Land and Houses Bank PLC
Jul. 2018 – Aug. 2019	Executive Vice President, Compliance Group Head of Compliance and Secretary of the Corporate Governance Committee	

Duties and Responsibilities of Compliance, Information Technology Compliance, AML/CFT

Compliance

Compliance Tasks

- To be a center of government rules and regulations regarding commercial bank business.
- To oversee, monitor and control operations of the bank in compliance with the Financial Institutions Businesses Act, B.E. 2551 (2008), the Securities and Exchange Act, B.E. 2535 (1992) and the amendments as well as government requirements on commercial bank business.
- To regularly provide knowledge and training regarding relevant laws and government rules and regulations for all employees.
- To evaluate appropriateness of processes and practices concerning compliance and release of new products or new line of businesses.
- To randomly review operations of various departments in the organization to align with monitoring and control basis and follow up on identified defects and suggest approaches for improvements to the management team and the Corporate Governance Committee.
- To submit the annual compliance report to the Bank of Thailand and the Office of Securities and Exchange Commission as well as other regulators as specified by the regulatory requirements.
- To accelerate, follow up and clarify corrections on complaints obtained from government organizations such as the Bank of Thailand and the Office of Securities and Exchange Commission, etc.

Information Technology Compliance Tasks

- To be a data center for Foreign Account Tax Compliance Act (FATCA) and related IT technology by setting up supervision guidelines or rules and regulations and work process to ensure compliance with applicable laws, policies, rules, manuals and procedures and randomly review, control and monitor the compliance and identified defects as well as propose any solution to the management team and the Corporate Governance Committee.

- Request for permission, waiver and discussion, and inform Information Technology and FATCA, by acting as the center between the bank and regulators.
- Monitor the use of IT outsourcing services, by acting as a supervisor in alerting relevant units that use IT outsourcing services to renew the contract in accordance with the stipulated terms / agreements.
- Ensure the review of policies, regulations relating to IT and FATCA by acting as a supervisor in alerting relevant units to review them in accordance with the period specified by the compliance unit.
- Prepare and submit the annual report to the Bank of Thailand and the Office of Securities and Exchange Commission.

AML/CFT Compliance Tasks

- Supervise operations in accordance with FATF regarding the Anti-Money Laundering and Combating the Financing of Terrorism: AML / CFT to align with laws, policies, regulations, manuals, and procedures that are relevant, be the official information center in the said field, evaluate the implementation of relevant policies, regulations, manuals and procedures as well as report to the supervisor according to hierarchy.
- To randomly review the operations concerning AML/CFT according to the principles of control and monitor, identify defects and propose solution solution to the management team and the Corporate Governance Committee.
- To inspect financial transactions according to the letters and official orders and courts.
- To develop electronic data transmission system based on the orders of government organizations under the applicable laws such as Financial Information System (FIS) of the Office of the National Anti-Corruption Commission (NACC), FinXML of the Department of Special Investigation (DSI) and AMFICS of the Anti-Money Laundering Office (AMLO), etc.
- To prepare and develop database system for inspection according to the official orders such as data of specified persons and persons having high risk of money laundering obtained from AMLO.
- To regularly provide knowledge and trainings for staff in all levels regarding compliance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the amendments, the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments as well as relevant government rules and regulations.
- To identify risks and risk management for clients/products/services/service channels and risk geography in accordance with the Anti-Money Laundering Act, B.E. 2542 (1999) and the Counter-Terrorism Financing Act, B.E. 2556 (2013) and the amendments.
- To prepare and propose the annual report to the Bank of Thailand and the Office of Securities and Exchange Commission.
- To develop compliance data and systems concerning information system, AML/CFT in conformity with relevant international standards.

The number of employees in the Compliance Group, Information Technology Compliance Office and AML/CFT Compliance Office as of December 31, 2019

The number of employees in the Compliance Group, the Information Technology Compliance Office and AML/CFT Compliance Office totaled 22 persons consisting of 9 in the Compliance Group, 5 in the Information Technology Compliance Office and 8 in the AML/CFT Compliance Office.

4. Prevention of Conflicts of Interest

The Board of Directors is aware of any transactions with conflicts of interest, connected transactions or inappropriate connected transactions for which pricing and conditions should be determined similarly to those with external parties. In addition, the disclosure of information shall conform to regulations, rules and laws.

Conflicts of Interest Policy

The Board of Directors realizes the importance of building trust and credibility in business operations and benefits of shareholders and all groups of stakeholders, protecting them from damages that may affect the reputation and image of the bank. The bank has determined the conflicts of interest policy with the following principles and guidelines:

Conflicts of Interest Principle

1. The transactions of the bank shall avoid the conflicts of interests deliberately and reasonably. Moreover, the transaction should be conducted independently under the good ethical framework for benefits of the bank, shareholders and all groups of stakeholders. Therefore, the directors or executives who may have benefits related to the bank's transaction shall not be permitted to consider and approve such transaction.
2. To conduct any transactions between the bank and companies within the solo consolidation, or any transactions among the companies within the financial business group in conformity with the same rules and conditions applied to other persons in the normal course of business at a similar level of risk otherwise transactions must be approved by the Board of Directors and align with policy, regulations and related laws.
3. The related party's transactions, transactions connected to related parties and an information disclosure shall be in line with rules, regulations and laws.
4. The directors, executives and employees shall follow the internal use of information policy strictly.
5. The directors, executives and employees shall accurately and adequately disclose the information about the transactions with the bank or with companies within financial business group for the benefit in making decisions, considering and approving the bank's transactions or the transactions of companies within in the financial business group.
6. Trading of the securities must be in accordance with the rules and regulations of securities trading for directors and employees.

The Practical Guidelines for Conflicts of Interest Prevention

The bank pays attention to prevent the conflicts of interest with the guidelines as follows:

1. To determine the working process and the measures to prevent the conflicts of interest as the following criteria.
 - Treat all customers with fairness for best benefits such as not making transactions for any particular customer or contractor more often than necessary (churning).

- Prevent any unlawful usage of information or any illicit opportunities arisen from the use of service (Need to know basic).
- Separate the departments and the employees that may have the conflicts of interest or separate the working space (Chinese wall) such as Private Banking Department and Bank Operation Department.
- Determine the rules for prevention for any behavior that may have conflicts of interest.

2. To determine the measures for monitoring, controlling and auditing the operation in order to comply with the measures and the working process of the bank.

3. To regularly review the appropriateness of measures and the working process, at least to review immediately after any impactful incident occurred and to report such review as specified by the bank.

- The Board of Directors has regulated that the bank transactions shall eliminate conflicts of interest and be independent under business ethics for the benefit of the bank, shareholder and all stakeholder groups. The directors and executives are required to disclose information related to transactions with the bank correctly and sufficiently for decision making and approval of the bank's transactions.

- The bank has disclosed the details of the transactions that may cause conflicts of interest or the connected transactions according to the regulations of the Securities and Exchange Commission and Capital Market Supervisory Board, in the annual report. This also includes the disclosures of related transactions in the notes to the financial statements.

- The directors must immediately inform the bank when having the conflicts of interest both directly and indirectly in any contracts of the bank or any doubt for conflicts of interest.

- At the meeting of the Board of Directors or the shareholders' meeting, the bank has determined that the Board of Directors, executives, or shareholders with the stake holding in any agenda shall reveal the information about their stakes and related persons to the meeting. They have no rights to vote in such agenda in order to allow the meeting to consider the transaction with the possible conflicts of interest and make the decision for the bank's benefits, and also cannot attend to consider such agenda.

- Any director or person who may have the stakes or the conflicts of interest shall not consider and not have the authority to approve the operations of the bank and also cannot cast their vote for such agenda as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand and the interest shall be recorded in the resolution of such agenda.

- Directors are responsible for reporting the securities trading and changes in their securities holding to the Board of Directors.

- The Board of Directors is aware of the transactions with conflicts of interest, connected transactions or inappropriate connected transactions for which pricing and conditions should be determined similarly to those with external parties. In addition, the disclosure of information shall conform to regulations, rules and laws.

Anti-corruption Policy

The bank is determined to operate its business in line with law, honesty, moral principles and in compliance with good corporate governance, code of conduct and business ethics, as defined in organizational values (PRO-ACTIVE). The bank also aims to perform business together with social responsibility by following business ethics and good corporate governance. The bank's operations focus on the cooperation of staff with volunteer spirit to consistently instill the awareness of social responsibility awareness among all levels of staff; therefore, the anti-corruption policy has been regulated including using the Thai Private Sector Collective Action Coalition Against Corruption (CAC) guidelines for operations. The principles and procedures are as follows:

Practical Guidelines

1. The bank requires the bank's directors, executives, and all level of employees to be aware of the following forms of corruption:

1.1 Gifts, Presents, Receptions and Benefits

Do not give or receive gifts, presents including other benefits that motivate to perform or not perform the duties honestly or may encourage the consent in inappropriate business agreement. It is required to follow the regulations in the code of conduct and business ethics, the code of ethics for directors and the code of ethics for employees in all levels.

1.2 Bribes and Incentives

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

1.3 Charitable Donations and Financial Support

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

1.4 Activities and Political Participation

The bank shall not invest money or bank's resources to support any political candidate or political party or for any political campaign or movement. Except support that is legally approved and promotes overall democracy and approval from the Board of Directors before implementation in needed.

2. All directors and executives must be good models and honest to perform the duties, follow the anti-corruption policy seriously, consistently and promote it to be part of the organizational culture.

3. All directors, executives and employees shall not ignore or be inactive when seeing any actions that are subject to corruption related to the bank. They must report such incidents to supervisors or responsible persons and they must collaborate with the investigation process. Channels for voicing complaints from external persons are also provided as detailed in whistleblower policy set by the bank.

4. The bank ensures fairness and protection for those who refuse to engage in corrupt deeds, for those who report information about bank-related corruption to their supervisors, and for whistleblowers, even such act might cause the loss to the bank's business opportunity. The bank will not demote, impose penalties, or give any negative impact on staff who reject corruption, conversely, whistleblowers will be admired.

5. The bank provides business supervision and operations under good internal control, systematically assesses significant risks at least once a year, delegates different responsibilities appropriately, installs sufficient and reliable information system, and frequently monitors and assesses the internal control.

6. The bank pays attention to the human resources management so that personals can perform their responsibilities with efficiency and effectiveness. It regularly provides communication, knowledge, and trainings about the prevention of corruption and practical guidelines to promote understanding and concrete practice.

7. The bank provides the channels to receive the notifications, suggestions and complaints to the Board of Directors by assigned an independent department auditing the adequacy and the appropriateness of facts to ensure the complaints have been treated with transparency and fairness and ensure whistleblowers receive protection and fairness.

8. The bank has published the anti-corruption policy through internal and external media such as the bank's intranet and the bank's website as well as in annual reports. This policy is under Thailand's anti-corruption law.

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

10. In case employees break the rules and regulations by performing corrupt actions, it will be considered as an act of indiscipline. He or she must face a penalty which is considered as per the regulations that bank has set. If the actions break the laws, he or she must be under investigation and legal penalty.

Principle 7: Ensure Disclosure and Financial Integrity

The Board of Directors oversees and pays attention to the disclosure of its important Information both financial and non-financial to be completed, timely, transparent, easily accessible, equal and credible.

1. Disclosure of Financial Information and Non-financial Information

- The bank has disclosed important information to the shareholders, investors and public with transparency, accuracy, completeness, timeliness and accountability in compliance with the related laws and regulations in both Thai and English versions via various channels which are convenient to access, easy to search, equal and reliable as follows:

1. The bank's website (www.lhbank.co.th) where information is available in 2 languages: Thai and English
2. IR/ PR news of the bank
3. Analyst meeting
4. Press conferences
5. Send the Notice to shareholders by post
6. Newspapers' announcement

- The Board of Directors places the emphasis on the quality of financial statements and adequacy of disclosed important information. The disclosures were in line with regulations of the Bank of Thailand, the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Financial Reporting Standards. The financial statements were reviewed / audited by the certified public accountants and endorsed by the Audit Committee and the Board of Directors before disclosure.

In addition, the bank has disclosed unaudited quarterly financial statements in the notes to financial statements, MD&A on a quarterly basis and Capital Requirement Disclosure (Pillar 3 Report) of the financial business group for investors to acknowledge information and the change of financial position and operation result which could be beneficial for the shareholders, investors and general public.

- The Board of Directors provided the report on its responsibilities for financial statements and financial information which show together with the auditor's report in the annual report. The bank's financial statements comply with the Financial Reporting Standards and appropriate policies are regularly implemented.

- The bank published the 2019 annual report within 120 days from the end of the fiscal year through the bank's website on March 11, 2019.

The bank has the channels of information and contact at:

Address : 1 Q. House Lumpini Building, 5th Floor, South Sathorn Rd.,
Thungmahamek, Sathorn, Bangkok 10120

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

Fax : 0 2677 7223

Email : presidentoffice@lhbank.co.th

Website : www.lhbank.co.th

- The bank discloses the shareholding structure and shareholding information of directors and executives, including both direct shareholding and indirect shareholding by a spouse and children under legal age in the annual report.

- The bank has assigned the department which is responsible for disclosing information, receiving requests, coordinating for information provision and building good relationships between the bank and shareholders, investors, analysts, and other related organizations.

- On the basis of fairness, the bank discloses several reports which are easy to understand by providing explanations of the annual performance and major events for shareholders to acknowledge and assesses the adequacy of internal control.

- The Board of Directors has assigned the Audit Committee to review the financial report of the bank to ensure that they follow the financial reporting standards and are disclosed the information adequately.

- The bank has disclosed the reports of the Audit Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee, and the reports from the certified public auditors in the annual report. The name lists and authorities of the Board of Directors and sub-committees, total number of meetings, total number of attendance of individual director, remuneration and profiles of directors and executive and the bank's information are also disclosed in the annual report and on the bank's website.

- The bank informs meeting details and documents of the shareholders' meetings in Thai and English to investors through its main website in advance so that shareholders are able to study the information sufficiently beforehand. Besides, the bank announces the meeting notification on newspapers for 3 consecutive days and at least 3 days before the meeting date. Each meeting agenda items is clearly stated whether it is for acknowledgment, approval or consideration, and the Board of Directors' opinions for each agenda item are also included.

2. Investor Relations Function

• The bank assigns the company secretary to be responsible for investor relations, publicizing the financial and general information of the organization to the shareholders, investors, securities analysts, and related supervising bodies via different channels such as the Stock Exchange of Thailand, the Securities and Exchange Commission and the bank's website under the topic of "Investor Relations" in order that interested persons can study the information conveniently. Moreover, the activities are held for publicizing and explaining the information as well as opening the chance for participants to make the inquiries the top executives with transparency. In the year 2019, the bank has provided investors with relation activities as follows:

1. To arrange one analyst meeting with approximately 30 analysts attended the meeting.
2. To arrange one press conference with approximately 40-45 mass media attended.



3. To send information to media, interview top executives for several times.

3. The Appointment of Auditor and Determination of Audit Fee

Concerning the appointment of auditor and determination of audit fee of each year, the Audit Committee takes into account the qualifications and performance of the auditors, proposes to the Board of Directors to further submit the proposal to the shareholders' meeting for approval. The audit firms to be appointed as the bank's auditor shall be consented by the Bank of Thailand and disclosed in the annual report.

According to the bank's policy, all companies under the LH Financial Group public Company Limited financial business group shall have the same auditor which currently is EY Office Limited.

The bank paid for the remuneration of the auditor and other inspection expenses to EY Office Limited as follows:

1. The Remuneration of Auditors

Table: Remuneration of auditors in 2019 and 2018

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount (Baht)	Rate (%)
1. Review Fee				
• The First Quarter as at 31 st March	725,000	700,000	25,000	3.57
• The Third Quarter as at 30 th September	725,000	700,000	25,000	3.57
2. Review Fee				
• For the 6-month period ended 30 th June	1,600,000	1,500,000	100,000	6.67
• For the year ended 31 st December	1,600,000	1,500,000	100,000	6.67
Total	4,650,000 ⁽¹⁾	4,400,000 ⁽¹⁾	250,000	5.68
3. The Audit of TFRS9⁽²⁾ Impairment	500,000	500,000	-	-

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2019	2018	Amount (Baht)	Rate (%)
4. Other Audit Fees				
• Electronic funds transfer service assessments	-	200,000	(200,000)	100.00
• LCR disclosure auditing (twice a year)	-	300,000	(300,000)	100.00
Total	5,150,000	5,400,000	(250,000)	(4.63)
<u>Note</u> ⁽¹⁾ The audit fee excluding the fee from employees' benefits reviewed by actuarial expert testimony which will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year. And it has included fee from reviewing and auditing to be reported to the CTBC's auditors. ⁽²⁾ Since the Federation of Accounting Professions of Thailand has postponed the enforcement of the standard from January 1, 2019 to become effective on January 1, 2020, therefore, an audit fee of 500,000 baht was not charged from the assessment of TFRS9 impairment of this standard in 2018. This amount will be charged for the audit year 2019				

2.1.2 Other service fees

-None-

Principle 8: Ensure engagement and communication with shareholders

1. Rights of Shareholders

This means not to conduct any act of infringement or derogation of the rights of shareholders and all shareholders are encouraged to exercise their fundamental rights as regulated by law.

2. Protection of Shareholders Rights and Fair Treatment of Shareholders

- In recognition of the significance of the basic shareholders' rights, the bank preserves the rights and benefits of all groups of shareholders equally, and encourages them to exercise their rights, including institutional shareholders. The shareholders' basic legal rights include buying, selling or transferring shares; receiving their rightful portion of bank's profits, rights to receive the dividend, rights to appoint a proxy to attend the meeting and vote, rights to attend and vote for appointing or removing directors and determining the director's remuneration, appointing auditors and determining audit fees, rights to express an opinion and question in the shareholders' meeting and rights to obtain relevant and adequate information in time via easy accessible communication channels and in the appropriate time.
- The Boards of Directors have given the importance to the rights of all groups of stakeholders, whether they are internal stakeholders such as directors, executives and employees of the bank or external stakeholders such as all groups of shareholders, competitors, government agencies and other related agencies. The bank has a policy to conduct its business transparently with good corporate governance, including supporting the cooperation between the bank and its stakeholders for mutual benefits and to ensure that the stakeholders are well protected and treated.

- The Board of Directors has given the importance to disclose the bank's information and news with accuracy, completeness, timeliness and transparency. The information and news has been disclosed on the bank's website which is www.lhbank.co.th for all stakeholders in order for them to perceive the information. The website covers both Thai and English versions, can be easily accessed and shows the information about Financial Statement Report, management discussion and analysis, newsletters to the shareholders, activities for social aid, annual report, invitation letters for shareholders meeting, and the bank's activities.
- The bank also encourages shareholders to fully exercise their rights by providing them with convenient access to exercise their right to participate in the Annual General Meeting of shareholders and vote. In addition, the bank does not restrict the shareholders' attending and voting opportunities and the voting process has a hassle-free way such as providing relevant information via its website, setting up a dedicated company secretary function for direct communication with shareholders, and attendance in shareholders meetings.

3. Shareholders Meeting

- Before the Annual General Meeting of Shareholders, to encourage and support all groups of shareholders and institutional shareholders to place the importance on attending the meeting, the bank provides an invitation letter for shareholders to inform them of meeting schedule, agenda and supporting documents in both Thai and English which clearly specify whether the matters are for acknowledgement, approval or consideration including directors' opinions, facts and reasons of each agenda sufficient to make decisions. And such information is disclosed to public via SET Portal and the bank's website at www.lhbank.co.th 7 days prior to the shareholder's meeting day to allow the shareholders enough time to consider. In addition, the bank shall submit an invitation letter and supporting documents to the shareholders not less than 7 days before the shareholders meeting according to law. The bank promulgates in the daily Thai newspaper for 3 consecutive days at least 3 days prior to the meeting and the forwarded documents are the same information publicized including;
 1. Invitation letter including explanation and reasons for each agenda items and the Board of Directors' opinions.
 2. Annual report.
 3. Biographies of the directors who are proposed for re-election by the shareholders.
 4. Details of the shareholders' registration and document verification before the meeting, proxy, voting, and method of vote counting.
 5. Articles of Association of the bank, only part related to the shareholders meeting.
 6. Proxy form A, form B and form C
 7. Biographies of the independent directors to be a proxy on behalf of the shareholders to attend the meeting.
 8. Definition of independent directors
 9. Map of venue for the shareholders' meeting
 10. Annual report request form

- With regard to the shareholder meeting, in addition to the annual general meeting of shareholders which must be convened within 4 months of the date ending the accounting period, the Board of Directors may summon an Extraordinary General Meeting at such date, time and place as determined by the board. Besides, a shareholder or many shareholders who hold an aggregate number of shares not less than 10% of total paid-up shares capital may also request that the board of directors convene an Extraordinary General Meeting by listing the matter in a notice and submitting the reasons. And the Board of Directors must hold an Extraordinary General Meeting within 45 days from the date of receiving the notice.
- The bank also encourages and promotes all groups of shareholders and the institutional shareholders to attend the shareholders' meeting as the shareholders have right as the bank's owners appointed by the bank's board of directors to act on behalf and have right in making the decision on the significant changes of the bank.

At the Date of the Shareholders Meeting

- The bank conducts the shareholders' meeting in order to make the meeting fast and accurate, which starting from the process of preparation for the list of attendance, registration, processing voting results following each agenda and the summary report of the shareholders' meeting.
- On the date of the shareholders' meeting, the shareholders can register 1 hour before the meeting starts. The bank provides convenience for the shareholders prior to the meeting such as preparing place and staffs in order to run the registration smoothly and fast.

Meeting Attendance

- During the meeting, the shareholders can register to attend the meeting and can exercise their rights to vote in the agenda that is not yet voted.
- In the 2019 Annual General Meeting of Shareholders, the bank nominated 2 independent directors, the Chairman of the Audit Committee and member of the Audit Committee. The bank has sent the notice of AGM and attached Proxy Form B and Proxy Form C to the shareholders so 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 both Thai and English.
- In the 2019 Annual General Meeting of Shareholders, all directors attended the meetings.

4. Shareholders' Opportunity for Queries and Comments

- In the shareholders' meeting, the Chairman of the meeting shall allocate appropriate time and encourage equal opportunity for shareholders to express their opinions and raise their queries.

Conducting the Meeting and Voting

- **Before the meeting starts** the Chairman opens the meeting and welcomes the shareholders. The chairman will inform about the number and proportion of shareholders or proxies attending the meeting and will clarify the rules of voting rights of each agenda, voting process and vote counting.

- **Conducting the Meetings**

- The bank accommodates the shareholder's meeting by keeping the process correct following the related law and regulations and the good corporate governance principles.
- The bank has allocated the appropriate time. The meeting is conducted in accordance with the order of agenda as arranged in the notice of the meeting, unless the shareholders holding total number of shares not less than two-thirds of the total number of shareholders attending the meeting resolve to change the order of the agenda. In addition, the shareholders holding a total number of shares not less than one-thirds of the total number of paid-up shares may request that the meeting consider other matters in addition to those specified in the notice of the meeting.
- The 2019 Annual General Meeting of Shareholders was conducted according to the Articles of Association and arranged as identified in agenda, no changes in important information without prior notification to shareholders.

- **Voting Process**

- For each agenda, the shareholder who attended the meeting present in person or being represented by proxy is entitled to one vote per share, especially the agenda of appointing the directors to replace those retiring by rotation that the voting shall be one by one vote for the purpose of equitable treatment of the shareholders in the voting process, the bank shall utilize voting forms for all agenda. After the vote count is completed, voting results of each agenda will be announced to the meeting, by specifying the vote results as "Approved", "Disapproved", "Abstained" and "Voided Ballot".

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

- **After the Shareholders Meeting**

- The bank created the minutes of shareholders meeting in both Thai and English versions by recording the minutes of the meeting in its entirety, containing the important information such as name list of attending directors and absent directors, resolution of the meeting, result of votes in each agenda divided into "Approved", "Disapproved", "Abstained" and "Voided Ballot", queries and answers and opinions of the meeting.
- The bank submitted the annual report with the copy of balance sheet, profit and loss account, and the copy of the 2019 minutes of Annual General Meeting of Shareholders with authority signed for correctness to the registrar of Department of Business Development, Ministry of Commerce within the duration of 1 month from the date of shareholders' meeting and published the minutes of shareholders meeting on the bank's website on March 29, 2019.

6. Equitable Treatment of Shareholders

The bank ensures that the shareholder are treated and protected in their fundamental rights equally and fairly as well as the measures to prevent the conflicts of interest or the use of internal data for taking advantages for their own interests and other people dishonestly.

7. Protection of Rights of Minority Shareholders

- The Board of Directors is aware of the rights and equitability of the shareholders and treats all groups of shareholders, majority or minority, individual or institution, foreign or Thai, fairly and equally. All shareholders shall receive important and accurate information at the same time and to protect their basic rights.

8. Protection of Internal Information Usage

● Insider Trading Policy

The Board of Directors realizes to keep and protect the internal information usage, the bank has set up a policy in writing to oversee the use of inside information as a guideline for maintaining confidentiality of the bank, to ensure equal information disclosure and to prevent the use of internal information for the benefit of directors, executives and employees, including spouses and minor children so that they can perform their duties with honesty, fairness, compliance with laws and regulations and do not give priority to their own interests over the responsibilities towards the bank. Moreover, the employees are not allowed to use the information for personal gain. For good corporate governance, the insider trading policy is as follows:

1. The directors, executives and employees including their spouses and minor children who are privy to sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the bank, especially, in regard to insider information and non-public information prohibited to premature revelation unless it is necessary for a department to acknowledge it in which case it will protect the information in the same manner as the owning department does. This does not include the disclosure of information to governing government agencies; namely, the Bank of Thailand, and the Securities and Exchange Commission.

2. The directors, executives and employees including their spouses and minor children who are privy to sensitive information and the financial statements of LH Financial Group Public Company Limited shall not be allowed to buy, sell, transfer or accept the transfer of the company's securities 30 days before the public disclosure of the financial statements.

2. Fair Business Operation

Land and Houses Bank Public Company Limited operates the business by adhering to good corporate governance principles which have been specified in writing in order to be used as guidelines for directors, executives and all employees in consistency with laws. Consequently, it will result in fair business operation without seeking other interests, avoiding any operations which may cause conflicts of interest and taking into consideration the utmost interest of the bank, customers and stakeholders.

The bank is confident that the fair business operation will bring about confidence of relevant sectors, which will, in turn, yield long-term benefits for the business. The bank operates its activities in accordance with the fair business operation for sustainable business development. In this regard, the bank conducts activities consistent with law and fair competition and coordinates with the government agencies such as encouraging employees to be aware of the importance of compliance with law, supporting trade competition under the scope of laws, keeping trade secrets, and refraining from obtaining information of partners and trade competitors unfairly.

The bank promotes fair treatment for stakeholders both in terms of costs and returns, for instance, procurement, appropriate delivery period, fair trade agreements and refraining from any activity which infringes property and intellectual property including settling utilization fees or acquisition fees fairly such as making payments to creditors in a timely manner on a monthly basis.

The bank has determined the procurement method, and other service methods as to receive quality products and services at an appropriate price by specifying 6 methods of procurements including; pricing method, quotation method, bidding method, continued method, special method and urgent method. The appropriate method depends on financial amounts of each transaction. In addition, the bank has determined the criteria for selecting suppliers and service providers in order to have fairness and equality by choosing from the stability of their businesses, specifications of products and services and prices. All factors above are considered by the Procurement Committee.

3. Anti-Corruption

Land and Houses Bank Public Company Limited is determined to be a corruption-free entity, and runs the business with integrity, fairness, and accountability to community and all groups of stakeholders according to the code of conduct, code of ethics, and good corporate governance principles. The bank also strictly conforms to government and private sector's regulations.

The Board of Directors emphasizes the importance of anti-corruption, thus, sets up the anti-corruption policy depicting the roles and responsibilities and operation guidelines for directors, executives and employees to strictly follow as well as defined the punishments reflecting the direction and scope of work of the bank in acting against and preventing corruptions. The bank is strongly determined to establish the policy consistent with operation guidelines against all forms of corruptions in order to bring about the transparency and good governance. Moreover, the whistleblower policy has also been established as a channel for stakeholders to whistleblow any acts of offenses or corruptions and the whistleblower and a person who say no to corruptions and their information will be kept protected and confidential. The accused will receive a fair treatment as well.

The bank has also defined the conflicts of interest policy to prevent any damages to the bank's interests and then signed the MOU with Thailand's Private Sector Collective Action Coalition Against Corruption to show the intention for anti-corruption by recognizing the responsibilities of the bank's leadership in anti-corruption activities.

The bank has published an anti-corruption policy and whistleblower policy, including a conflicts of interest policy through the bank's intranet for directors, executives and employees at all levels to acknowledge and follow.

The bank has expressed its intention to be a social force that rejects all forms of corruptions by participating in various activities held by government agencies and other agencies such as the National Anti-Corruption Commission (NACC), the Office of Public Sector Anti-Corruption Commission (PACC) and the Anti-Corruption Organization of Thailand (ACT), etc.

The bank is confident that the frameworks, guidelines and directions given are effective against any illegal acts or corruptions in Thai society. This reflects the commitment and dedication to promote transparent and corruption-free organization. The bank aims to have related persons cooperate with good support and realize that employees must strictly adhere to anti-corruption policy such as not giving or receiving gifts and benefits in New Year festival or other occasion specified in the code of conduct for employees.

4. Respect of Human Rights

Land and Houses Bank Public Company Limited emphasizes the fair and equal treatment of relevant parties such as employees, surrounding communities and societies; respects human rights and dignity of all people, good relationship; refrains from violation of basic rights; takes caution in every process that affects the feelings of public, and is opposed to any form of discrimination against races, ethnics, colors, family origins, societies, religion, gender, ages, physical appearances, languages, political beliefs, wealth, or any socio-economic status.

The bank pays attention to all levels of employees to ensure they obtain fair returns and benefits; develops their potential to improve their capacities for occupational progress, and encourages their engagement. The bank also provides channels for whistleblowing and lodging complaints. As a result, the employees can lodge a complaint and whistleblow any matter regarding unfair, corrupted or incorrect acts or negligence of duties which can cause damages to the bank. In this regard, the bank has determined the process for accepting complaints and disseminated it to all staff. Such process is independent in inspection and decision-making process by considering the outcomes as well as remedies to be in accordance with the principles of human rights. The bank also encourages and gives opportunities for employees to participate in sharing opinions on the case where an entity or individual committed any acts that may violate human rights for the purpose of reflecting problems and finding solutions.

The bank has supported and respected the protection of human dignity without forced labor and child labor exploitation that affects the confidence of external stakeholders.

Respect for human rights is a basic practical guideline the bank strictly adheres to by determining the practical guidelines as follows:

- Arranging the number of leaves and holidays as required by law or beyond the requirements of law for some holidays so that employees can sustain their work-life balance.
- Supporting the knowledge enhancement for developing employees' potential.
- Clearly determining the criteria for investigation and disciplinary action for fair punishment along with the same standard of practical guidelines.
- Supporting each department in the bank to set team building activity as a policy to promote and support good relationship, engagement and harmony among each department's members, and to take part in creating social activities.



5. Fair Treatment of Labors

Land and Houses Bank Public Company Limited regards human resource management as an important mission in developing and supporting the human resource management in terms of both skills and benefits of employees. The bank has established the Human Resources Development Committee to manage and develop the human resources effectively, efficiently and in consistent with the bank's strategies.

Important Management Principle and Human Resource Development

The bank strives to improve human resource management by using innovations comparable to the leading organizations in the country as well as support proactive operation of all departments in order to achieve business goals and continually strive to provide employees with further trainings and to promote quality of work life, by taking into account the fair treatment of employees and human rights.

For sustainable growth, the bank focuses on taking care of employees in various ways. The bank believes that the development of skills, abilities, motivations, positive work environments, good occupational health and good welfare benefits will enable them to perform their duties with full potential which, in the end, results in positive impacts on customers and stakeholders.

The total number of employees of LH Financial Group Public Company Limited financial business group as of 31 December 2019 was 1,719 persons.

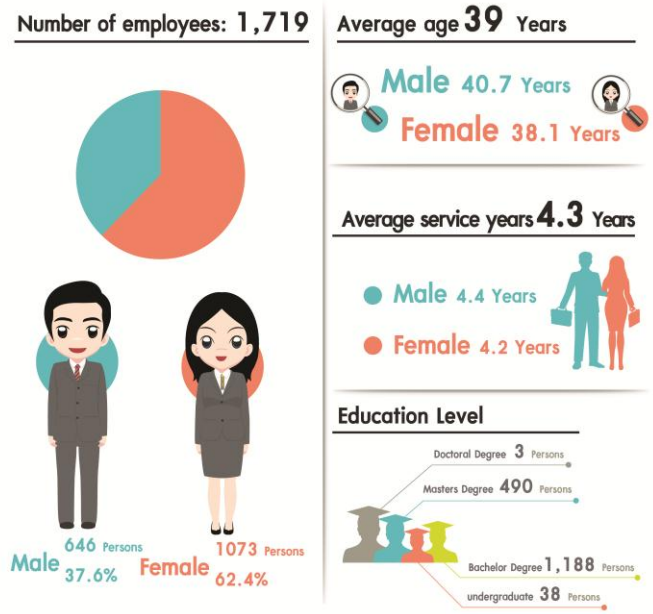
Employee Data Classified By Business Group in 2019

		LHFG	LH BANK	LH Fund	LH Securities
Sex	Male	122 (46.4%)	419 (34.1%)	34 (40.5%)	71 (49.7%)
	Female	141 (53.6%)	810 (65.9%)	50 (59.5%)	72 (50.3%)
	Total	263 (100%)	1,229 (100%)	84 (100%)	143 (100%)

Employee Recruitment

The bank has focused on creating the processes and various channels and methods to approach applicants as to keep up with the rapidly changing lifestyle in the digital world. The bank provides various recruitment channels on social media such as Facebook and LINE, provides recruitment activities such as Tech Career Day and Chance for Friends activities which encourage employees to refer friends to work with the bank.

Employee data in 2019





Tech Career Day Activity



Chance for Friends Activity

Employee Nomination Criteria

The bank has recruited staff by considering their knowledge, abilities and the bank's criteria. The bank has focused on nominating employees whose beliefs and values are in line with the bank's. PRO-Active test has been provided to all applicants and the test result has also been considered in the recruitment process to ensure the right candidates are selected.

Equality and Diversity

The bank pays attention to the practice that treats all employees with fairness according to the labor law and standing up for human rights without discrimination regardless of race, skin color, sex, religion, political views, revocation of citizenship, social background and any other form of discriminations related to both internal and external stakeholders. The bank does not engage in illegal labor practice and child labor abuse. These guidelines are applied to all employees ranging from executives to operational employees. Moreover, the bank also offers work opportunities for persons with disabilities.

Hiring Persons with Disabilities

Joining the project for supporting and developing the life quality of people with disabilities

The bank has offered job opportunities that generated income for persons with disabilities by joining in the project arranged by the Thai Bankers' Association, where contractors hired people with disabilities to work for the Thai Red Cross Society in many provinces. Similarly, the bank has also hired persons with disabilities as employees.

Hiring Retired Employees

The bank always realizes the importance of age-friendly business and has a management approach to support the elderly society by setting the criteria for hiring retired employees who have potential. Not only does it help the elderly earn income, it is also beneficial to the organization as it helps tackle labor shortage.

Table: Number of Retired Employees Getting Hired

	2019	2018	2017
Accumulated number of retired employees getting hired (Person)	10	9	9
Number of retired employees per year (Person)	7	5	4

Sustainable Growth and Human Resources Development

The bank has supported and instilled its employees with PRO-Active, which is a core value, by operating the master plan which includes creating perception and attitude through communication channels, practice and belief & individual mindset activity to build group habit norm & corporate value. The bank has continuously instilled the value in both new and existing employees.

Welcome Newcomer Activity

All new employees have to join the “Welcome Newcomer” on their very first day. The activity aims to create favorable impression on the newcomers, to introduce the bank’s core values, and to give tips or advice on the work life with the organization such as introducing a newcomer to colleagues, recommending nearby canteens so they are comfortable with new environment and eventually adaptable to their work.

Activities to Promote Organization's Core Values in Orientation Program

The bank has arranged an activity to promote corporate values together with executing the orientation program by providing learning activities through a role play (Action Learning).



Employee Potential Development

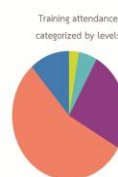
Employees are a significant factor driving the bank’s success. Consequently, the bank has employed potential development plan to enhance the employees’ knowledge, abilities and skills so they can professionally fulfill their job junctions. The bank also offers opportunities for them to maximize their full potential, to enhance their self-development and to attend various training courses. The requirements of human resource development play a significant role in their career path.

Training data in 2019

Curriculum	Number of Curriculum	Number of Training attendance
In-house learning	303	3,999
External learning	127	225
E-Learning	70	29,481
total	500	33,705

Training attendance categorized by levels

Level	Number of employees	Percentage %	Average period (hours)	Average period (days)
Executive (Level 18-24)	41	2.99%	57.6	9.6
Management (Level 15-17)	70	5.11%	32.4	5.4
Middle Management (Level 10-14)	346	25.24%	28.2	4.7
Supervisor (Level 6-9)	760	55.43%	30.6	5.1
Operation (Level 1-5)	154	11.23%	22.2	3.7
Total	1,371	100%	30.6	5.1



Training attendance categorized by levels



Average training period (days) categorized by levels



In 2019, the bank devised a strategy and laid down human resource guidelines which focused on working flexibility, resilience, and fastness. It has, therefore, developed a platform to expand learning channels, created a mechanism to turn knowledge into action, and provided activities for employees to be able to learn anywhere, anytime, any device without limitation under LHFG People Connect maximizing employees' potential to keep abreast of knowledge and rapid change.

Additionally, the bank expanded its leaning curriculum and made various leaning alternatives available for employees to get access more easily with just 1 User 1 Password.

LHFG People Connect

ร่วมสร้างปรากฏการณ์การสื่อสารและเรียนรู้แบบไม่มีข้อจำกัด
“Anytime Anywhere Any Device”
ใช้งานง่ายขึ้นเพียง 1 User 1 Password
Download และใช้งานพร้อมกันได้แล้ววันนี้

*Log in ในวันนี้รับ ★ ฟรีไปเลย 11 ดวงในวันถัดไป
พบกับ live broadcast วันนี้ เวลา 11.11 น.

ร่วมสร้างปรากฏการณ์การสื่อสารและเรียนรู้แบบไม่มีข้อจำกัด
“Anytime Anywhere Any Device”

11.11

LMS + PacD
Integrated platform
LHFG People Connect

Human Resources Development - Executives and Key Successors

The bank highlights the importance of executive development by assigning the Nomination and Remuneration Committee to develop a policy, guidelines, and a succession plan as well as to support leader development systematically and continuously.

The leader development program in 2019 underlined the leadership development from the principle of efficiency: Lead Self, Lead Team & Lead Change/Culture covering ideas and practices which yielded efficient results. Learning processes comprise learning in classroom, goal setting for self and team developments, and knowledge sharing among learners, supervisors, and mentors.



Annual Performance Appraisal

The bank sees the annual performance appraisal as an essential part to enhance work efficiency. It emphasizes employee's participation by allowing them to set key performance indicators (KPI) in line with the goals of the organization. The bank clearly explains its employees about performance appraisal in order to create efficiency; moreover, the bank has developed the online performance appraisal curriculum for self-learning of employees at any time anywhere through the bank's communication channels.

The two factors used in the annual performance appraisal are expected behaviors (Potential) and key performance indicators (KPI). The ratio between the two factors is determined against employees' levels and has been approved by the Human Resources Development Committee to ensure its appropriateness and efficiency. The details of expected behaviors of middle management and above are also determined by highlighting their leadership skills reflected from team management and organizational development.

Determining and Managing Remunerations

The bank is careful to determine and manage remunerations by focusing on fairness and competitiveness. Therefore, the bank has a policy for annual salary increase and bonus payments based on annual performance results. Special salary adjustment is also considered by referring to salary survey in financial industry so the bank can retain the employees who can meet expectations. All remunerations mentioned above are considered and approved by the Nomination and Remuneration Committee to assure fairness and transparency and accountability.

Communication and Pride Building in the Organization

In 2019, the bank was aware of the importance of communication and pride building in the organization by providing various multimedia and communication channels to ensure that employees received information, exchanged their ideas within the organization thoroughly. In addition, the bank provided various activities to increase engagements that make the employees proud and promote a positive work environment in the organization.

The bank recognizes the value of employees, which is an important factor in business operations. The bank has a policy to give honor pins for employees who have been working with the bank for 10-year tenure to praise and lift the morale of employees who dedicated themselves to the organization for a long time. In 2019, the bank held the ceremony to present an honor pin to 16 employees who have been serving the bank for 10 years.

Table: Number of employees who have been working for 10 years.

	2019	2018	2017
Number of employees who have been working for 10 years.	16	43	47



Raising Awareness through Communication Channels

The bank considers communication as a crucial factor to drive the organization, unify employees and increase their engagement in forming sustainable organization, and also sets up a strategy and communication plan with diversity covering both internal and external communications.

The bank emphasizes the development of employees' potential through various internal communication channels to facilitate easy access and ensure communication continuity. To raise awareness among employees, the bank employs efficient content management and channel management to achieve the goal which is to build awareness and create the attitude of shared values. There are 2 types of media consisting of online media and offline media as follows:

1. Online Media consist of LH Bank People Intranet, LH Bank People Voice, LH Bank People TV, Line, Facebook, LH Bank People LIVE, and the newly developed application: LHFG People Connect.

2. Offline Media consist of activities helping build pride in the organization, increase engagement between the bank and employees through on-site development activities intended to inform employees about the direction and policies of the bank as to strengthen the relationship among employees who work in different branches nationwide and to enhance the quality of life of employees (Care & Share). It is one of the easiest way to reach them.

Welfare and Employee Engagement

The bank prioritizes the mental and physical health of employees. Consequently, it provides an extensive employee package which varies according to their benefits. Besides, the bank frequently reviews and adjusts the benefit package to match with the current situation. The bank also arranges various activities for health promotions and medical check-ups. After receiving their health check-up results, the bank sets up the follow up activities with doctors so that its staff can consult or inquire about their health from the results with doctors. Moreover, the bank provides free influenza vaccination and also offers special discount for employees' family members who wish to receive vaccinations or medical check-ups.

In addition, the bank has promoted activities that help build relationships and unity among all staffs and business units by allocating a budget for staff activities within / across departments.

Good Remunerations and Benefits

Good benefits and welfare are significant factors for boosting the employees' morale. The bank has built an appropriate and fair system of remunerations and benefits, so that they can have good quality of life. The benefits are as follows:

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

Healthy Month in June-August 2019

"ใช้หัวใจใหญ่...คิดต่อง่าย แต่ป้องกันได้ด้วยการฉีดวัคซีน"

จากงานวิจัยพบว่า การฉีดวัคซีนป้องกันไข้หวัดใหญ่ ลดอัตราการป่วยของคนที่มีสุขภาพดีทั่วไปได้ถึง 89%

👉ดูตารางนัดฉีดวัคซีน

เรามีนักฉีดวัคซีนป้องกันไข้หวัดใหญ่ กันนะคะ:

พนักงานประจำสำนักงานใหญ่ พนักงานสาขาในกรุงเทพฯ และปริมณฑล
วันที่ 13 มิถุนายน 2562 ณ ห้องประชุม 5/2 เวลา 08.00 - 13.00 น.
และห้องประชุม 32/1, 32/2 เวลา 08.00 - 15.00 น.
วันที่ 14 มิถุนายน 2562 ณ ห้อง 206 ชั้น 20 อาคารคิวเสิร์ฟ สาขา เวลา 08.00 - 15.00 น.

พนักงานสาขาภูมิภาค
วันที่ 1 กรกฎาคม 2562 ถึง วันที่ 31 สิงหาคม 2562
ณ โรงพยาบาลในเครือที่สาขาของท่าน รายละเอียดแจ้งให้ทราบอีกครั้ง

ขอขอบคุณผู้เขียนต้นแบบ
พนักงานประจำสำนักงานใหญ่ ถิศจิตต์ สุขเกษมธนิก (คุณเมย์) โทร. 2262
พนักงานประจำสำนักงานสาขา ถิศจิตต์ สุขเกษมธนิก (คุณแม่อ้อย) โทร. 2215

เพราะเราห่วงใยคุณ

PRO-Active
PROfessional • ACcountability • Teamwork • Integrity • Visioning • Excellence Service

Good Environment and Workplace Safety

The bank emphasizes the good working environment and safety for the employees by establishing the Safety Healthy Environment Committee (SHE) as a mechanism to implement policies, safety occupational health plan for their safety in a workplace as detailed below:

- Communication, knowledge sharing and making understanding of occupational safety through various channels
- Annual fire drill



- Establishing the SHE hotline to receive reports on unsafe incidents and coordinate with related agencies in order to provide immediate assistance. However, in 2019, no employees were injured while working.

Table: Number of employees injured while working

	2019	2018	2017
Number of employees injured while working	0	0	0

- CARE project, the activity to promote health

For safety, the bank also provides health and safety communication and warns employees of any health hazard or risk incidents such as the measurement of dust particles (PM 2.5).



6. Responsibilities towards Consumers

As the financial business is related to the economic and financial conditions of the country, the business operation can likewise impact the national economic drive and investment in a wider range than any other business. Land and Houses Bank Public Company Limited, therefore, has determination to define efficient standard operating procedure which is conducive to social responsibility, especially towards consumers who are the bank's priority stakeholders.

The bank prioritizes the benefits and satisfaction of customers by launching the products and services with quality responding to the demands of all customers. There are many areas of development to accommodate more convenience. The details of products and services are clearly and accurately presented to customers through various channels which can be easily accessed so that they have enough information about our products and services including sales promotions for making decisions. Moreover, the bank emphasizes and operates its business under the market conduct.

Fundamental Rights of Consumers

The bank announces the fundamental rights of consumers in order to make them aware of their rights eligible from using services via the bank's website as follows:

Rights of Consumers	Products	Personnel or Processes
1. Right to receive correct information	● The consumers shall receive clear explanation about the differences between the main products of bank and the products of securities and insurance. ● The consumers shall receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate of Return) and related hypotheses. ● The consumers shall receive the information of an advertisement or other marketing media in sales promotions correctly and appropriately.	● The consumers shall receive the fact sheet summarizing the main information when they are offered securities and insurance products. The fact sheet must indicate the characteristics and risks of the products with concise and straightforward wordings, and is in line with the form required by the Office of The Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC), as supplementary for making the decision to buy the products.
2. Right to choose the financial products and services freely		● The consumers have the right to freely invest and can deny buying the securities and insurance products. ● The consumers have the right to deny buying the products of securities and insurance which are bundled with the products of the bank. The bank shall give the right to the consumers in choosing to buy or not to buy such products. ● The consumers have right to give the consent or deny giving the consent to reveal the information as mentioned in the letter of consent given separately from the purchase agreement.
3. Right to claim for fairness		● The consumers have the right to claim to all branches of the bank selling the products of securities and insurance (point of sale) with the evidence to prove that the bank has acknowledged the claims.

		● The consumers shall be able to ask for more information for better understanding of the products from the call center of the seller's bank.
4. Right to claim for compensation		● The consumers have the right to receive appropriate compensation if it is proven that the bank fails to conform to the good product offer policy with intention or negligence causing damage to the consumers.

Fair Treatment of Consumers

The bank has been conducting the social responsibility in CSR-in-Process by implementing the practical guideline in the corporate social responsibility for business sustainability policy and to create the business innovation until it is part of working processes, product development as well as service standards. The main objectives are to reduce the potential negative impacts on the stakeholders in all aspects and to create the awareness of social responsibility among directors, executives and employees.

The bank has developed a working process by imposing regulation, establishing standard operational guideline, creating organizational structure, and assigning separate duties to each department properly (Three Lines of Defense) with clear process of operation, quick and accurate system, and effective control. The bank also designs the systems enabling correct and mutual understanding among employees and related parties. The system is intended to reduce errors, and can be audited, monitored and evaluated efficiently so that it can bring forth the highest benefits to customers who use the services including:

- For savings and current accounts without transaction movements for more than 1 year, the bank will notify the balance and condition of account maintenance fee deduction to customers 30 days in advance.
- For debt collection, collectors must introduce themselves to customers by telling their names and objective correctly and appropriately. In case of face to face communication, permission on debt collecting certified by the bank must be shown to customers. The bank specifies the time and frequency of debt collection which is proper and conforms to the law and practice of the Bank of Thailand and related official entities.
- The disclosure of full details of products and services is factual without distortion or misleading information, detailing the terms and conditions of products and operating procedures which allow customers to accept the terms and conditions before making their decisions.
- The disclosure of announcement on the interest rates and fees is made in advance before the the effective date of any changes in order to keep customers informed before making decisions. The publication will be done by posting announcement at the bank's branches and on the website at www.lhbank.co.th. The announcement clearly specifies the rate against the credit line and type of customers, details and conditions of such products so that the customers can consider before making decisions.

The bank also provides various communication channels which can be easily accessed by customers. They can view the details of products and services, news and information of the bank quickly. The channels for publicizing such details are divided into 2 ways as follows:

- **Off-line media** consists of many types of printed media at the branches of the bank and outside media including direct mails to customers.
- **On-line media** consists of the contents via ATM machines, LCD, Website, LINE, Facebook, YouTube, radio, television including SMS Alert service informing the movements of customer's accounts.

The bank provides its employees with sound knowledge of products and services' information so that they can give the information correctly and quickly. This is to ensure customers' experience in using smooth services. The bank also has a Call Center to provide advisory service available 24 hours daily at 0 2359 0000 or 1327.

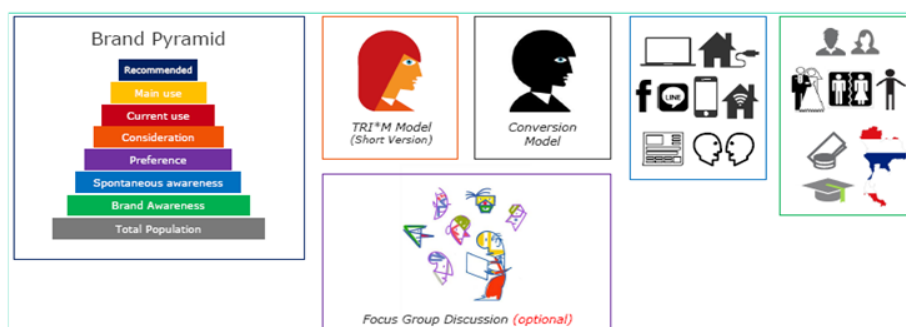
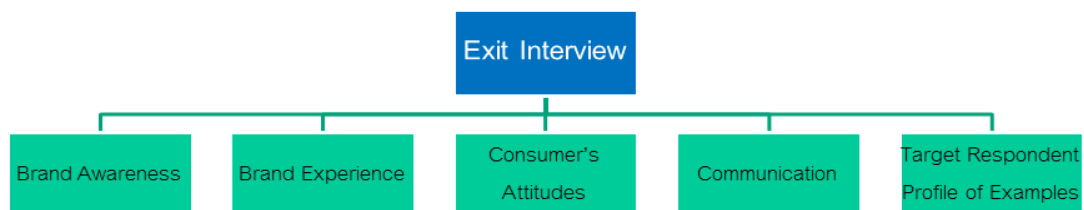
The bank also offers various channels to receive complaints, suggestions, and critiques by having the independent unit to handle those issues as well as resolving customer complaints. The information was collected as to improve the standard of operation and service. Various channels to receive the complaints are as follows:

- Head Office or Branches
- Contact Center: 0 2359 0000 or 1327
- Website: www.lhbank.co.th
- Official Facebook Fanpage

The bank pays attention to the confidentiality of customers' data by not revealing them unless the written consent is obtained.

Research and Customers' Satisfaction Measurement

The bank sees the customers' highest satisfaction in using our products and services and ensures customers receive products and services with quality and fairness by outsourcing a professional, experienced agency to conduct a research on customers' satisfaction and recognition of our brand, products and services among public to measure the level of customers' satisfaction with standardized methods, and with a procedure to obtain complete and transparent data in both qualitative and quantitative sampling. The collected information will then be used to develop and improve products and services in order to address the needs of customers in each segment to increase their satisfaction.



Providing Savings Account for Basic Financial Service Access

The bank provides many financial products under the concept of promoting inclusive financial access to stimulate economic growth sustainably and thoroughly by supporting public including the elderly and the disabled to gain easy access to financial products and services with low cost. This important mechanism serves as an initiative on supporting all individuals to learn basic financial planning, gain access to financial services, cultivate savings attitude, and expand to other products.

Criteria for Opening Basic Banking Account

- Savings account
- 1 person / 1 account
- Receive savings account's interest rate
- No minimum balance when opening an account (can start with zero balance)
- No account maintenance fees
- No fees for ATM / Debit card used with the basic banking account

In case a customer applies for ATM / Debit card with the aim to support individuals holding valid state welfare cards and having rights to receive benefits from state welfare cards or to foster Thai citizens with the age over 65 years old to get easy access to financial services. Moreover, the bank always recommends such customers to open a basic deposit account to support the government's policies.

Customer Qualifications

- Individuals holding valid state welfare cards or those with the age over 65 years old
- Individuals with child care subsidy having children from birth to 3 years of age
- Individuals with allowance for the elderly
- Individuals with disability living allowance
- Individuals with compensation for being village health volunteers
- Individuals with other social welfare benefits

The above savings account can be coupled with other services of banks such as

- LH Bank PromptPay service
- ATM / debit card service
- Mobile App LH Bank M Choice service
- LH Bank Speedy internet service
- LH Bank SMS Alert service
- Utility bill payment service



Arbitration and Result Notification to Whistleblowers According to Service Level Agreement (SLA)

The bank has determined the Service Level Agreement (SLA) to set the duration of processing financial services for retail individual customers. The agreement, covering services in the field of credits, deposits, electronic cards and general services, is intended to upgrade the financial service standards and to set the standards for receiving and handling customer's complaints, and expected to eventually reduce the number of complaints. The Service Level Agreement (SLA) reflects the bank's commitment to deliver more efficient, faster and more convenient services, to respond to the customers' needs well so that they can realize the bank's operation. Moreover, the Service Level Agreement ensures the correctness and completeness of facts and / or information, the cooperation of customers, and force majeure, uncontrollable situations and / or situations where the bank shall comply with the business continuity management plan.

The bank has disclosed the Service Level Agreement (SLA) on the bank's website at www.lhbank.co.th covering 5 financial services as follows:

1. Receiving and Handling Complaints consist of

- Confirmation of complaints through various channels
- Notification of conclusion or progress on correcting complaints in every channel

2. Loan for Retail Individual Customers consist of

- Release of collateral
- Ownership transfer of cars / motorcycle to borrower when debt is paid off and the bank will be in charge of the whole process to get such transfer completed.
- The bank will consider restructuring troubled debts and notifying customers the result of the troubled debt restructuring on the date the bank receives all required documents.
- Issuing a confirmation letter for debt settlement
- Request for credit account statement

3. Deposits consist of

- Banking transactions such as cash deposit / withdrawal through ATM / CDM of the same bank or different banks with an error occurred: no money received or incorrect balance (excluding suspected fraud or corruption).
- Fund transaction or e-wallet top up via ATM, CDM, internet, mobile banking but the system malfunctioned causing no money received, the bank will check the error, notify a customer, and correctly adjust that transaction.
- Request to check list of transfers to wrong account in the case of transfers to the same bank or other banks or e-wallet (excluding suspected corruption cases), the bank will check the error and inform the customers.

4. Electronic Cards consist of

- Freezing electronic cards such as ATM cards and debit cards
- Advising against the debit card holder's payment
- Checking the debit card's transaction data at the point of sale locally and return money to owner

5. General Services consist of

- Customers can request for various information such as the calculation of interests for credit / hire-purchase of no longer than 12 months and 6-month statements which will be given to them in writing.

Market Conduct

All companies in the LH Financial Group Public Company Limited financial business group have been emphasizing and supporting operations according to the market conduct for sustainability. We expect our customers will:

1. Receive sincere and fair services
2. Receive appropriate suggestions
3. Receive fair prices and conditions
4. Receive convenient services and proper solutions
5. Receive knowledge and understanding of their own rights and duties

7. Cooperation in the Development of Community and Society

Land and Houses Bank Public Company Limited has been operating its business under the concept of sustainable development while it eagerly fulfills its social responsibility. The companies under Land and Houses Financial Business Group play the crucial role in promoting social activities in various occasions with the expectation for the highest benefits to the society and community. The creative and beneficial activities are conducted for supporting the activities of public and private sectors as well as supporting the scholarship, donating books or drinking water to non-profit organizations. The bank operates the activities for helping Thai society with the hope to enhance and strengthen Thai society to be able to establish strong social foundation as guided by sustainable development concept.

3 Dimensions of social activities are as follows:

1. Education
2. Society
3. Arts and Culture

1. Education

Education is the foundation of all success stories, thus, the bank always realizes the significance of educational support, knowledge development, and quality of Thai juveniles by, for example, encouraging employees and customers to donate books to promote knowledge of prisoners under the project, **“Give Books and Learning Materials to the Department of Corrections”**. The bank also supports scholarship programs throughout the country with the purpose to support the youths who are good at study but unable to afford to pursue higher education. The donation of used computers to different schools was to enable students to be able to learn and explore outside their classrooms.

The bank welcomed 46 audiences consisting of senior students from the Faculty of Business Administration and sophomores from Marketing and Food Business Management major of Chitralada Technology Institute to visit and study the bank’s operations. This will allow college students to be able to learn about how to get access to source of fund and fund management directly from professional and experienced experts from financial institution. Moreover, they will learn how to get ready for getting loans and investment management for business.



Students from Chitralada Technology Institute Visiting the Bank



Donate Books for the Development of Prisoners to the Department of Corrections

• Scholarship Project

As the bank realizes the importance of education and the development of youths who, in the future, will be the main strength and powerful driver of the nation in the long run; therefore, it has set up a scholarship project providing 18 scholarships across the country for 3 consecutive years. The project was intended to help the youths with high academic performance, possessing academic capability, and being determined to pursue higher education. This project can help them realize the value and the importance of education as well as provide a sustainable way to increase the quality human resources.

Main Objectives

- To bring the educational stability to the 7th grade students with high academic performance but lack of money to be able to continue their education until 12th grade level.
- To instill the youth to realize the value and the importance of education.
- To increase the number of potential and quality human resources to the society.
- To carry out activities that benefit and help society and country as a whole (Corporate Social Responsibilities).

Nature of Scholarship

- It is a scholarship for junior high school to high school students who have excellent academic record and good behaviors.
- It is offered for youths in a wider area across 6 regions where the bank's branch networks are located.
- There are 18 scholarships in total

Qualifications of Eligible Candidates

- Thai nationality with a domicile in Thailand.
- Age between 11 – 18 years old.
- An underprivileged person who lacks opportunities due to poverty, or a person who is orphan and being looked after by a guardian that is poor, or a person who is under the care of a foster home or foundations.
- Having good behaviors and being a disciplined person.

The bank has permitted its branches in 6 regions across the country to select eligible schools and students.

List of schools joining the 2019 scholarship project includes:

- Anurajaprasit School, Bangkok
- Thanyarat School, Pathumthani
- Chuen Chom Pittayakarn School, Maha Sarakham
- Hua Hin Wittayakom School, Prachuap Khiri Khan
- Phuket Wittayalai School, Phuket
- Sankamphaeng School, Chiang Mai

Scholarship's Activity Pictures



Anurajaprasit School, Bangkok



Sankamphaeng School, Chiang Mai



Financial Support for the Thai National Pencak Silat Team

Used Computers Donation Project

The bank endeavors to fulfill educational gap for urban or up-country to have the same standard. The bank, therefore, arranges the used computers project to donate the used computers and notebooks with good condition and ready to use to schools located near the bank's branches and schools located in up-country but lack of capital. The bank provides this project for educational resources, so that students can fully search for knowledge and information and for optimal benefits and also get prepared to knowledge-based society.



Donating Used Computers and Notebooks to Satriwithaya School

The project “Old Calendars We Need” was conducted to collect donated desk calendars to be used for producing pedagogical materials, Braille books, and notebooks for the Bangkok School for the Blind.



Donating Old Calendars under “Old Calendars We Need” project to the Bangkok School for the Blind

2. Social Activities

Various projects which support social and environmental development and drive positive changes in communities have been implemented through a wide range of supports such as providing budget, donating materials, providing aids in an emergency, voluntary activities for employees, internal activities for employees to donate money and materials to different public charities, and sharing knowledge and skills. All activities were stimulated by the group together with its alliances, network associates, customer groups, and all the stakeholders nearby the bank. The bank believes that delivering public activities cannot be achieved by one organization alone. It, in fact, needs concrete collaborations from related parties to help tackle problems and bring about constructive changes to the society for sustainable growth. The bank participated and supported many activities initiated by different associations by receiving donation from ATMs and LH Bank counters nationwide, persuading employees and customers to donate money to help victims of disasters and calamities, engaging in anti-corruption actions as to encourage Thai communities to reject all forms of corruptions, adhering to market conduct, co-signing of MOU with other parties, determining the guidelines for sustainable banking operations in the areas of responsible lending or Thailand Sustainable Banking, and participating in the Block Chain the Series Project which helps support Thai financial innovation development that leads to financial industry development of the nation.



LH Bank co-signs MOU with related parties on “Thailand Sustainable Banking”

Voluntary Activity for Social Development

We are Family RUN for CHANGE Project was designed to encourage employees to engage in social activities and provide a chance for them to build up healthy relationship. The project bound together all employees to run 30 kilometers within 30 days. Every running step was turned into donation to the Foundation for Slum Child Care (FSCC) under the Royal patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra. The foundation helps create better lives and future of children from birth to 5 years. There are four child care centers being operated under the foundation including Baan Som Wai; Baan Sua Yai; Home of Hope; Baan Srinakarin.



RUN for CHANGE Project donates Baht 300,000 to the Foundation for Slum Child Care (FSCC) under the Royal Patronage of H.R.H. Princess Galyani Vadhana Krom Luang Naradhiwas Rajanagarindra.

Sanitation of Thai youths is considered crucial that everyone in the society should be aware of and should give them a hand, particularly clean drinking water and hygienic and standardized toilets with safety and sanitation are made available for them. Hence, the bank has launched a project with its goal to bring happiness to children by transforming their old, worn out toilets into those with better hygiene and sanitation.



Currently, blood reserves at the Thai Red Cross are inadequate for patients' urgent needs. The bank comprehended the problem and was eager to be part of supports for social activities. Thus, the bank initiated a voluntary social activity by inviting all employees to donate blood annually. In 2019, the company had encouraged its staff to join the project, "Volunteer Spirit, Blood Donation with Heart, One Gives, Three Receive" and supplied the donated blood to patients in hospitals throughout the country.



The Project, "Volunteer Spirit, Blood Donation with Heart, One Gives, Three Receive" with Thai Red Cross

• Promoting and Developing the Education of Thai Youths

The bank sees Thai youths as the future of the country. It strives to enhance their moral sense and sharpen their academic skills. Therefore, the bank joins the Thai Bankers Association to create the financial literacy project which is the prototype of financial literacy plan for the country. It was a manifestation of how banking sector can distribute financial discipline, knowledge, expertise, and skills to create benefits for community and society. This also echoes the bank's intention to generate intellectual capital, and eventually form sustainable quality society. The pilot target of the project is university students. Staff of the bank will be sent to be a trainer to teach them some monetary knowledge via activities to activate recognition and understanding leading to positive changes in their financial behaviors.

The financial literacy project will wholly help improve financial management skills, create financial disciplines, and embed ethics for anti-corruption practices in order to build up a sustainable and stable economic foundation for the society.

Objectives of 2nd Year (2019) Financial Literacy Project

1. To drive financial literacy project for public as stipulated by 5-year strategic plan of the Thai Bankers Association.
2. To develop the expertise and personal financial management skills to the member banks' personnel to be voluntary trainers and to conduct site visit sharing financial knowledge to students from selected or assigned universities under the idea of "1 bank, 1 university." Activities conducted to promote financial literacy are based on contents, curriculum, and practices standardized by the Thai Bankers Association.
3. To raise awareness of effective personal financial planning among university students under project implementation model.

2nd Year Project Performance (2019)

1. Have improved financial literacy and created financial discipline for 520 trainers from 11 member banks.
2. Have shared knowledge to 12,500 students from 22 universities.
3. Have created positive attitudes towards banks among the target students.



"Financial Literacy Project"
Sharing Financial Knowledge to Public



Land and Houses financial business group held a special seminar, "Be Prepared for the new Land and Building Tax Act" for favored customers to help them plan for effective tax management.



Sharing knowledge and helping customers get prepared for the new Land and Building Tax Act

Hiring the Elderly to be the Trainers

The bank has been arranging the “Workshop My Bank My Love” on a yearly basis with the main aim to build up good relationship between customers and the bank by providing valuable and beneficial activities to customers. The bank also hired the elderly with different skills to be trainers and share their skills such as cake decorations, 3D jelly flowers, D.I.Y decoupage on baskets, and essential oil scented candles for health, etc.



3. Arts and Culture

The bank joins many traditional activities with local people living nearby the bank’s service centers, for example, supporting the Chinese New Year, Children's Day to strengthen and promote the traditions, arts and culture with the community around the bank’s branches.



Supporting Children's Day Activity at Lumphini Park



Supporting Children's Day Activity at Anurajaprasit School



The bank joins the Chinese New Year Festival, by giving the sacred oranges to the valued customers.

8. Environmental Management

Land and Houses Bank Public Company Limited is aware of the importance of the environmental problems seeing that business activities can bring about direct and indirect impacts on environment. As time passes, such impacts cause pollutions and leads to natural disasters which eventually result in huge losses. Thus, the bank has implemented several measures to reduce pollutions and to preserve environment by promoting energy and paper saving in the organization.

ECO-Friendly Products

The bank recognizes the importance of environment and values the careful use of natural resources by selecting the environmentally-friendly products (Eco-Friendly) namely “Happy Farmers” to be gifts given to customers. Using Happy Farmers’ products also promotes indigenous rice varieties in various areas, inherits Thai farmers’ legacies by making them available for everyone, and helps generate income for local housewives.



Eco-friendly products help Thai Farmers

Green Office Project

All of the bank’s business activities which consume resources and energy leave environmental footprints such as waste and polluted water. Inevitably, the bank shares part in releasing greenhouse gas into the atmosphere which in turn causes climate change and global warming, a critical environmental issue affecting the whole nation and the whole world.

The bank pays attention to good environmental management. Therefore, it assigns the Occupational Safety, Health and Environment Committee to study and develop the practical guideline for the Green Office project since 2012 by creating understanding of the environmentally-friendly management on resources, energy and environment. The ultimate goal is to have an efficient use of resources and energy to uphold the standard of office to be more environmentally-friendly. The bank also encouraged employees to minimize energy consumption and pollutant emission to the public.

Implementation of Green Office Project

1. Use energy saving devices
2. Make the most of natural light
3. Design an office layout
4. Promote 5S activity
5. Check lighting standard values of office building
6. Check air conditioners and ventilators
7. Increase green space in office

Encouraging Employees to Participate in Effective Use of Resources

1. Provide information and training on environment and promote energy saving via internal media such as Intranet.
2. Support the reuse of materials such as reused papers.
3. Promote the reduction of paper use and number of printers, provide photocopier pool, and change employees' behaviors to always think twice before printing.
4. Reduce and deny the use of papers used for meeting by sharing the information through electronic channels.
5. Turn off the building light when no one is in the room or meeting room for a long time and turn off the light in some areas during lunch break.
6. Turn off computer screens during lunch break.
7. Promote the participation of employees in the Total Productive Maintenance (TPM) program to comprehensively manage and reduce the loss to zero.
8. Constantly promote 5S activity.

Although the attempts mentioned above do not significantly reflect any numerical results of how much the energy and expense has been decreased, they help raise awareness among employees and make a behavioral change in their daily life.

Vehicle Service Management

The bank has the policy for Carbon Dioxide reduction from the bank's vehicles by employing the e-Car service system to support the effective vehicle management. The bank has also applied the Ecolution concept such as choosing alternative energy, energy efficiency and effective transportation to reduce fuel consumption and Carbon Dioxide emission as follows:

1. Plan routes with appropriate schedule for carpooling service for all employees.
2. Reduce backhaul
3. Take good care of engine according to preventive maintenance schedule and consider switching to other alternative engines such as hybrid cars, etc.

Energy Management

The bank continues to manage electricity and tap water in order to achieve efficient and effective use such as:

- The bank has renovated the office building and maintained office supplies in an environmental-oriented manner as to reduce pollution, save energy and costs.
- The bank has reduced the number of single function office supplies and replaced them with new energy-saving technologies with less pollution. The ongoing project helps reduce energy-related costs and other expenses such as paper cost, the maintenance cost of office supplies, and procurement cost. Moreover this project helps save the space of office supply placement.
- The bank has used energy saving fluorescent tubes and LED tube lights, with the wattage suitable for space, and the size proper for cables. The office decoration also employs soft colors, natural light as much as possible and installed water-saving taps.

Carbon Footprint Reduction

In order to promote learning about global warming reduction, the bank, therefore, follows the guideline developed to eliminate greenhouse gas, and carbon footprint. It also applies the calculation standard for the reduction of carbon dioxide emission. The standard is in line with the Care the Bear: Eco Event Kit project initiated by the Stock Exchange of Thailand with the purpose to reduce the use of energy from electrical equipment and switch to more efficient and energy-saving electrical equipment.

Consequently, the bank had replaced fluorescent tubes with LED tubes since 2016 until 2019. Currently, 2,121 fluorescent tubes has already been replaced and saved energy consumption by approximately 25 percent. As LED tubes produces less heat than traditional fluorescent lamps, they could reduce the carbon dioxide emissions by 824,393 Kg.Co₂e, equivalent to growing 91,599 large trees to absorb the amount of carbon dioxide gas.

Replacing Fluorescent Tubes with LED Tubes Project	
Number of fluorescent tubes replaced by LED tubes	2,121 tubes
Number of hours spent	20,000 hours/tube
Amount of carbon dioxide emission reduced	824,393 Kg.Co ₂ e
Number of large trees equivalent (absorbing carbon dioxide gas)	91,599 trees

- The bank has measured wind velocity of air conditioners, adjusted the wind speed to meet the standard and to be suitable for working environment, increased air conditioners' efficiency, and reduced cost from energy loss.

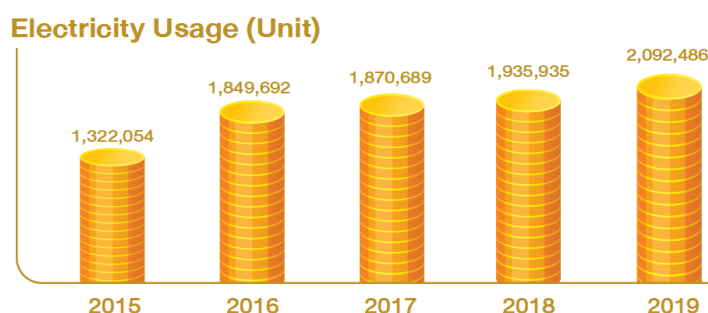
The bank has sent staff to receive the following trainings from various institutions, both public and private, so they gain knowledge and understanding on the above issues.

- Trees Associate Existing Building Training by Thai Green Building Institute
- Thailand Electrical Installation Standard Program by Engineering Institute of Thailand Under H.M. The King's Patronage
- Air Conditioning System, Water Pump System, Fire Hose System Training by Engineering Institute of Thailand Under H.M. The King's Patronage

Electricity Management

The bank has focused on environment, economy and society, management of cost reduction, especially energy cost. The bank, as a financial service provider, requires great amount of energy including lighting system, air-conditioning system and computer system. The bank, therefore, sets a practical energy guideline for related units, monitors environmental impacts and measures energy efficiency constantly.

In the year 2019, the bank renovated its spaces to support the business expansion which requires more meeting rooms and multi-purpose areas for trainings, seminars and many more activities. As a result, in 2019, the bank had the total electricity usage of 2,092,486 kWh, increased by 8% when compared to 2018.



Water Management

The bank has uses water from the Waterworks Authority of Thailand for business operation of which the most usage is in an office, washing and tree watering. The bank has been trying to reduce water consumption so the bank regularly checks pipes, water meters and equipment and also uses water saving sanitary ware, tap and bidet shower.

In 2019, the tap water usage totaled 19,185 units, decreased by 4% when compared to 2018. The water consumption reduced was due to the bank's campaign for employee cooperation in water saving.



Paper Management

The bank is fully aware that paper is a main office consumable which is needed in different stages of operations in financial service business, such as printing internal reports, documents for customers, receipts, and contract documents. As known that producing the paper needs natural resources which are trees while there are massive rubbishes from used papers. Therefore, campaign and activities to raise awareness among employees to use paper economically by avoiding typing errors and promoting paperless operation model have been set up.

Pool Printer Management Project

The bank has replaced the single-function printers with the multi-function (4 in 1) printers and set them as a pool for which one printer is shared among different departments. This results in the lower usage of electricity and space.

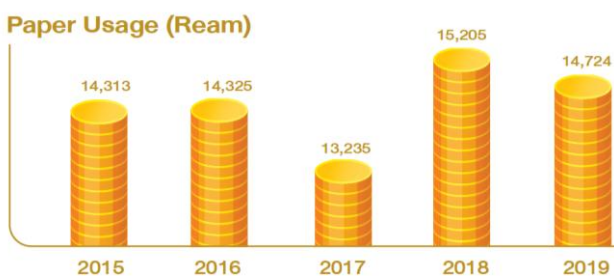
Changing Invitation Letter in Paper Form to Electronic-based Platform

The bank has changed the process of preparing the meeting's materials for different committees from papers to e-documents. As a result, this process can help reduce paper consumption by approximately 20,000 pieces a month.

Developing Financial Services to be More Digital. This enables financial transactions to be performed daily, anytime anywhere. Not only can it reduce the cost and the amount of paper used, it also helps reduce the use of ink, reduce the amount of waste caused by paper usage and enhance work efficiency due to time saving in preparing documents, putting them into envelopes and posting them via postal service.

Paper Usage

The amount of papers used in operations for the year 2019 was 14,724 reams, decreased by 3% when compared to 15,205 reams in 2018 due to the significant change in sharing files via electronic platform.



Paperless Guidelines

The bank provides the paperless guidelines with the aim to ensure that saving the papers and reducing the paper usages are systematic and concrete by adhering to the following practical guidelines:

1. Surveying and planning
2. Application of technology by increasing electronic channels in operations instead of the paper based ones
3. Using paper economically
4. Monitoring and evaluation
5. Behavioral change among employees

1. Surveying and Planning

The bank has surveyed the data of paper usage in each year by taking into account the numbers of employees, departments and work supports as well as developed a clear plan for paper usage by reducing paper usage 5-10% of the total number of papers used each year.

2. Application of Technology

The bank has supported and encouraged employees to adopt more information technologies in the operations such as sending letter, disseminating information and knowledge through electronic channels. There are push-forward activities to ensure that the implementations are in line with paperless plan as follows:

- Meeting tasks for each committee has been changed from the paper pack of invitation letter to on electronic platform.
- The trainings with a lot of training materials are suggested to send them by email.
- Correspondence is made via email such as urgent circulars.
- Keep the copies of documents from external agencies and internal documents as scanned files instead of photocopies.

3. Efficient Use of Papers

To save the papers more effectively, it can be started from basic step by having one-side used papers separated then proceed with the following steps:

- Setup common areas for everyone to use one-side used papers and advocate employees to reuse them.
- Inform all employees of where the one-side used papers common areas are.
- Reuse them to be the note or note book.
- Use the reused papers to note the informal messages or record internal messages or memos among departments.

4. Monitoring and Evaluation

To make paperless process more effective and concrete, the bank has monitored the paper usage statistics in each department. The information will be analyzed and used for carrying out efficient paperless operations.

5. Behavioral Change

The most important thing for the most effective paperless operations begins with behavioral change among employees in all departments to have responsible attitudes and collaborative practice such as:

- Separate used papers and sort them into 3 R principles as follows:
 1. Reduce amount / size
 2. Reuse
 3. Recycle / reused paper selling
- Use one-side used papers for rough drafts instead of using new papers and print them in economy mode.
- Review all processes and improve any part if needed and adjust paper usage criteria of each department in order to be more effective and relevant to real operations.

Used Paper Management

On average, Thai people used papers 3.9 million tons or about 60 kilograms per person per year. Thus, to respond to this need, 66.3 million trees need to be cut per year or 126 trees must be cut down every minute.

1 ton of used papers can substitute 15 trees to be cut down. If all Thai people use papers prudently by using both sides of paper, up to 1.3 million trees will be saved. If all Thai people turn to use handkerchiefs instead of paper napkin, 3,315,000 trees will be saved.

In general, almost half of the pile of garbage has values, it can be recycled which can be separated as 19% paper, 13% plastic, 8% glass and 5% metal. Paper is the largest amount which is considerably 2.47 million tons from all over the country. These used papers must be collected and shipped to the paper factories in order to be used as raw materials to produce recycled papers as the paper factories need 2.5 million tons of scrapped papers per year. Therefore, the good method to increase the recycled papers is to collect used papers from offices and households by separating them from other types of garbage so that it is convenient to store and deliver to be recycled. This is to create the most benefit to the economy, environment and natural resources.

Source: Green Science Project. Paperless Manual, Faculty of Science, Srinakharinwirot University.

The bank realizes and pays attention to the reduction of paper garbage. As a result, there is the recycle of used papers and the bank has imposed the operation regulations of document storage and document destruction such as recycling expired documents as detailed in the table below:

	2019	2018	2017	2016
The amount of documents which are due to be destroyed (Box)	2,115	721	599	1,701
The weight of documents (Kilogram)	30,250	8,712	7,037	19,048
The trees that can substitute the cut down trees to produce papers per 1 ton ^{/1} of used papers (Tree)	454	131	106	286

Remarks:^{/1} 1 ton of used papers can substitute up to 15 trees of the cut trees to produce papers.

Source: “Green Science project,” Paperless Manual, Faculty of Science, Srinakharinwirot University.

Calculation formula: Tree cutting replacement = 15 trees / 1 ton X weight of used papers.

Measurement of Intensity of Light in Workplace

The bank pays attention to the dangers of light that may impact employees. In case of insufficient illumination, it causes negative effects to the eyes and may cause simple accidents such as failure to manipulate tools or equipment which may pose some dangers including mental health, low performance and lower motivation to work.

Since 2014, the bank has measured the intensity of light in all areas of the office to ensure the working area has a proper lighting level.

Lighting Measurement and Data Collection Process

1. Measure specific working area: focusing on the lighting intensity of particular areas where operators need to perform sight-specific work.
2. Measure the average intensity of general areas: such as walkways and working areas.

The results of measurement of intensity of light in a workplace: After the actual measurement of the intensity of light in Lux unit, it was found that illumination in the office was sufficient and compliant with the standard of not less than and not more than 400 Lux.

5S Activity

The bank has applied the 5S activity which consists of Sort (Seiri), Set in order (Seiton), Shine (Seiso), Standardize (Seiketsu) and Sustain (Shitsuke). The activity helps keep a workplace and environment neat and clean. Staff are mentally healthier and more disciplined. This in turn results in saving of resources and costs. In addition, it contributes to a quality and efficient work. The 5S activity gains good cooperation from employees and the bank has a continued implementing this activity.

5S Results

1. Results of **Sort**
 - Cutting down the consumption of resources
 - Having more space for other purposes
 - Having a more spacious, splendid and clean workplace resulting in a better mood of employees
2. Results of **Set in order**
 - Settling the common and troublesome searches
 - Increasing work efficiency
 - Creating good image for organization
3. Results of **Shine**
 - Having a pleasant working environment
 - Cutting down the consumption of resources
 - Increasing efficiency of tools and equipment while decreasing frequent breakdown of office automations
4. Results of **Standardize**
 - Having neat and tidy workplace
 - Employees in a good mood and willing to work better
5. Results of **Sustain**
 - All employees have a good habit and attitude towards work
 - Customers receive quality and fast service

LH BANK ATM Stops Global Warming

The bank has played part in helping slow down global warming constantly by providing more options for customers with no printing of slips from ATM machines so we can reduce natural resources and reduce global warming through our ATM machines. As of 31 December 2019, the bank had a total of 199 ATM machines and 6 automatic cash deposit machines and tried to reduce the usage of electricity for ATM machines especially those in shopping malls by setting the power switch of the machines according to operating hours of the shopping mall.

Environmental Campaign

The bank focuses on creating environmental awareness among employees and encouraging them to protect the environment in their daily life by saving energy, using resources economically, preserving the ecosystem, reusing, recycling, and reducing. The bank has shared the knowledge about environmental preservation to staff through LH Bank People Voice channel which is broadcast on the second and forth Friday of every month. What's more, the bank has invited all employees to share their ideas on how to safeguard the environment. The practices recommended can be applied in daily life such as using reusable water bottle instead of single use plastic glass, using cloth bag instead of plastic bag, and turning off computers during lunch break or when they are not in use for a long time.

The campaign has also been promoted through internal communication channel such as Intranet: LH BANK People: Pro Eco column providing employees with contents which could be applied in real practice both at their home and in their workplace such as:

- Easy ways to save a number of liters of water
- 10 ways to reduce wastes
- Easily save energy for office staff
- Efficient way to save water to fight with drought crisis: Be aware but not panic
- Things to know before using toilet papers via a topic “toilet papers from recycled pulps, a new way to care for environment”



9. Innovation and Dissemination of Innovative Corporate Social Responsibilities

Land and Houses Bank Public Company Limited has committed to creating business innovations for the benefits of business and society. Moreover, financial products and services are being tailored continuously as to facilitate and meet customers' needs and support the new era of digital transformation and government's policy that aims toward digital economy. And the bank is well aware of this trend and enhances the development of product innovations, and digital banking to help customers save their time, reduce their expenses and receive more convenient services.

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

Mobile Banking (LH Bank M Choice) is a service to facilitate financial transactions via mobile phones such as fund transfer, balance checking, bill payment at every day, anywhere, anytime. Nowadays, mobile phones have become part of life. This new service channel has no limitations in terms of places and time but still maintains the same form and safety standard as transactions at the bank branches.

Internet Banking (LH Bank Speedy) is a service available for more convenience in conducting financial transactions every day, anywhere, anytime. LH Bank Speedy has double security system to assure security with easy-to-use menu that allows the fund transfer within the bank, fund transfer to the account of other banks, PromptPay fund transfer and payment for commodities and services, loan payment, checking the cheque status, stop cheque, checking and buying funds and tracking insurance purchased through the bank, checking account status and searching the bank branches. For better security, the bank immediately sends message (SMS) to confirm the results of all transactions to the customers.



LH Bank Debit Chip Card is a card to be used for doing transactions via all ATM machines of all banks with securities by recording information into a Chip Card, safe from ATM skimming, customers can trust in their financial transactions and use it to inquire the account balance, withdraw at the UnionPay International (UPI) ATM and also purchase stuffs and services at the stores or online shopping conveniently as well as receive various privileges and special promotions from participating stores with UPI.



LH Bank Debit Premium Card is a card with personal accident protection up to Baht 300,000 which insured by CHUBB Samuggi Insurance Co.,Ltd., customers just inform their health profile in the application form without health check, this service will be effective immediately and provide coverage for all medical expenses arising from an accident. Customers just show the LH Bank Premium card together with ID card to a contract infirmary.

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



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

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

My Portfolio Service is an online service via LH Bank M Choice and LH Bank Speedy consisting of safe box, deposit, loan, securities, mutual fund, debenture, private fund and insurance.

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

However, the bank has been publicizing the products and services to customers to ensure accuracy for their optimal benefits.

The bank was open and supported the creativity and development of new innovations which will result in continuity of creating quality innovations with social responsibility, and regularly observations on the business operation are ensured to avoid risks or negative impacts on society and environment. However, if such risks or negative impacts are identified, the bank will take actions immediately.

Certification of information security management system standards (ISO/IEC 27001:2013)

Land and Houses Bank Public Company Limited received the certificate for the information security management system standards (ISO/IEC 27001:2013) to enhance the management of information security of payment infrastructure to international standard, consisting of BAHTNET system and ICAS system to prevent the cyber threats that may cause financial loss and reputational damage which may affect the people and economy in a wider scale.



Raising Awareness on Information Security

The bank organized a training course on information security awareness for directors and executives of the Land and Houses financial business group to be informed about the changes occurred to data protection system and information system (Cyber Security) locally and internationally. This is to raise the level of cautions in preventing the threats caused by the changing trends in the digital world so that the bank will be able to cope and prevent risks quickly and efficiently as well as provide knowledge on the Cyber Security Act B.E. 2562, Personal Data Protection Act 2562, information technology risks and updates of new IT threats in order for employees to apply knowledge to work effectively and aware of the safer use of computers which is the creation of awareness in the use of information technology in the organization.



INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors and executives of the bank value the importance of good internal control and realize the importance of risk management, and sufficiency of internal control for all dimensions of the bank's operations, especially, in market conduct, banking product, and cross selling. The bank directs all units to adhere to good practice regarding internal control in any business operation and any practice of staff. The bank also set up a business unit to manage risks and formulate risk management policy as guidelines.

The bank requires the review of the effectiveness and sufficiency of risk management process and internal control, conducted by the Audit Committee. The essence of the review consists of the consideration of appropriateness of the scope of responsibilities, action plan, the assessment of adequacy and quality of risk management process, internal control, corporate governance process, and the compliance of regulations of official and articles of association. The review will be reported to the Board of Directors in the event that there are significant defects arising in order to improve and make recommendations.

The bank acknowledges the importance of good corporate governance and internal control, has policies and practical guidelines in writing, and provides trainings to broaden staff's knowledge and to sharpen their practical skills. As a result, staffs are able to perform their tasks efficiently and accurately.

The bank provides staff manuals, disciplines, professional ethics and code of conduct & ethics in accordance with the guidelines of the Thai Bankers Association. Penalties for disciplinary offenses are also imposed so that staff can run the operations with efficiency, transparency, and fairness to stakeholders. This helps strengthen the corporate governance and internal control to ensure consistency throughout the organization. The said issues have been included in employee training program.

The bank has specified that internal control activities is part of operational processes and all areas have appropriate structures by separating operators from auditors to ensure appropriate check and balance mechanism. Any activities with conflicts of interest shall be identified and corrected to be in accordance with regulations, business conditions and the articles of association of the bank.

The bank's information system including financial information system has been developed. Operations are in compliance with the bank's information technology risk governance and other regulations. The information system is used to monitor and evaluate internal control, promptly correct any significant defects and ensure correct, complete, and updated information for the Board of Directors and executives to make decisions. Quality communication channel is also provided to build up confidence that executives and all employees understand policies and operational practices related to their functions.

The Internal Audit group of LH Financial Group Public Company Limited, the parent company of the financial business group, is able to work independently to audit and monitor the bank's operations, then directly reports to the Audit Committee. The auditing and monitoring processes focus on comprehensive risk management and compliance with regulatory requirements and regulations, policies, guidelines, procedures and code of conduct to assess the sufficiency of internal control, the appropriateness of risk management, the effectiveness of resources management, and the correctness and the reliability of information.

The audit group has a duty to provide each unit that will be audited and monitored with operational advice according to the unique nature and scope of work of such unit. The objective is to increase value and improve the operations of Land and Houses financial business group. The auditing process adopts the principles of continuous audit and integrated audit.

The bank fully comprehends that internal control is essential to banking business operation because it ensures operational efficiency and rational confidence that the bank's operations can lead to goal achievement and can yield long term benefits. The internal control also ensures reliable financial information reporting and operation, compliance with laws, regulations, and requirements, and prevents any act that may damage the bank's assets and reputation. Therefore the bank has monitored and evaluated the internal control by monitoring the ongoing operation and evaluating the performance each time to boost up confidence that the internal control is in line and able to mitigate changing risks arising periodically. Any defects detected shall be reported to involved executives and any significant defects shall be reported to top executives, the Audit Committee, and the Board of Directors as appropriate.

Appointment of Auditors and Audit Fee

The Audit Committee is responsible for nominating the auditor by considering the auditor's qualifications and performances, before submitting the proposal to the Board of Directors for approval annually. The audit fee will be submitted to the shareholders' meeting for approval. However, the list of auditors requires the consent from the Bank of Thailand.

In 2019, the auditor of the bank was EY Office Limited who audited the 2019 financial statements and provided the reports with unqualified opinions.

Internal Control

- General Audit Department, Branch Audit Department and Information Technology Audit Office

These units are responsible for auditing and evaluating the adequacy of internal control as well as monitoring the operations against the policies, regulations, operation procedures and code of conduct including laws and regulations. They will also audit and evaluate the suitability of risk management, efficiency of resource management, validity and reliability of data, as well as suggest the guidelines to improve the operations and reduce risks and determine auditing system and internal control to carefully protect and preserve customers' data as guided by laws and regulations.

Duties and Responsibilities of the Head of Control Group

1. General Audit
2. Branch Audit
3. Information Technology Audit

Profile of the Head of Control Group

Name	Mrs. Wilawan Sutthibutr
Position	Executive Vice President of Control Group
Age (Years)	53
Education	- Master of Business Administration, Kasetsart University - Bachelor of Economics, Kasetsart University
Training	- Governance and Law Enforcement in Money Market Program : Chula Unisearch, Chulalongkorn University - Certified Professional Internal Audit of Thailand: CPIAT - Fund Performance Optimization Workshop Program : the Securities and Exchange Commission - Law enforcement of Anti-Money Laundering Office Program : Chula Unisearch, Chulalongkorn University

- Insurance Compliance Officer Program : Chula Unisearch, Chulalongkorn University
- Securities Business Oversight for the Most Responsible Persons in Regulatory Affairs Program : the Thai Bankers' Association
- Credit Risk Management for Financial Institutions Program
- Securitization and Interest Rate Risk Hedging Program
- Advanced Financial Institution Credit Risk Analysis Program
- Regulatory Guidelines of Basel II Program
- 7 Habits of Highly Effective People Program
- Intermediate Credit Seminar Program

Shareholding (%) -None-

Family relationship with executives -None-

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug 2019 - Present	Executive Vice President, Control Group	LH Financial Group Public Company Limited
1999 - 2018	Senior Vice President	Bangkok Bank PLC

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

Period	Position	Organization/Company
Jul. 2018 – Aug. 2019	Executive Vice President, Control Group	Land and Houses Bank PLC
1995 – 1999	Manager	Nava Thanakit Finance and Securities
1991 – 1995	Assistant Manager	Thanachart Capital Fund Co., Ltd

Duties and Responsibilities of General Audit, Branch Audit and Information Technology audit

- Determine objective, goal, scope of audit program and plan for internal audit
- Provide and update the internal audit manual in accordance with the Bank of Thailand's regulations and the international standards for the professional practice of internal auditing
- Administrate the general audit function, branch audit function, information technology audit function and supervise the operation of the audit officers
- Approve audit program, evaluate the sufficiency and efficiency of internal control to reduce risk and evaluate the quality of performance as assigned
- Evaluate the reliability and accuracy of financial and operational information
- Ensure that the operations comply with the policies, goals, objectives, operation plans, operation regulations as well as relevant laws and regulations of the official agencies
- Set the performance standards and verify whether auditors' performance comply with the audit standard as well as control the audit operation plans
- Propose the audit results to the top executives of each department, the Chief Executive Officer and the President, the Audit Committee and the Board of Directors as appropriate
- Sharpen the skills of auditors to be able to catch up with trends or changes in the economy and society.
- Provide the performance assessments for all levels of auditors

- Give advice, opinion and suggestion about the operation guidelines in accordance with rules, regulations, announcements and internal control
- Perform the duties assigned by the Audit Committee
- Monitor the high risk transactions, particularly, those with money transfers made by fraudsters or call center gangs, etc.
- Propose the results of special audit analysis to the Chief Executive Officer and the President, and the Audit Committee for acknowledgement
- Propose the results of special audit with the documentary evidence to the top executives of each department so they can lay down accurate and appropriate guidelines
- Follow up the progress of review process specified in audit reports

Number of Employees in Internal Audit Department as of December 31, 2019

There are 31 staff in the Internal Audit Department consisting of 9 in the General Audit Department, 13 in the Branch Audit Department, and 9 in the Information Technology Audit Department.

Significant Penalty Charges Under Governing Laws

In 2019, the bank had 2 penalty charges under the governing laws in the total amount of Baht 325,000 as detailed below:

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 37 Financial Institutions Businesses Act, B.E. 2551.	Regulations on Commercial Bank Branch Operations: Offsite Service	78,750.00
2	Bank of Thailand	Section 41 Financial Institutions Businesses Act, B.E. 2551	Criteria for accepting deposits or money from public: No KYC checking (Know Your Customer : KYC)	246,250.00

RELATED PARTY TRANSACTIONS

Related party transactions refer to any transactions which are similar to or competitive with one another or have any relation that may constitute conflicts of interest between the bank and related parties. In conducting any related party transactions, the bank applies policies, normal 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.

Having related party transactions with any related person/party, the bank has policies and procedures to prevent conflicts of interest and complies with the Bank of Thailand's notification and the bank's regulations. The related party transaction is considered by the same policies with general customers and normal trade terms through the transparent approval process, taking into consideration the utmost benefits of the bank and its shareholders.

Related person or party of the bank refers to any person or company that has the control over the bank or is controlled by the bank either directly or indirectly or be under the same control over the bank. The definition includes any subsidiary or person having significant influence over the bank either directly or indirectly. Transactions with such company or person are disclosed in the notes to financial statements under the subject "Related Party Transactions."

Necessities and Rationales of Transactions

The bank conducts related party transactions with care and takes into account the maximum benefit of the bank and its shareholders. All related party transactions conducted by the bank are either normal business operation or necessary and reasonable transactions which help support the normal business of the bank. However, the Audit Committee has frequently examined the related party transactions and commented that the transactions are under normal business operation. The bank has received and paid commission based on market price and fair price, has followed related regulations and disclosed the information completely.

Furthermore, the Audit Committee shall examine related party transactions that may occur in the future with any person having potential conflicts of interest or stake, and give opinions on the necessity and appropriateness 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 so that the bank or its shareholders, whichever is applicable, will base their decisions on. In any case, the bank will always disclose such transactions in the notes to audited financial statements.

Measures / Approval Process for Related Party Transactions

The bank comprehends the importance of the prevention of conflicts of interest; therefore, approval process of such transaction is subject to due procedures based on the regulations of the bank and scrutinized by responsible committees so that related party transaction complies to principles and reasonable process and is under fair price and terms which not only does it create the highest benefits to the bank and its shareholders, as any other transactions with normal persons, but it also prevents conflicts of interest. Furthermore, the bank shall examine related party transactions that may occur in the future with any person having potential conflicts of interest or stake, and give opinions on the necessity and appropriateness 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 so that the bank or its shareholders, whichever is applicable, will base their decisions on. 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 for conducting current and future related party transactions with any person who potentially has conflicts of interest. The important guidelines for such transactions are that they must be conducted transparently and fairly, in line with good corporate governance, good pricing model, and normal trade terms. The commissions received or paid from such transactions are under market price and fair price. However, the bank assigns the Audit Committee or its auditors or independent experts to audit and comment on the appropriateness of the price and the rationale of such transactions.

Any related party transactions which may occur in the future, the bank shall comply with the related law, requirements, announcements, orders, or regulations. The bank also takes into account on the rationale of related party transactions and the opinions of the Board of Directors and the Audit Committee.

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 Transaction/Connected Person

Significant business transactions with related parties include transactions with directors, executive or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the bank or directors or executives hold shares of more than 10 percent of the paid-up share capital of such entities, which were disclosed in the Note No. 39 to the financial statements of the bank. The details are as follows:



Outstanding Balances

As at 31 December 2019, the outstanding balances of transactions between the bank and its related parties were summarized as follows:

(Unit: Million Baht)

Relationship ^{/1}	Interbank and money market items (assets)	Investments - Cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Debts issued and borrowings	Accrued interest payables	Other liabilities	Commitments - letters of bank guarantee
1. Parent company of the bank	-	-	360.00	0.03	0.30	28.98	-	84.10	0.48	28.32	-
2. Subsidiaries of the bank's parent company	5,240.00	-	-	-	5.64	4.65	36.65	-	-	-	-
3. Major shareholders of the bank's parent company	-	-	-	-	6.12	2,857.63	589.89	-	1.84	0.14	-
4. Related companies	-	428.97	3,520.00	9.49	33.53	6,169.83	-	-	8.01	1.08	21.19
5. Directors and executives	-	-	10.77	-	-	87.33	-	20.00	0.16	-	-
6. Related persons	-	-	15.54	0.01	-	1,445.09	-	41.20	1.46	-	-
Total	5,240.00	428.97	3,906.31	9.53	45.59	10,593.51	626.54	145.30	11.95	29.54	21.19

Notes ^{/1} The nature of the relationships are described in the Note No. 39 to the financial statements "Related Party Transaction/Connected Person".

Related Party Transactions in 2019

During the year 2019, the bank had significant business transactions with its related parties. Such transactions, 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 as follows:

(Unit: Million Baht)

Relationship ^{/1}	Interest income	Fees and service income	Dividend income	Other operating income	Dividends paid	Interest expenses	Other operating expenses
1. Parent company of the bank	67.09	0.22	-	-	1,400.00	4.74	195.67
2. Subsidiaries of the bank's parent company	118.85	89.53	-	1.11	-	6.07	-
3. Major shareholders of the bank's parent company	-	-	-	-	-	51.18	27.61
4. Related companies	27.27	-	25.89	-	-	92.68	112.98
5. Directors and executives	0.25	-	-	1.40	-	2.05	-
6. Related persons	1.14	-	-	-	-	14.60	-
Total	214.60	89.75	25.89	2.51	1,400.00	171.32	336.26

Notes ^{/1} The nature of relationships is described in the Note No. 39 to the financial statements "Related Party Transaction/Connected Person".

THE AUDIT COMMITTEE'S REPORT

The Audit Committee consists of 4 independent directors as follows:

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

Mrs. Wilawan Sutthibutr, Executive Vice President, Control Group of LH Financial Group Public Company Limited is the secretary.

The Audit Committee has performed its duties under the scope of responsibilities prescribed in the Audit Committee Charter assigned by the Board of Directors.

During the year 2019, the Audit Committee had a total of 13 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Review of Financial Report

To review the financial statements prepared under the financial reporting standards and to ensure the accuracy and completeness of information, adequacy of information disclosure, auditing results, and significant risks.

In addition, the committee has reviewed the bank's performance quarterly and has arranged meetings with the auditors to ensure that they perform their duties and give opinions independently as well as report all issues identified to the Audit Committee.

2. Internal Control and Internal Audit

To review and evaluate the adequacy of the internal control system by scrutinizing the issues detected in the internal audit reports and auditor's reports to evaluate the adequacy, suitability and effectiveness of the internal control. The committee is also responsible for evaluating the independence of the internal audit department and the compliance to the charter of internal audit department.

3. External Auditor

To select, nominate and terminate the employment of auditors by considering their knowledge, ability, experience, and reliability, sufficiency of resources, independence and audit quality in the previous year. The audit fee has been set by considering the scope of responsibilities.

In the year 2019, the auditor of the bank was EY Office Limited who audited the financial statements for the year 2019 and presented the financial statements with unqualified opinions.

4. Related Party Transactions or Conflicts of Interest

Considering the related transactions or those with potential conflicts of interest is conducted by verifying them against laws and regulations of the Stock Exchange of Thailand to ensure transparency, rationality and protection of benefits of the bank and shareholders. The accuracy of the bank's information disclosure, particularly that is potentially related to conflicts of interest, is also taken into account.

5. Risk Management

Setting the internal control system and risk management both in overall structure and in activity levels needs to comply with international standards to ensure that the bank will achieve its goals efficiently and effectively as well as adhere to the laws properly.

6. Self – Assessment

The self-assessment is conducted by assessing the important activities of the Audit Committee against the Audit Committee’s charter, relevant rules and regulations as well as good practices. The assessment results indicated that the Audit Committee had performed its duties and responsibilities adequately and efficiently as specified in the Audit Committee’s charter, relevant rules and regulations as assigned by the Board of Directors.

The Audit Committee has fulfilled its duties as a whole and expressed its opinions that the bank’s financial reports have been accurately prepared in accordance with the Financial Reporting Standards along with the appropriate and adequate information disclosures. The external auditors have independently audited the financial reports and performed their duties as a professional. In addition, the bank has sufficient and suitable internal control suitable for business operations and conforming to the related rules and regulations and laws.



(Mr. Phairoj Hengsakul)
Chairman of Audit Committee

NOMINATION AND REMUNERATION COMMITTEE'S REPORT

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

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

Mr. Ruangsak Vitavaskarnvej, First Senior Vice President, Human Resource Group of LH Financial Group Public Company Limited is the secretary.

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

During the year 2019, the Nomination and Remuneration Committee had a total of 7 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Consider the nomination of executives with management authority.
2. Nominate executives to replace those whose contracts expired.
3. Consider the renewal of the retired employees with fixed term contract.
4. Consider the contract renewal of the retired executives with fixed term contract.
5. Consider the criteria and practices regarding employment of retired employees.
6. Consider the budgets for the employees' annual bonus payment in 2019, salary increase, promotion, position adjustments and salary increases for special cases for the year 2020 to propose to the Board of Directors.
7. Consider the annual performance and the bonus rate for the year 2019 and the rate of salary increase for the year 2020 for the President to propose to the Board of Directors
8. Consider the nomination of directors to replace the directors whose term expired.
9. Consider the self-assessment of the Nomination and Remuneration Committee for the year 2019 in accordance with corporate governance principles.
10. Consider and consent to the determination of remuneration of directors, meeting allowances for 2020 and directors' gratuity for the year 2019.



(Mr. Somsak Assavapokee)

Chairman of Nomination and Remuneration Committee

BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors of Land and Houses Bank Public Company Limited is responsible for the bank's financial statements and for financial information presented in this annual report. The aforementioned financial statements were prepared in accordance with the financial reporting standards, applying appropriate and consistent accounting policies with discretion. Material information regarding accounting policy and requirements for financial statements is adequately and transparently disclosed for shareholders and other investors in the notes to financial statements.

The Board of Directors has established and maintained appropriate and effective risk management and internal control in order to rationally assure that the accounting information is correctly and completely recorded and adequate to sustain assets of the bank.

The Board of Directors has appointed the Audit Committee comprised of independent directors responsible for the quality of the financial reporting and an internal control. The Audit Committee's opinions on these issues are included in the Audit Committee Report in this annual report.

The financial statements of the 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 financial reporting standards. The auditor's opinions were included in the report of independent auditor in this annual report.

In the Board of Directors' point of view, the bank has an appropriate and adequate internal control for the credibility of the financial statements of the bank as of December 31, 2019.



(Mr. Rutt Phanijphand)
Chairman



(Ms. Chompoonoot Pathomporn)
Chief Executive Officer and President

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Land and Houses Bank Public Company Limited

Opinion

I have audited the accompanied financial statements of Land and Houses Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 31 December 2019, the related statements of comprehensive income, changes in owners' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land and Houses Bank Public Company Limited as at 31 December 2019, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

I am responsible for the audit resulting in this independent auditor's report.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 28 February 2020

Land and Houses Bank Public Company Limited

Statements of financial position

As at 31 December 2019 and 2018

		(Unit: Thousand Baht)	
	Note	2019	2018
Assets			
Cash		1,635,451	1,839,570
Interbank and money market items - net	6	23,731,785	21,566,859
Derivative assets	7	241,376	111,046
Investments - net	8	51,646,774	55,312,914
Loans to customers and accrued interest receivables	9		
Loans to customers		155,556,417	161,927,057
Accrued interest receivables		214,151	224,142
Total loans to customers and accrued interest receivables		155,770,568	162,151,199
Less : Deferred revenue		(26,029)	(33,824)
Allowance for doubtful accounts	10	(3,947,519)	(3,763,230)
Revaluation allowance for debt restructuring	11	(13,985)	(11,994)
Loans to customers and accrued interest receivables - net		151,783,035	158,342,151
Properties foreclosed - net	13	73,734	87,949
Premises and equipment - net	14	216,797	216,421
Intangible assets - net	15	391,641	345,068
Deferred tax assets	16.1	223,820	260,773
Accrued interest receivables on investments		285,685	290,818
Other assets - net	17	318,212	284,409
Total assets		230,548,310	238,657,978

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

Land and Houses Bank Public Company Limited

Statements of financial position (continued)

As at 31 December 2019 and 2018

(Unit: Thousand Baht)

	Note	2019	2018
Liabilities and owners' equity			
Deposits	19	165,018,408	168,171,003
Interbank and money market items	20	10,503,646	9,277,424
Liabilities payable on demand		52,083	172,822
Derivative liabilities	7	35,634	-
Debts issued and borrowings - net	21	16,721,234	23,290,463
Interest payables		555,205	549,441
Accrued expenses		499,077	478,783
Provisions for liabilities	22	163,786	131,827
Tax payable		330,930	319,670
Revenue received in advance		258,417	287,586
Other liabilities	23	130,303	374,720
Total liabilities		194,268,723	203,053,739
Owners' equity			
Share capital	24		
Registered Issued and paid-up			
2,000,000,000 ordinary shares of Baht 10 each		20,000,000	20,000,000
Share premium	24	10,598,915	10,598,915
Other component of owners' equity			
Revaluation deficit on available-for-sale investments			
- net of income taxes	8.2	(43,587)	(102,215)
Retained earnings			
Appropriated - statutory reserve	25	819,300	717,200
Unappropriated		4,904,959	4,390,339
Total owners' equity		36,279,587	35,604,239
Total liabilities and owners' equity		230,548,310	238,657,978

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

Land and Houses Bank Public Company Limited

Statements of comprehensive income

For the years ended 31 December 2019 and 2018

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

	Note	2019	2018
Profit or loss:			
Interest income	28	8,787,714	8,574,667
Interest expenses	29	(4,046,537)	(3,671,063)
Net interest income		4,741,177	4,903,604
Fees and service income	30	391,696	356,247
Fees and service expenses	30	(80,123)	(73,143)
Net fees and service income		311,573	283,104
Gains on trading and foreign exchange transactions	31	1,472	1,308
Gains on investments	32	503,849	191,735
Dividend income		582,165	658,742
Other operating income		27,353	19,572
Total operating income		6,167,589	6,058,065
Other operating expenses			
Employees' expenses		1,191,976	1,200,878
Directors' remuneration	33	20,374	20,834
Premises and equipment expenses		659,172	671,062
Taxes and duties		225,651	217,486
Advertising and promotional expenses		86,768	78,668
Amortisation on intangible assets		104,352	50,986
Supporting service expenses		194,220	-
Other expenses		114,249	122,159
Total other operating expenses		2,596,762	2,362,073
Bad debts, doubtful accounts and impairment loss	34	1,090,000	570,163
Profits before income tax expenses		2,480,827	3,125,829
Income tax expenses	16.2	(442,445)	(556,598)
Profits for the years		2,038,382	2,569,231

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

Land and Houses Bank Public Company Limited
Statements of comprehensive income (continued)
For the years ended 31 December 2019 and 2018

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

	Note	2019	2018
Other comprehensive income (loss):	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		58,628	(247,313)
Total items to be recognised in profit or loss in subsequent periods		58,628	(247,313)
Items not to be recognised in profit or loss in subsequent periods:			
Actuarial losses - net of income taxes		(21,662)	-
Total items not to be recognised in profit or loss in subsequent periods		(21,662)	-
Other comprehensive income (loss) for the years		36,966	(247,313)
Total comprehensive income for the years		2,075,348	2,321,918
Earnings per share:	36		
Basic earnings per share			
Profits for the years (Baht per share)		1.02	1.29

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

Land and Houses Bank Public Company Limited
Statements of changes in owners' equity
For the years ended 31 December 2019 and 2018

(Unit: Thousand Baht)

	Note	Issued and paid-up share capital	Share premium	Other component of owners' equity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings		Total
					Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2018		20,000,000	10,598,915	145,098	588,700	3,789,608	35,122,321
Appropriated to statutory reserve	25	-	-	-	128,500	(128,500)	-
Dividends paid	26	-	-	-	-	(1,840,000)	(1,840,000)
Profit for the year		-	-	-	-	2,569,231	2,569,231
Other comprehensive loss for the year		-	-	(247,313)	-	-	(247,313)
Total comprehensive income (loss) for the year		-	-	(247,313)	-	2,569,231	2,321,918
Balance as at 31 December 2018		20,000,000	10,598,915	(102,215)	717,200	4,390,339	35,604,239
Balance as at 1 January 2019		20,000,000	10,598,915	(102,215)	717,200	4,390,339	35,604,239
Appropriated to statutory reserve	25	-	-	-	102,100	(102,100)	-
Dividends paid	26	-	-	-	-	(1,400,000)	(1,400,000)
Profit for the year		-	-	-	-	2,038,382	2,038,382
Other comprehensive income (loss) for the year		-	-	58,628	-	(21,662)	36,966
Total comprehensive income for the year		-	-	58,628	-	2,016,720	2,075,348
Balance as at 31 December 2019		20,000,000	10,598,915	(43,587)	819,300	4,904,959	36,279,587

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

Land and Houses Bank Public Company Limited

Statements of cash flows

For the years ended 31 December 2019 and 2018

(Unit: Thousand Baht)

	2019	2018
Cash flows from operating activities		
Profits before income tax expenses	2,480,827	3,125,829
Adjustments to reconcile profits before income tax expenses		
to net cash provided by (paid from) operating activities		
Depreciation and amortisation	182,275	148,422
Bad debts, doubtful accounts and impairment loss	1,090,000	570,163
Provisions for employee benefits	49,869	22,154
Gains on trading and foreign exchange transactions	(17,134)	-
Losses on impairment of properties foreclosed	-	38
Losses on disposals/write-offs of leasehold improvements and equipment	284	98
Gains on sales of investments	(503,849)	(191,735)
Net interest income	(4,741,177)	(4,903,604)
Dividend income	(582,165)	(658,742)
Cash received on interest income	7,267,891	7,069,152
Cash paid on interest expenses	(4,039,684)	(3,532,002)
Cash paid on income taxes	(415,998)	(559,096)
Profits from operation before changes in operating assets and liabilities	771,139	1,090,677
(Increase) decrease in operating assets		
Interbank and money market items	(2,206,519)	(642,642)
Loans to customers	5,392,678	(8,060,422)
Properties foreclosed	14,215	14,150
Other assets	71,031	(83,089)
Increase (decrease) in operating liabilities		
Deposits	(3,152,595)	24,429,084
Interbank and money market items	1,226,222	(6,138,546)
Liabilities payable on demand	(120,739)	(46,962)
Short-term debts issued and borrowings	(3,565,033)	(14,684,608)
Accrued expenses	19,205	(21,490)
Provisions for liabilities	(44,507)	(8,509)
Other liabilities	(259,973)	145,401
Net cash used in operating activities	(1,854,876)	(4,006,956)

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

Land and Houses Bank Public Company Limited

Statements of cash flows (continued)

For the years ended 31 December 2019 and 2018

(Unit: Thousand Baht)

	Note	2019	2018
Cash flows from investing activities			
Proceeds from sales of available-for-sale investments		3,867,562	1,765,264
Proceeds from held-to-maturity investments		3,360,730	5,073,412
Cash received on interest income on investments		1,555,376	1,615,321
Cash received on dividend income on investments		582,165	658,742
Invested in available-for-sale investments		(805,650)	(3,426,363)
Invested in general investments		(1,647)	-
Invested in held-to-maturity investments		(2,285,886)	(3,705,151)
Proceeds from disposals of equipment		3,206	131
Cash paid for purchases of leasehold improvements and equipment		(80,331)	(58,913)
Cash paid for purchases of intangible assets		(140,572)	(226,414)
Net cash provided by investing activities		6,054,953	1,696,029
Cash flows from financing activities			
Cash received on long-term debts issued and borrowings		1,000,000	4,995,947
Cash paid for long-term debts issued and borrowings		(4,004,196)	-
Dividends paid	26	(1,400,000)	(2,840,000)
Net cash provided by (used in) financing activities		(4,404,196)	2,155,947
Net decrease in cash and cash equivalents		(204,119)	(154,980)
Cash and cash equivalents as at 1 January		1,839,570	1,994,550
Cash and cash equivalents as at 31 December		1,635,451	1,839,570

Supplemental cash flows information

Non-cash related items:

Purchases of assets on credit	27,267	14,975
Bad debts written-off	34,550	63,199
Decrease in loans to customers due to debt forgiveness	-	41,533

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

Land and Houses Bank Public Company Limited

Notes to financial statements

For the years ended 31 December 2019 and 2018

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 2019, the Bank has 1 head office and 107 branches in Thailand (31 December 2018: 1 head office and 127 branches in Thailand).

2. Basis for preparation of financial statements

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and with reference to the principles stipulated by the Bank of Thailand (“BoT”). The presentation of the financial statements has been made in compliance with the Bank of Thailand's 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.

3. New and revised financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Bank adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on these financial statements. However, the new and revised standards involve changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

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

This standard does not have any significant impact on these financial statements.

TFRS 4 (revised 2018) Insurance contracts

This standard provides an option to the qualifying insurers under such standard to use a temporary exemption from adoption of TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures, which applicable for the financial reporting period beginning in or after 1 January 2020, on certain topics and can instead adopt the Thai Accounting Guidance applicable for insurance business related to financial instruments and disclosures for the financial reporting period beginning before 1 January 2022 or before the effective date of TFRS 17 Insurance Contracts (when issued).

This standard does not have an impact on these financial statements.

3.2 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

This set of TFRSs make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When this set of TFRSs becomes effective, certain accounting standards, interpretations and guidances, which are currently effective will be cancelled.

The Bank's management expects the effect of the adoption of these accounting standards arose from the following transactions:

- The classification and measurement of investments in equity instruments of non-listed companies. The Bank is to measure investments in equity instruments of non-listed companies at fair value and to classify the investments as financial assets at fair value, through other comprehensive income (loss). If the Bank elects to present subsequent changes in the fair value of the investment through other comprehensive income (loss), the election is irrevocable.
- The Bank has to recognise allowance for expected credit losses on its financial assets, and the Bank's management expects that the allowance set aside as at 31 December 2019 to be higher than the allowance for expected credit loss calculated in accordance with Thai Financial Reporting Standard 9 as at 1 January 2020. The Bank will arrange this allowance as notified to the Bank of Thailand.
- Recognition of derivatives, the Bank has derivatives that are held for banking book with notional amounts of Baht 1,149 million. The Bank records these as off-balance sheet items and presents them on an accrual basis. Upon the adoption of these accounting standards, the Bank will need to recognise derivatives at fair value and adjust the effect of this change in retained earnings as at 1 January 2020.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Bank's management is currently evaluating the impact of this standard on the financial statements in the year when they are adopted.

4. Summary of significant accounting policies

4.1 Revenue recognition

(a) Interest and discount on loans to customers

The Bank recognises interest and discount on loans to customers as revenue on an accrual basis, based on the amount of principal outstanding. For (a) loans to customers on which principal or interest payments have been defaulted for more than three months from the due date; (b) loans to customers on which principal or interest payments have been defaulted for not more than three months but are classified as sub-standard, doubtful or doubtful of loss; or (c) factoring loans which have been defaulted from the due date, the Bank ceases accrual of interest income and instead recognises interest income on cash basis and reverses any interest previously accrued as revenue, in accordance with the BoT's Notification. Interest is then recognised as income on cash basis until settlement of such overdue balance has been received from the debtors.

The Bank recognises interest income from hire purchase as revenue over the period of the contracts, using the effective interest rate method. If hire purchase receivables default on installments and are overdue more than three months from the due date, the Bank ceases accrual of revenue and reverses the revenue previously recorded from its accounts.

The Bank recognises interest income on restructured loans as revenue on the same accrual basis as applied on loans to customers discussed above, with the exception of restructured loans that are subject to monitoring for compliance with restructuring conditions. On those loans, the Bank recognises interest income on cash basis until the borrower has been able to comply with the restructuring conditions for a period of not less than three consecutive months or three consecutive installments, whichever is longer.

Interest or discount which are already included in the face value of notes receivable or loans are recorded as deferred revenue, which will be amortised to income evenly throughout the term of the notes or loans.

(b) Fees and service income

Fees and service are recognised as revenues on an accrual basis, taking into account the stage of completion.

(c) Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

(d) Interest and dividends

Interest is recognised as revenues on an accrual basis. Dividends are recognised as revenues when the right to receive the dividends is established.

4.2 Expense recognition

(a) Interest expenses

Interest expenses are recognised on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expense, which will be amortised as expenses evenly throughout the term of the notes.

(b) Commission and direct expenses charged on hire purchase

Commission and direct expenses incurred at the inception of a hire purchase contract i.e. commission expenses, are to be gradually amortised, using the effective interest rate method, to be presented net of interest income on hire purchase.

(c) Fees and service expenses and other expenses

Fees and service expenses and other expenses are recognised as expenses on an accrual basis.

4.3 Cash and cash equivalents

Cash and cash equivalents are the amounts included in the statements of financial position under the caption of “Cash”, which consists of cash on hand and cheques in transit.

4.4 Securities purchased under resale agreements/securities sold under repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to resale commitments are presented as assets under the caption of “Interbank and money market items” in the statements of financial position, and the underlying securities are treated as collateral to such receivables, while securities sold subject to repurchase commitments are presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The differences between the purchase price and the sale considerations are recognised as interest income or expenses, as the case maybe, over the transaction periods.

4.5 Investments

Trading investments are stated at fair value. Changes in the fair value of investments are recognised in profit or loss.

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recognised in other comprehensive income (loss), and will be subsequently recognised in profit or loss when the investments are sold.

Held-to-maturity investments are presented at amortised cost less allowance for impairment (if any). The premium/discount on debt securities is amortised by the effective interest rate method with the amortised amount presented as an adjustment to interest income.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost less allowance for impairment (if any).

The fair value of marketable equity securities is based on the last bid price of the last working day of the reporting periods on the Stock Exchange of Thailand. The fair value of debt securities is based on the yield rates quoted by the Thai Bond Market Association.

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

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

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

4.6 Loans to customers

Loans to customers are presented at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue and unearned discount on loans to customers are deducted from the balances of loans to customers.

Hire purchase receivables are stated at the outstanding balances under the agreements less the balances of deferred revenue, which are presented net of deferred initial direct costs.

4.7 Allowance for doubtful accounts

The Bank provides allowance for doubtful accounts in accordance with the BoT's guidelines, using the minimum rates stipulated by the BoT, based on loan classification as follows:

For loans classified as “pass” (including restructured loans) and “special-mention”, the minimum rates stipulated by the BoT are 1% and 2%, respectively, of the loan balances net of deferred revenue (excluding accrued interest receivables) after deducting collateral value in accordance with criteria stipulated by the BoT.

For non-performing loans, which are loans classified as “sub-standard”, “doubtful” and “doubtful of loss”, the minimum rate stipulated by the BoT is 100% of the excess of the loan balances over the present value of expected future cash flows from debt collection or from collateral disposal. The discount rates and expected durations required to dispose collateral used in determining the present value are in accordance with criteria stipulated by the BoT.

Moreover, the Bank sets up, in addition to aforementioned minimum rates, an additional allowance for doubtful accounts to reflect the amounts that are not expected to be collectible from debtors, based on evaluation of the probability of default and loss given default. The evaluation takes into consideration debtors' collection history, default experience and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up or reversed is charged to increase or reduce bad debts and doubtful accounts expenses for each year.

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

4.8 Troubled debt restructuring and loss from debt restructuring

The Bank records troubled debt restructuring transactions with reference to criteria stipulated by the BoT. In cases where the troubled debt restructuring involves modification of the repayment conditions, the Bank will determine the present value of expected future cash flows to be received in accordance with the new restructuring agreements, discounted by the loan's original contract rates. And in cases where the debt restructuring has been processed through the courts, the Bank will calculate discounted cash flows from the disposal of collateral or expected future cash flows from repayment using the original contract rates. The excess of the recorded outstanding loans to customers balances over the determined present value of future cash flows is accounted for as revaluation allowance for debts restructuring and is recognised as expenses in profit or loss on the debt restructuring date (only if the determined revaluation allowance for debts restructuring exceeds the allowance for doubtful debts already provided for such loans to customers). After restructuring troubled debt, the Bank will review allowance based on present value of remaining future cash flows and adjusts allowance against allowance for doubtful account.

In cases where the troubled debt restructuring involves assets swap and/or equity swap, the Bank recognises loss from debt restructuring in profit or loss equal to the excess of the recorded outstanding loans to customers balances with the fair value of assets and/or equity received in settlement of debts (after deducting the estimated selling expense). However, the value of assets being transferred to the Bank will be recorded at the amount not exceeding the sum of the book value of loans to customers and non-accrued interest income to which the Bank is entitled legally.

In cases where the troubled debt restructuring involves reduction of principal and/or accrued interest receivables, the Bank recognises the reduced amounts immediately as expenses.

4.9 Properties foreclosed

Properties foreclosed are stated at the lower of cost or net realisable value. The cost is the carrying value of debt balance of the debtor on the date the Bank is entitled to such properties foreclosed to settle debt. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses.

Gain (loss) on disposal of properties foreclosed is recognised as revenue (expense) in profit or loss when sold. Impairment loss is recognised as expenses in profit or loss.

4.10 Premises and equipment and depreciation

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

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

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets in progress.

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

4.11 Intangible assets and amortisation

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite useful lives are amortised on a systematic basis over their economic useful lives and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method for such intangible assets are reviewed at least at the end of year. The amortisation expense and impairment loss are charged to expenses in profit or loss.

Intangible assets with finite useful lives are computer softwares and deferred membership and license fee, which have estimated useful lives of 5 and 10 years, respectively. No amortisation is provided on computer softwares under development.

4.12 Impairment of assets

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

In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks

specific to the asset. In determining fair value less costs to sell, the calculations are based on the amount that they could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

4.13 Provisions for liabilities

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

4.14 Employee benefits

(a) Short-term employment benefits

Salary, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

(b) Post-employment benefits

Defined contribution plan

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

Defined benefit plan

The Bank treats the severance payments they must make to employees upon retirement under labor law as a defined benefit plan.

The Bank's obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the Projected Unit Credit Method.

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

4.15 Derivatives

The Bank has entered into derivative financial instruments in order to manage risk of the Bank and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised to gains (losses) on trading and foreign exchange transactions as part of profit or loss in the statement of comprehensive income. The fair values of the contracts are based on the quoted market prices. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models, in which the variables used, are derived from observable market factors and adjusted to reflect counterparty credit risk.

Derivative transactions for its banking book whereby the Bank records them as off-balance items, which are presented on an accrual basis. The foreign exchange components of those derivatives are recognised based on exchange rates ruling at the end of the reporting periods in the same manner as the hedged items. Unrealised gains or losses on exchange rates are recognised in profit or loss whereas the interest components of those derivatives are recognised on an accrual basis, in the same manner as the hedged assets and liabilities, as a part of interest income or expense over the term of the contracts.

4.16 Foreign currencies

The financial statements are presented in Baht, which are also the Bank's functional currency.

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

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

4.17 Income taxes

Income taxes represent the sum of income taxes currently payable and deferred income taxes.

(a) Current income taxes

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(b) Deferred income taxes

Deferred income taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

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

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

The Bank records deferred taxes directly to owners' equity if the taxes relate to items that are recorded directly to owners' equity.

4.18 Long-term leases

Leases that do not transfer substantially all the risks and rewards of ownership to the Bank, as being the leasees, are classified as operating leases. Operating leases are recognised as expenses in profit or loss on the straight line basis over the lease periods.

4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except when there is no active market of an identical assets or liabilities or when a quoted market price is not available. The Bank measures fair value using a valuation technique that is appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

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

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

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

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

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

4.20 Related party transactions

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

They also include individuals which directly or indirectly own a voting interest in the Bank that give them significant influence over the Bank, key management personnel, directors, and officers with authority in the planning and direction of the Bank's operations, together with closed family members of such persons and companies which are controlled or significantly influenced by them, whether directly or indirectly.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows:

5.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statements of financial position or disclosed in note to financial statements that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these variables could affect the fair value reported in the statements of financial position and disclosed in their disclosure notes of the fair value hierarchy.

5.2 Allowance for impairment on investments

The Bank considers setting up an allowance for impairment on investments whenever there is an indication of impairment when there has been a significant and prolonged decline in fair value below their costs. The management is required to use judgment in loss estimation of each item, based on analysis of current status or consideration of what is significant and prolonged to conclude that impairment is incurred.

5.3 Allowance for doubtful accounts

Allowance for doubtful accounts on loans to customers and accrued interest receivables are intended to adjust the value of loans to customers for probable credit loss. The management follows the BoT's guidelines regarding setting up allowance for doubtful accounts, including the use of judgment to estimate losses expected to be incurred on loans and/or accrued interest receivables, taking into consideration an analysis of status of each individual debtor and group of debtors, probability of default, loss given default, debtors collection history, values of collateral, and economic conditions.

5.4 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimate of the useful lives and residual value of buildings and equipment and to review estimated useful lives and residual value when circumstances change.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and records impairment loss when it is determined that their recoverable amounts are lower than their carrying values. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.5 Intangible assets

The initial recognition and measurement of intangible assets, including subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

5.6 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which those temporary differences and tax loss carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

5.7 Provisions for employee benefits

Provisions for employee benefits are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement.

5.8 Litigation

The Bank has contingent liabilities as a result of claim litigation. The management has used judgment to assess the outcome of the litigation cases and believe that loss will not be incurred. Therefore no contingent liabilities are recognised at the end of reporting periods.

5.9 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgment on whether risks and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
Domestic:						
Bank of Thailand	325,746	-	325,746	1,358,280	-	1,358,280
Commercial banks	130,270	3,338,000	3,468,270	136,635	935,000	1,071,635
Specialised financial institutions	-	2,500,000	2,500,000	-	-	-
Other financial institutions	6,649,000	10,880,978	17,529,978	14,194,021	5,120,000	19,314,021
Total domestic items	7,105,016	16,718,978	23,823,994	15,688,936	6,055,000	21,743,936
Add: Accrued interest receivables	3,555	9,649	13,204	12,369	4,038	16,407
Less: Allowance for doubtful accounts	(66,490)	(165,390)	(231,880)	(133,440)	(60,050)	(193,490)
Total domestic items	7,042,081	16,563,237	23,605,318	15,567,865	5,998,988	21,566,853
Foreign:						
US Dollars	119,239	-	119,239	6	-	6
Euro	35	-	35	-	-	-
Other currencies	7,193	-	7,193	-	-	-
Total foreign items	126,467	-	126,467	6	-	6
Interbank and money market items - net	7,168,548	16,563,237	23,731,785	15,567,871	5,998,988	21,566,859

7. Derivatives

The carrying values of derivatives assets and liabilities consist of derivatives held for trading measured at fair value and derivatives held for banking book recognised on an accrual basis.

(Unit: Thousand Baht)

Types of derivatives	31 December 2019		31 December 2018	
	Fair value / Carrying value		Fair value / Carrying value	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	56,864	35,634	-	-
Derivatives held for banking book	184,512	-	111,046	-
Total	241,376	35,634	111,046	-

Derivatives held for trading

As at 31 December 2019 and 2018, the fair values and the notional amounts of derivatives held for trading, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	31 December 2019			31 December 2018		
	Fair value		Notional amounts *	Fair value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate	56,864	35,634	18,336,461	-	-	-
Total	56,864	35,634	18,336,461	-	-	-

* Disclosed only in case that the Bank has an obligation to pay.

As at 31 December 2019 and 2018, the proportions of trading derivative transactions, determined based on the notional amount of derivatives contracts, presented by type of counterparty were as follows:

Counterparty	31 December 2019 (Percent)	31 December 2018 (Percent)
Financial institutions	97.81	-
Third parties	2.19	-
Total	100.00	-

Derivatives held for banking book

As at 31 December 2019 and 2018, the carrying values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	31 December 2019			31 December 2018		
	Carrying value		Notional amounts *	Carrying value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate and interest rate	184,512	-	1,149,440	111,046	-	1,149,440
Total	184,512	-	1,149,440	111,046	-	1,149,440

* Disclosed only in case that the Bank has an obligation to pay.

Derivatives held for banking book are obligations under contracts, which are not held for trading, and are measured on an accrual basis. Components of foreign exchange are recognised as gains (losses) on exchange at the end of the reporting periods as revenues or expenses in profit or loss and are presented under derivatives assets or liabilities, as the case maybe. Components of interest rate are recognised as interest income or expense according to the contracted installments as they fall due and recorded as accrued interest receivables or payables and presented as a part of accrued interest receivables on investments or interest payables, as the case maybe.

8. Investments

8.1 Classified by investment classification

(Unit: Thousand Baht)		
31 December		
	2019	2018
<u>Trading investments - fair value</u>		
Domestic marketable equity securities		
- Investment units	8,509,514	-
Total trading investments	8,509,514	-
<u>Available-for-sale investments - fair value</u>		
Government and state enterprise securities	-	180,517
Private sector debt securities	1,055,563	1,033,761
Domestic marketable equity securities		
- Investment units	-	10,852,519
Total available-for-sale investments	1,055,563	12,066,797
<u>Held-to-maturity investments - amortised cost</u>		
Government and state enterprise securities	18,336,809	17,308,652
Private sector debt securities	18,347,043	20,467,773
Other debt securities	5,390,942	5,464,436
Total held-to-maturity investments	42,074,794	43,240,861
<u>General investments - cost</u>		
Domestic non-marketable equity securities		
- Stocks	6,928	5,281
Less: Allowance for impairment	(25)	(25)
General investments - net	6,903	5,256
Investments - net	51,646,774	55,312,914

8.2 Revaluation deficit on available-for-sale investments

As at 31 December 2019 and 2018, revaluation surplus (deficit) on available-for-sale investments consisted of:

		(Unit: Thousand Baht)	
		31 December	
		2019	2018
Revaluation surplus on the reclassified investments			
Debt securities		61,939	66,973
Total		61,939	66,973
Revaluation deficit on the reclassified investments			
Debt securities		(110,079)	(123,083)
Total		(110,079)	(123,083)
Revaluation surplus on investments			
Equity securities		-	212,093
Total		-	212,093
Revaluation deficit on investments			
Debt securities		(6,344)	(32,504)
Equity securities		-	(251,248)
Total		(6,344)	(283,752)
Revaluation deficit on available-for-sale investments		(54,484)	(127,769)
Add: Income taxes		10,897	25,554
Revaluation deficit on available-for-sale investments			
- net of income taxes		(43,587)	(102,215)

8.3 Investments of 10% or more held by the Bank

As at 31 December 2019 and 2018, the following investments of 10% or more held by the Bank, that were not treated as investments in subsidiaries and associates, were as follows:

		(Unit: Thousand Baht)	
		31 December	
		2019	2018
Infrastructure Fund (presented at fair value)		285,250	346,500
		285,250	346,500

8.4 Investments in companies having problems relating to financial position and operating results

(Unit: Thousand Baht)

	31 December 2019				31 December 2018			
	Number of companies	Cost	Fair value	Allowance for impairment	Number of companies	Cost	Fair value	Allowance for impairment
General investments								
Companies which auditors' report indicating going concern issues	1	25	-	25	1	25	-	25
	<u>1</u>	<u>25</u>	<u>-</u>	<u>25</u>	<u>1</u>	<u>25</u>	<u>-</u>	<u>25</u>

8.5 Reclassification of investment types

During the year ended 31 December 2019, the Bank reclassified its investments unit from available-for-sale investments to be trading investments, as approved by the resolution of the meeting of Investment Committee of the parent company, whereby the fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 8,299 million and Baht 8,514 million, respectively, and the difference of Baht 215 million was recognised as a part of “Gains (losses) on trading and foreign exchange transactions” in profit or loss.

During the year ended 31 December 2018, the Bank reclassified its investments from held-to-maturity investments to be available-for-sale investments, as approved by the resolution of the meeting of its Board of Directors, whereby the fair value and the cost of the reclassified investments as at the reclassification date amounted to Baht 2,660 million and Baht 2,495 million, respectively, and the difference between fair value and cost of Baht 165 million was recognised as a part of “Revaluation surplus on available-for-sale investments” in owners' equity.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan types

(Unit: Thousand Baht)

	31 December	
	2019	2018
Overdrafts	4,318,143	4,736,544
Loans	113,374,942	107,244,192
Bills	37,688,743	49,590,754
Hire purchase receivables	174,589	355,567
Total loans to customers	155,556,417	161,927,057
Less: Deferred revenue	(26,029)	(33,824)
Loans to customers net of deferred revenue	155,530,388	161,893,233
Add: Accrued interest receivables	214,151	224,142
Total loans to customers and accrued interest receivables	155,744,539	162,117,375
Less: Allowance for doubtful accounts	(3,947,519)	(3,763,230)
Revaluation allowance for debt restructuring	(13,985)	(11,994)
Loans to customers and accrued interest receivables - net	151,783,035	158,342,151

9.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	31 December 2019			31 December 2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	154,304,873	-	154,304,873	161,893,233	-	161,893,233
US Dollar	1,225,515	-	1,225,515	-	-	-
Total	155,530,388	-	155,530,388	161,893,233	-	161,893,233

9.3 Classified by business types and loan classification

(Unit: Thousand Baht)

	31 December 2019					Total
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	4,990	-	-	-	7,924	12,914
Manufacturing and commerce	36,944,589	894,662	1,015	-	475,266	38,315,532
Real estate and construction	22,380,187	221,231	44,406	-	579,963	23,225,787
Public utilities and services	37,203,326	1,977,120	-	-	766,313	39,946,759
Housing loans	19,722,129	270,390	121,261	44,761	669,430	20,827,971
Financial intermediation	31,765,283	-	-	-	-	31,765,283
Others	1,350,533	20,512	12,633	1,535	50,929	1,436,142
Loans to customers net of deferred revenue	149,371,037	3,383,915	179,315	46,296	2,549,825	155,530,388

(Unit: Thousand Baht)

	31 December 2018					Total
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	859,759	-	-	-	8,156	867,915
Manufacturing and commerce	38,781,096	172,750	114,794	-	841,210	39,909,850
Real estate and construction	21,928,186	161,848	23,962	-	779,777	22,893,773
Public utilities and services	38,534,068	1,173,549	89,397	1,438	728,514	40,526,966
Housing loans	21,933,311	252,481	84,576	24,921	588,214	22,883,503
Financial intermediation	32,916,986	-	-	-	197,375	33,114,361
Others	1,622,737	36,265	2,084	214	35,565	1,696,865
Loans to customers net of deferred revenue	156,576,143	1,796,893	314,813	26,573	3,178,811	161,893,233

9.4 Classified by loan classification

(Unit: Thousand Baht)

31 December 2019				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates (Percent)	Allowance for doubtful accounts
Provision at BoT's minimum required rates				
Pass	149,573,676	84,442,522	1	844,425
Special-mention	3,395,427	154,604	2	3,092
Sub-standard	179,315	21,330	100	21,330
Doubtful	46,296	5,392	100	5,392
Doubtful of loss	2,549,825	420,512	100	420,512
Total	155,744,539	85,044,360		1,294,751
Additional provision for specific debtors				1,836,517
General provision				816,251
Total				3,947,519

⁽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)

31 December 2018				
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts ⁽¹⁾	Minimum rates (Percent)	Allowance for doubtful accounts
Provision at BoT's minimum required rates				
Pass	156,792,805	85,777,874	1	857,779
Special-mention	1,804,373	88,783	2	1,776
Sub-standard	314,813	109,908	100	109,908
Doubtful	26,573	3,890	100	3,890
Doubtful of loss	3,178,811	755,424	100	755,424
Total	162,117,375	86,735,879		1,728,777
Additional provision for specific debtors				1,180,620
General provision				853,833
Total				3,763,230

⁽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.

9.5 Non-performing loans

As at 31 December 2019 and 2018, the Bank had the following non-performing loans:

	31 December	
	2019	2018
Non-performing loans (Thousand Baht)	2,775,436	3,520,197
Percentage of non-performing loans to total loans ⁽¹⁾	1.55%	1.93%

⁽¹⁾ The denominator base included interbank and money market items

Non-performing loans calculated based on the notification of the BoT. Those included sub-standard, doubtful and doubtful of loss, and exclude outstanding loans for which debt restructuring agreements had been made and which have already met the conditions for upgrading to pass or special-mention under the BoT's criteria.

9.6 Non-accrued loans to customers

As at 31 December 2019 and 2018, the Bank had the following loans to customers on which interest income recognition was ceased on an accrual basis:

	31 December	
	2019	2018
Non-accrued loans (Thousand Baht)	2,776,564	3,540,246
Percentage of non-accrued loans to total loans ⁽¹⁾	1.55%	1.94%

⁽¹⁾ The denominator base included interbank and money market items

9.7 Loans to customers that have repayment problems or defaulted payments

As at 31 December 2019 and 2018, the Bank had loans to customers and accrued interest receivables due from companies and persons, which had repayment problems or defaulted payments, against which allowance for doubtful accounts, were made as follows:

(Unit: Thousand Baht)			
31 December 2019			
	Number of debtors	Debt balances	Collateral value
			Allowance for doubtful accounts/ Revaluation allowance
Companies and persons that have repayment problems or defaulted	439	6,170,863	5,557,513
			463,443

payments

(Unit: Thousand Baht)

	31 December 2018			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/ Revaluation allowance
Companies and persons that have repayment problems or defaulted payments	381	5,324,570	4,359,084	871,370

The Bank has inadequate information to disclose transactions in respect of companies whose auditors' reports indicate that there is substantial doubt about their ability to continue their business as a going concern, and unlisted companies whose financial position and results of operations are the same as those of listed companies delisting criteria. However, the Bank has taken into accounts the guidelines of the BoT in classification and provision for doubtful accounts.

9.8 Troubled debt restructuring

For the years ended 31 December 2019 and 2018, the Bank had completed restructuring of troubled debts, which were summarised as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2019				
	Number of debtors	Debt balances (principal and accrued interest receivables)		Debt hair-cut loss per agreements	Losses on debt restructuring
		Before restructuring	After restructuring		
Modification of terms of payments	55	1,726,921	1,726,921	-	4,602
Total restructured debts	55	1,726,921	1,726,921	-	4,602

(Unit: Thousand Baht)

For the year ended 31 December 2018			
Number of	Debt balances (principal and accrued interest receivables)	Debt hair-cut loss	Losses on

	debtors	Before restructuring	After restructuring	per agreements	debt restructuring
Modification of terms of payments	71	3,876,567	3,835,034	41,533	11,294
Total restructured debts	71	3,876,567	3,835,034	41,533	11,294

For the years ended 31 December 2019 and 2018, the debts restructured as referred to above can be classified by terms of repayment under the restructuring agreements as follows:

(Unit: Thousand Baht)

Term of repayment under restructuring agreements	For the years ended 31 December			
	2019		2018	
	Number of debtors	Debt balances after restructuring	Number of debtors	Debt balances after restructuring
Less than 5 years	29	811,933	38	2,601,554
5 - 10 years	14	880,620	15	1,164,534
10 - 15 years	1	3,100	4	31,039
More than 15 years	11	31,268	14	37,907
Total	55	1,726,921	71	3,835,034

Supplemental information for the years ended 31 December 2019 and 2018, relating to the restructured debts, were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Interest income recognised in profit or loss	231,902	190,338
Cash settlement by debtors	1,030,177	649,996
Cash received from disposals of non-performing loans	1,297,963	127,637
Losses on debt restructuring	4,602	11,294
Debt hair-cut loss per agreements	-	41,533

As at 31 December 2019 and 2018, the 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 receivables)	Number of debtors	Debt balances (principal and accrued interest receivables)

31 December 2019	9,644	155,744,539	247	4,657,237
31 December 2018	10,523	162,117,375	278	6,356,713

As at 31 December 2019 and 2018, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

9.9 Hire purchase receivables

As at 31 December 2019 and 2018, the Bank had hire purchase receivables, on which the terms of the agreements were generally between 2 and 8 years and they carried interest at fixed rates stipulated in the agreements.

(Unit: Thousand Baht)

	31 December 2019			
	Amounts due under the contracts			
	Less than	More than		Total
	1 year	1 - 5 years	5 years	
Aggregate initial investments under the hire purchase agreements	99,040	72,658	2,891	174,589
Less: Deferred revenue	(6,637)	(4,097)	(54)	(10,788)
Present value of minimum lease payments	92,403	68,561	2,837	163,801
Less: Allowance for doubtful accounts				(16,649)
Hire purchase receivables - net				147,152

(Unit: Thousand Baht)

	31 December 2018			
	Amounts due under the contracts			
	Less than	More than		Total
	1 year	1 - 5 years	5 years	
Aggregate initial investments under the hire purchase agreements	195,051	152,669	7,847	355,567
Less: Deferred revenue	(14,270)	(9,747)	(372)	(24,389)
Present value of minimum lease payments	180,781	142,922	7,475	331,178
Less: Allowance for doubtful accounts				(44,927)
Hire purchase receivables - net				286,251

10. Allowance for doubtful accounts

(Unit: Thousand Baht)

	For the year ended 31 December 2019							
	Provision at BoT's minimum required rates					Additional provision for		
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	specific debtors	General provision	Total
Balances - beginning of the year	857,779	1,776	109,908	3,890	755,424	1,180,620	853,833	3,763,230
Increase (decrease) during the year	44,421	133,298	(44,031)	4,281	335,511	655,897	(35,153)	1,094,224
Bad debts written-offs	-	-	-	-	(34,550)	-	-	(34,550)
Decrease as a result of disposals	(57,775)	(131,982)	(44,547)	(2,779)	(618,735)	-	-	(855,818)
Transfer to revaluation allowance for debt restructuring	-	-	-	-	-	-	(2,429)	(2,429)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(17,138)	-	-	(17,138)
Balances - end of the year	844,425	3,092	21,330	5,392	420,512	1,836,517	816,251	3,947,519

(Unit: Thousand Baht)

	For the year ended 31 December 2018							
	Provision at BoT’s minimum required rates					Additional provision for		
	Pass	Special- mention	Sub- standard	Doubtful	Doubtful of loss	specific debtors	General provision	Total
Balances - beginning of the year	758,689	156,988	77,545	111,115	593,225	750,000	941,124	3,388,686
Increase (decrease) during the year	99,090	(155,212)	32,363	(83,966)	326,438	430,620	(89,320)	560,013
Bad debts written-offs	-	-	-	-	(63,007)	-	-	(63,007)
Decrease as a result of disposals	-	-	-	(23,259)	(54,073)	-	-	(77,332)
Transfer from (to) revaluation allowance for debt restructuring	-	-	-	-	(41,533)	-	2,029	(39,504)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(5,536)	-	-	(5,536)
Others	-	-	-	-	(90)	-	-	(90)
Balances - end of the year	857,779	1,776	109,908	3,890	755,424	1,180,620	853,833	3,763,230

11. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Balances - beginning of the year	11,994	14,023
Increase during the year	4,430	65,132
Decrease during the year	(3,166)	(25,997)
Debt hair-cut loss during the year	-	(41,533)
Adjustment during the year	727	369
Balances - end of the year	13,985	11,994

12. Disposals of non-performing loans

For the years ended 31 December 2019 and 2018, the Bank entered into the sale and purchase agreements, as a seller, to sell non-performing loans, were summarised as follows:

(Unit: Million Baht)

For the year ended 31 December 2019				For the year ended 31 December 2018			
Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price	Batch	Month sold	Outstanding balances (including relevant other assets)	Selling price
1	May	823	675	1	March	144	112
2	May	269	158	2	November	210	159
3	September	859	427				
4	October	882	700				
		2,833	1,960			354	271

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 October 2020 (for sale in October 2019), no later than September 2020 (for sale in September 2019) and no later than May 2020 (for sale in May 2019) in the event that the rights over the debt and the collateral of the sold assets cannot be transferred to the buyer because the documentation with respect to the debt and collateral is absent or incomplete, the collateral is evicted, or the courts do not permit the buyer to assume the rights of litigant from the Bank. Should the transfer of any assets be cancelled, the buyer is to receive the money back equivalent to the purchase price as settled on the settlement date while the Bank is to receive any income generated on such assets, after deducting any costs, during the period of cancellation.

During the year ended 31 December 2019, the buyer has yet to cancel any assets sold up to the authorisation date of these financial statements.

13. Properties foreclosed

(Unit: Thousand Baht)

For the year ended 31 December 2019			
	31 December 2018	Increase	31 December 2019
Properties foreclosed - Immovable assets			
Appraised by external appraisers:			
Cost	9,461	13	9,474
Allowance for impairment	-	-	-
Net book value	9,461	13	9,474
Appraised by internal appraisers:			
Cost	76,626	2,713	62,398
Allowance for impairment	-	-	-
Net book value	76,626	2,713	62,398
Properties foreclosed - Immovable assets	86,087	2,726	71,872
Properties foreclosed - Movable assets			
Appraised by external appraisers:			
Cost	3,560	-	3,560
Allowance for impairment	(1,698)	-	(1,698)
Net book value	1,862	-	1,862
Properties foreclosed - Movable assets	1,862	-	1,862
Total properties foreclosed	87,949	2,726	73,734

(Unit: Thousand Baht)

For the year ended 31 December 2018				
	31 December 2017	Increase	Disposal	31 December 2018
Properties foreclosed - Immovable assets				
Appraised by external appraisers:				
Cost	9,424	37	-	9,461
Allowance for impairment	-	-	-	-
Net book value	9,424	37	-	9,461
Appraised by internal appraisers:				
Cost	90,813	3,816	(18,003)	76,626
Allowance for impairment	-	-	-	-
Net book value	90,813	3,816	(18,003)	76,626
Properties foreclosed - Immovable assets	100,237	3,853	(18,003)	86,087
Properties foreclosed - Movable assets				
Appraised by external appraisers:				
Cost	3,560	-	-	3,560
Allowance for impairment	(1,660)	(38)	-	(1,698)
Net book value	1,900	(38)	-	1,862
Properties foreclosed - Movable assets	1,900	(38)	-	1,862
Total properties foreclosed	102,137	3,815	(18,003)	87,949

As at 31 December 2019 and 2018, the Bank's properties foreclosed were not obligated under the agreements to sell to the former debtors at fixed prices and within the specified periods and were not subject to the first refusal rights granted to the former debtors.

14. Premises and equipment

(Unit: Thousand Baht)

	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
Cost								
1 January 2018	40,589	10,211	420,524	149,797	561,602	18,542	-	1,201,265
Additions	-	-	10,838	5,520	27,118	-	12,057	55,533
Written-offs/disposals	-	-	(9,385)	(1,400)	(4,680)	-	-	(15,465)
Transferred in (out)	-	-	5,055	-	2,574	-	(7,629)	-
31 December 2018	40,589	10,211	427,032	153,917	586,614	18,542	4,428	1,241,333
Additions	-	-	8,529	4,873	49,593	9,016	10,259	82,270
Written-offs/disposals	-	-	(46,108)	(12,925)	(283)	(7,050)	-	(66,366)
Transferred in (out)	-	-	12,487	-	-	-	(12,487)	-
31 December 2019	40,589	10,211	401,940	145,865	635,924	20,508	2,200	1,257,237
Accumulated depreciation								
1 January 2018	-	2,498	360,324	126,564	442,827	10,739	-	942,952
Accumulated depreciation on written-offs/disposals	-	-	(9,231)	(1,327)	(4,677)	-	-	(15,235)
Depreciation charged for the year	-	510	32,131	10,791	50,461	3,302	-	97,195
31 December 2018	-	3,008	383,224	136,028	488,611	14,041	-	1,024,912
Accumulated depreciation on written-offs/disposals	-	-	(44,947)	(12,461)	(246)	(5,222)	-	(62,876)
Depreciation charged for the year	-	510	20,584	7,544	46,664	3,102	-	78,404
31 December 2019	-	3,518	358,861	131,111	535,029	11,921	-	1,040,440
Net book value								
31 December 2018	40,589	7,203	43,808	17,889	98,003	4,501	4,428	216,421
31 December 2019	40,589	6,693	43,079	14,754	100,895	8,587	2,200	216,797
Depreciation for the years								
2018								97,195
2019								78,404

As at 31 December 2019 and 2018, the Bank had certain items of leasehold improvements, equipment and vehicles, which were fully depreciated but are still in use. The original costs before deducting accumulated depreciation of those assets totalled Baht 844 million and Baht 754 million, respectively.

15. Intangible assets

	(Unit: Thousand Baht)			
	Computer softwares	Deferred membership and license fee	Computer softwares under development	Total
Cost				
1 January 2018	588,066	35,261	45,621	668,948
Additions	86,911	1,309	137,700	225,920
Transferred in (out)	20,136	-	(20,136)	-
31 December 2018	695,113	36,570	163,185	894,868
Additions	73,313	2,858	74,754	150,925
Written-offs	(128)	-	-	(128)
Transferred in (out)	225,256	-	(225,256)	-
31 December 2019	993,554	39,428	12,683	1,045,665
Accumulated amortisation				
1 January 2018	478,670	20,144	-	498,814
Amortisation charged for the year	47,397	3,589	-	50,986
31 December 2018	526,067	23,733	-	549,800
Accumulated depreciation on written-offs	(128)	-	-	(128)
Amortisation charged for the year	100,535	3,817	-	104,352
31 December 2019	626,474	27,550	-	654,024
Net book value				
31 December 2018	169,046	12,837	163,185	345,068
31 December 2019	367,080	11,878	12,683	391,641
Amortisation for the years				
2018				50,986
2019				104,352
Remaining amortisation periods (years)	0 - 5	1 - 10	-	

As at 31 December 2019 and 2018, the Bank had certain items of computer softwares, which were fully amortised but are still in use. The original costs before deducting accumulated amortisation of those assets totalled Baht 445 million and Baht 414 million, respectively.

16. Deferred tax assets and income taxes

16.1 Deferred tax assets

The components of deferred tax assets included deferred income taxes arose from the following transactions:

		(Unit: Thousand Baht)		
		Changes in deferred income taxes for the years ended		
	31 December	31 December		
	2019	2018	2019	2018
Deferred tax assets (liabilities) arose from:				
Allowance for doubtful accounts				
- general provision	163,250	170,767	(7,517)	(17,458)
Allowance for doubtful accounts				
- other assets	5,429	13,952	(8,523)	1,770
Losses on impairment of properties				
foreclosed	340	340	-	340
Non-accrued interest income	10,509	12,276	(1,767)	1,867
Assets written-offs	-	-	-	(152)
Bad debts written-offs	-	11,505	(11,505)	-
Provisions for employee benefits	31,632	25,144	6,488	2,729
Vacation leave accruals	1,054	1,200	(146)	-
Revaluation deficit on available-for-sale				
investments	10,897	25,554	(14,657)	61,829
Allowance for revaluation on trading				
investments	819	-	819	-
Others	(110)	35	(145)	(154)
Deferred tax assets	223,820	260,773		
Total			(36,953)	50,771
Changes in deferred income taxes:				
Recognised in profit or loss			(27,711)	(11,058)
Recognised in other comprehensive income (loss)			(9,242)	61,829
Total			(36,953)	50,771

16.2 Income taxes

Income tax expenses reported in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Current income taxes:		
Corporate income taxes for the years	(414,734)	(545,540)
Deferred income taxes:		
Deferred income taxes from temporary differences and reversal of temporary differences	(27,711)	(11,058)
Income tax expenses reported in profit or loss	(442,445)	(556,598)

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2019 and 2018 multiplied by the applicable tax rate were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Accounting profits before income tax expenses	2,480,827	3,125,829
Applicable tax rate	20%	20%
Income taxes calculated based on accounting profits	(496,165)	(625,166)
Tax effects of:		
Tax-exempted revenues	49,447	61,795
Expenses with additional privilege for more tax-deductible	6,646	8,011
Non-tax deductible expenses	(1,473)	(1,050)
Others	(900)	(188)
Income tax expenses reported in profit or loss	(442,445)	(556,598)

The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2019 and 2018 were summarised below:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Deferred income taxes relating to:		
(Gains) losses on revaluation of available-for-sale investments	(14,657)	61,829
Actuarial losses	5,415	-

Income taxes reported in other comprehensive income (loss)	(9,242)	61,829
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17. Other assets

(Unit: Thousand Baht)

	31 December	
	2019	2018
Deposits and guarantees	92,353	93,334
Receivables on disposals of properties foreclosed auctions	82,465	3,104
Suspense accounts - debtors	38,089	161,940
Prepaid expenses	36,179	30,341
Token money	30,790	26,328
Deferred expenses	27,300	26,384
Accrued income	20,711	8,693
Other receivable per Credit Support Annex	13,614	-
Others	3,856	4,044
Total	345,357	354,168
Less: Allowance for doubtful accounts/allowance for impairment	(27,145)	(69,759)
Other assets - net	318,212	284,409

18. Quality of assets

As at 31 December 2019 and 2018, the Bank had assets categorised in compliance with the regulations of the BoT as follows:

(Unit: Thousand Baht)

	31 December 2019				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	23,381,182	-	149,573,676	-	172,954,858
Special-mention	-	-	3,395,427	-	3,395,427
Sub-standard	-	-	179,315	-	179,315
Doubtful	-	-	46,296	-	46,296
Doubtful of loss	-	558,091	2,549,825	27,145	3,135,061

31 December 2019				
Total	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets
	Total			
	23,381,182	558,091	155,744,539	27,145
	179,710,957			

(Unit: Thousand Baht)

	31 December 2018				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Pass	20,265,428	-	156,792,805	-	177,058,233
Special-mention	-	-	1,804,373	-	1,804,373
Sub-standard	-	-	314,813	-	314,813
Doubtful	-	-	26,573	-	26,573
Doubtful of loss	-	285,570	3,178,811	69,759	3,534,140
Total	<u>20,265,428</u>	<u>285,570</u>	<u>162,117,375</u>	<u>69,759</u>	<u>182,738,132</u>

19. Deposits

19.1 Classified by type of deposits

(Unit: Thousand Baht)

	31 December	
	2019	2018
Demand deposits	4,253,649	6,072,796
Savings deposits	62,044,948	74,918,468
Time deposits	65,147,694	55,585,078
Fixed deposit receipts	33,572,117	31,594,661
Total deposits	<u>165,018,408</u>	<u>168,171,003</u>

19.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	31 December 2019			31 December 2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	164,665,339	52	164,665,391	168,171,003	-	168,171,003
US Dollar	146,376	206,641	353,017	-	-	-
Total	<u>164,811,715</u>	<u>206,693</u>	<u>165,018,408</u>	<u>168,171,003</u>	<u>-</u>	<u>168,171,003</u>

20. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 December 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
Domestic:						
Commercial banks	9	1,000	1,009	468	1,000	1,468
Specialised financial institutions	-	2,551,466	2,551,466	-	3,044,216	3,044,216
Other financial institutions	6,517,340	843,915	7,361,255	4,030,393	1,950,477	5,980,870
Total domestic items	6,517,349	3,396,381	9,913,730	4,030,861	4,995,693	9,026,554
Foreign:						
Baht	30	-	30	250,870	-	250,870
US Dollars	1,883	588,003	589,886	-	-	-
Total foreign items	1,913	588,003	589,916	250,870	-	250,870
Total interbank and money market items	6,519,262	3,984,384	10,503,646	4,281,731	4,995,693	9,277,424

21. Debts issued and borrowings

(Unit: Thousand Baht)

	31 December 2019					31 December 2018				
	Interest rate per annum	Matured in year	Domestic	Overseas	Total	Interest rate per annum	Matured in year	Domestic	Overseas	Total
Bills of exchange	1.80%-2.10%	2020	8,760,000	-	8,760,000	1.50%-1.85%	2019	14,298,000	-	14,298,000
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	1.75%-1.99%	2020-2021	4,000,000	-	4,000,000	1.70%-1.75%	2019-2020	5,000,000	-	5,000,000
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021-2022	8,129	-	8,129	0%	2021-2022	12,324	-	12,324
Total			16,768,129	-	16,768,129			23,310,324	-	23,310,324
Less: Deferred expenses			(46,895)	-	(46,895)			(19,861)	-	(19,861)
Debts issued and borrowings - net			16,721,234	-	16,721,234			23,290,463	-	23,290,463

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification.

21.1 Subordinated debentures

On 21 May 2015, the Bank issued 4 million units with a par value of Baht 1,000 each, totaling Baht 4,000 million of the subordinated debentures No.1/2558, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which matures in 2025 and carry interest at a fixed rate of 5.125% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

22. Provisions for liabilities

(Unit: Thousand Baht)

	For the year ended 31 December 2019			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2019	125,722	5,625	480	131,827
Increase during the year	76,946	-	120	77,066
Paid during the year	(44,507)	-	-	(44,507)
Decrease from adjustment	-	-	(600)	(600)
As at 31 December 2019	158,161	5,625	-	163,786

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Provisions for employee benefits	Provisions for decommissioning cost	Provisions for other liabilities	Total
As at 1 January 2018	112,077	5,625	240	117,942
Increase during the year	22,154	-	240	22,394
Paid during the year	(8,509)	-	-	(8,509)
As at 31 December 2018	125,722	5,625	480	131,827

22.1 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Provisions for employee benefits at the beginning of the years	125,722	112,077
Current service costs	23,665	19,419
Interest costs	3,348	2,735
Past service costs	22,856	-
Employees transferred out among the group	(32,575)	-
Actuarial (gains) losses arose from:		
Demographic assumption changes	(2,127)	-
Financial assumption changes	20,192	-
Experience adjustments	9,012	-
Benefits paid during the years	(11,932)	(8,509)
Provisions for employee benefits at the end of the years	158,161	125,722

Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Current service costs	23,665	19,419
Interest costs	3,348	2,735
Past service costs	22,856	-
Total employee benefit expenses	49,869	22,154

As at 31 December 2019 and 2018, the Bank expected to pay approximately Baht 2.8 million and Baht 7.0 million, respectively, on employee benefits payable within the next 1-year period.

As at 31 December 2019 and 2018, the Bank's weighted average durations of employee benefit payments were estimated to be 10 - 11 years and 10 years, respectively.

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below:

	31 December	
	2019	2018
	(% per annum)	(% per annum)
Future salary incremental rates	5.50	5.00
Turnover rates	0 - 40	0 - 30
Discount rates	1.57, 2.54 and 2.62	2.44

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2019 and 2018 were summarised below:

Significant assumptions	(Unit: Thousand Baht)			
	31 December 2019		31 December 2018	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rates	8,726	(8,184)	7,098	(6,641)
Discount rates	(7,935)	8,542	(6,205)	6,686

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment resulting in the Bank having additional provisions for employee benefits of Baht 22.9 million. The Bank recognised the effect of such change by recognising past service costs of such amount as expenses in profit or loss for the current year.

23. Other liabilities

(Unit: Thousand Baht)

	31 December	
	2019	2018
Suspense accounts - creditors	45,854	347,461
Other payable per Credit Support Annex	39,400	-
Accounts payable on acquisition of equipment and intangible assets	27,267	14,975
Deposits received	6,360	6,405
Account payable - Revenue Department	1,803	1,996
Advances received from electronic transaction	1,704	308
Others	7,915	3,575
Total other liabilities	130,303	374,720

24. Share capital/share premium

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2019 and 2018 as follows:

	For the year ended 31 December 2019		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	2,000,000,000	20,000,000	10,598,915
Ordinary share capital at end of the year	2,000,000,000	20,000,000	10,598,915

	For the year ended 31 December 2018		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	2,000,000,000	20,000,000	10,598,915
Ordinary share capital at end of the year	2,000,000,000	20,000,000	10,598,915

25. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net profits for the year, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. This statutory reserve is not available for dividend distribution.

26. Dividends paid

During the years ended 31 December 2019 and 2018, the Bank paid dividends as follows:

Dividends	Approved by	Dividends paid (Thousand Baht)	Dividends paid per share (Baht per share)
From its operating results for the six-month period ended 30 June 2018	The Board of Director's of the Bank held on 20 August 2018	1,200,000	0.60
From its operating results for the nine-month period ended 30 September 2018	The Board of Director's of the Bank held on 12 November 2018	640,000	0.32
Total dividends paid during the year 2018		1,840,000	0.92
From its operating results for the year ended 31 December 2018	The Annual General Meeting of the Bank's shareholders held on 18 March 2019	500,000 ⁽¹⁾	0.25 ⁽¹⁾
From its operating results for the three-month period ended 31 March 2019	The Board of Director's of the Bank held on 13 May 2019	500,000	0.25
From its operating results for the nine-month period ended 30 September 2019	The Board of Director's of the Bank held on 11 November 2019	400,000	0.20
Total dividends paid during the year 2019		1,400,000	0.70

⁽¹⁾ Net of interim dividend payment during the year 2018

27. Capital funds

The primary objectives of the Bank's capital management are to maintain its ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking Business B.E. 2551.

As at 31 December 2019 and 2018, capital funds of the Bank calculated under Basel III consisted of the following:

	(Unit: Thousand Baht)	
	31 December 2019	31 December 2018
<u>Common Equity Tier 1 capital fund</u>		
Issued and fully paid up share capital	20,000,000	20,000,000
Share premium	10,598,915	10,598,915
Statutory reserve	819,300	717,200
Retained earnings after appropriation	3,890,338	3,789,608
Revaluation deficit on available-for-sale investments	(93,112)	(155,655)
Deduction items on Common Equity Tier 1 capital fund	(637,122)	(605,841)
Total Common Equity Tier 1 capital fund	34,578,319	34,344,227
Total Tier 1 capital fund	34,578,319	34,344,227
<u>Tier 2 capital fund</u>		
Subordinated debentures	3,950,200	3,936,200
Reserve for assets classified as pass and general reserve	1,892,556	1,905,102
Total Tier 2 capital fund	5,842,756	5,841,302
Total capital funds	40,421,075	40,185,529

	(Unit: Percentage)			
	31 December 2019		31 December 2018	
	Minimum and additional rates required		Minimum and additional rates required	
	The Bank	by law *	The Bank	by law *
The ratio of Common Equity Tier 1 capital fund to risk assets	16.514	7.000	17.131	6.375
The ratio of Tier 1 capital fund to risk assets	16.514	8.500	17.131	7.875
The ratio of total capital fund to risk assets	19.304	11.000	20.045	10.375

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

The Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2018 through the Bank's website at www.lhbank.co.th on 30 April 2019 and will disclose capital adequacy and capital risk exposure information as of 31 December 2019 within April 2020.

28. Interest income

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Interbank and money market items	632,496	659,647
Investments in debt securities	1,519,641	1,547,171
Loans to customers	6,623,252	6,343,575
Hire purchase	12,296	24,274
Others	29	-
Total interest income	8,787,714	8,574,667

29. Interest expenses

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
Deposits	2,514,932	2,130,374
Interbank and money market items	98,597	113,928
Contributions to the Deposit Protection Agency and the Bank of Thailand	877,057	840,448
Debts issued		
- Subordinated debentures	205,639	205,608
- Unsubordinated and unsecured debentures	90,758	65,250
Borrowings	259,370	315,455
Others	184	-
Total interest expenses	4,046,537	3,671,063

30. Fees and service income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Fees and service income		
Acceptances, avals and guarantees	56,865	42,400
Commission income	220,447	200,711
Others	114,384	113,136
Total fees and service income	391,696	356,247
Fees and service expenses		
Fees and charges	67,568	60,268
Others	12,555	12,875
Total fees and service expenses	80,123	73,143
Net fees and service income	311,573	283,104

31. Gains on trading and foreign exchange transactions

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Gains (losses) on trading and foreign exchange transactions:		
Foreign exchange and derivatives contract relating to foreign exchange	5,569	1,308
Equity securities	(4,097)	-
Total gains on trading and foreign exchange transactions	1,472	1,308

32. Gains on investments

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Gains on sales:		
Available-for-sale investments	503,849	188,485
Held-to-maturity investments	-	3,250
Total gains on investments	503,849	191,735

During the year ended 31 December 2018, the Bank sold held-to-maturity investments with amortised costs of Baht 1,300 million because the issuer exercised its call option to early redeem debentures prior to the maturity date, and incurred net realised gains on sales of investments of Baht 3 million.

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 in accordance with Section 90 of the Public Company Limited Act.

34. Bad debts, doubtful accounts and impairment loss

(Unit: Thousand Baht)

	For the years ended 31 December	
	2019	2018
Bad debts and doubtful accounts (reversal)		
Loans to customers ⁽¹⁾	1,094,224	560,013
Interbank and money market items	38,390	1,298
Other assets	(42,614)	8,852
Total bad debts, doubtful accounts and impairment loss	1,090,000	570,163

⁽¹⁾ For the year ended 31 December 2018, such amount included a debt hair-cut loss per agreements of Baht 41.5 million.

35. Components of other comprehensive income (loss)

Components of other comprehensive income (loss) for the years ended 31 December 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2019	2018
(a) Items to be recognised in profit or loss in subsequent periods:		
Gains (losses) on revaluation of available-for-sale investments		
Unrealised gains (losses) on revaluation of investments during the years	164,644	(389,228)
Gains transferred to be recognised in profit or loss for the years due to		
- Sales of available-for-sale investments	(314,340)	-
- Sales of available-for-sale investments, reclassified from other types	-	(97,947)
Realised gains from reclassification of held-to-maturity investments to available-for-sale investments	-	164,746
Transferred losses from reclassification of available-for-sale investments to trading investments	215,011	-
Amortisation of revaluation deficit on the reclassified investments	7,970	13,287
Total gains (losses) on revaluation of available-for-sale investments	73,285	(309,142)
Add (less): Income taxes	(14,657)	61,829
Gains (losses) on revaluation of available-for-sale investments - net of income taxes	58,628	(247,313)
(b) Items not to be recognised in profit or loss in subsequent periods:		
Actuarial losses	(27,077)	-
Add: Income taxes	5,415	-
Actuarial losses - net of income taxes	(21,662)	-
Other comprehensive income (loss) for the years	36,966	(247,313)

36. Earnings per share

Basic earnings per share is calculated by dividing profits for the years (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the years.

37. Provident fund

The Bank and its employees have jointly established provident funds as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees at the rate of 3 - 15% of basic salaries, and the Bank contributes at rates ranging from 3 - 7%, depending on the number of years of service of each employee. The fund will be paid to employees upon termination in accordance with the rules of the funds. During the years ended 31 December 2019 and 2018, the Bank contributed Baht 37.9 million and Baht 38.6 million, respectively, to the provident fund.

38. Commitments and contingent liabilities

38.1 Commitments

	31 December 2019			31 December 2018		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	1,330	-	1,330	135,516	-	135,516
Liability under unmatured import bills	-	130,543	130,543	-	-	-
Letters of credit	-	254,884	254,884	-	-	-
Undrawn bank overdrafts	4,838,061	-	4,838,061	4,623,402	-	4,623,402
Guarantee - others	5,120,817	-	5,120,817	5,408,217	-	5,408,217
Other commitments	36,041,126	-	36,041,126	34,176,876	-	34,176,876
Total	46,001,334	385,427	46,386,761	44,344,011	-	44,344,011

(Unit: Thousand Baht)

38.2 Commitments under long-term lease agreements

- (a) As at 31 December 2019 and 2018, the Bank entered into a number of long-term leases and service agreements for office building, equipment and motor vehicles. The terms of the agreements were between 1 and 6 years, which future minimum rental and service fees, which are to payable by the Bank, can be summarised as follows:

Payable within	(Unit: Million Baht)	
	31 December	
	2019	2018
Up to 1 year	379	315
Over 1 and up to 5 years	214	289
Over 5 years	1	2

As at 31 December 2019 and 2018, the above commitments of the Bank included rental and service agreements with related parties amounted to Baht 105 million and Baht 184 million, respectively.

- (b) The Bank entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2019 and 2018, the Bank is obligated to pay further Baht 14 million and Baht 57 million, respectively.
- (c) During the year ended 31 December 2019, the Bank entered into a 5-year service and support agreement with the parent company, under which service fees are calculated based on a core service fee and administrative costs, which are as stipulated in the agreement.

38.3 Obligation under the Employee Joint Investment Program (EJIP)

On 21 October 2013, the Board of Director's Meeting No. 11/2556 of the Bank passed a resolution approving the Employee Joint Investment Program (EJIP) for its employees, with the following details:

Period of EJIP	1 January 2014 to 31 December 2018, with a total duration of 5 years
Eligible employees	Management of Land and Houses Bank Public Company Limited with level of assistant vice president or equivalent onwards, who have passed probation periods and are not functioning in an acting capacity.
EJIP arrangement	Employee contribution at no more than 5 percent of the employee's basic salary. The Bank's contribution at 5 percent of the employees' basic salary.
Execution	Every month
Conditions for holding the securities	Within the first three years, employees cannot sell any shares. After 3 years, employees can sell 25% of accumulated shares. After 4 years, employees can sell 50% of accumulated shares. After 5 years, employees can sell all shares. Upon resignation from the Program in any circumstances, employees can sell all of the shares immediately.

The Program was approved by the Office of the Securities and Exchange Commission on 7 January 2014 and the Bank contributed to the Program members and recognised these contributions as employee expenses during the year ended 31 December 2018 of Baht 6.5 million.

38.4 Litigation

As at 31 December 2019 and 2018, the Bank was sued in many litigation cases being claimed for compensations totaling Baht 1,008 million and Baht 1,193 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 had significant business transactions with its related parties, including transactions with directors, executive or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities.

Relationship with its related parties can be summarised as follows:

1. The Bank's parent company is LH Financial Group Public Company Limited.
2. The subsidiaries of the Bank's parent company are as follows:
 - 2.1 Land and Houses Securities Public Company Limited
 - 2.2 Land and Houses Fund Management Company Limited
 - 2.3 Land and Houses Advisory Company Limited (the subsidiary of the company as stated in No. 2.1 above)
3. Any persons or companies who hold more than 10 percent of shares in the Bank's parent company ("the major shareholders of the Bank's parent company") are as follows:
 - 3.1 CTBC Bank Company Limited
 - 3.2 Land and Houses Public Company Limited
 - 3.3 Quality Houses Public Company Limited
 - 3.4 Ms. Piengjai Harnpanich
4. Related companies include companies related by way of the following:
 - 4.1 The subsidiaries of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
 - 4.2 The associates of the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
 - 4.3 The companies that are related to the Bank's directors.
 - 4.4 The companies that are related to the major shareholders of the Bank's parent company (shareholders as stated in No. 3 above).
 - 4.5 The companies that are controlled by the Bank's related persons.
5. Directors and executives who are the Bank's directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.

6. Related persons who are the directors and executives of the parent company, the directors of the major shareholders of the parent company (shareholders as stated in No. 3 above) and persons with close relationship with related persons and directors and executives.

39.1 Transactions during the years

During the years, the Bank had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Bank, and its related parties.

	(Unit: Thousand Baht)	
	For the years ended	
	31 December	
	2019	2018
Interest income		
Parent company	67,088	56,490
Subsidiaries of the Bank's parent company	118,849	66,369
Related company	27,270	16,730
Directors and executives	249	305
Related persons	1,141	1,084
	<u>214,597</u>	<u>140,978</u>
Fees and service income		
Parent company	220	233
Subsidiaries of the Bank's parent company	89,527	80,704
	<u>89,747</u>	<u>80,937</u>
Dividend income		
Related companies	25,894	25,342
	<u>25,894</u>	<u>25,342</u>
Other operating income		
Subsidiaries of the Bank's parent company	1,113	1,146
Directors and executives	1,395	-
	<u>2,508</u>	<u>1,146</u>
Dividends paid		
Parent company	1,400,000	1,840,000
	<u>1,400,000</u>	<u>1,840,000</u>

(Unit: Thousand Baht)

For the years ended
31 December

	2019	2018
Interest expenses		
Parent company	4,741	5,176
Subsidiaries of the Bank's parent company	6,066	6,920
The major shareholders of the Bank's parent company	51,178	32,590
Related companies	92,683	57,355
Directors and executives	2,047	3,062
Related persons	14,600	13,350
	<u>171,315</u>	<u>118,453</u>
Other operating expenses		
Parent company	195,672	1,452
The major shareholders of the Bank's parent company	27,609	27,523
Related companies	112,981	110,425
	<u>336,262</u>	<u>139,400</u>

39.2 The outstanding balances

As at 31 December 2019 and 2018, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

(Unit: Thousand Baht)

31 December

	2019	2018
Interbank and money market items (assets)		
<u>Subsidiaries of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	5,240,000	2,600,000
Land and Houses Fund Management Company Limited	-	27,021
	<u>5,240,000</u>	<u>2,627,021</u>
Investments - cost		
<u>Related companies/persons</u>		
Related companies	428,965	357,706
	<u>428,965</u>	<u>357,706</u>
Loans to customers		
<u>Parent company</u>		
LH Financial Group Public Company Limited	360,002	3,388,007
<u>Related companies/persons</u>		
Related company	3,520,000	460,000
Directors and executives	10,763	13,856
Related persons	15,541	39,742

	3,906,306	3,901,605
	(Unit: Thousand Baht)	
	31 December	
	2019	2018
Accrued interest receivables on loans to customers		
<u>Parent company</u>		
LH Financial Group Public Company Limited	26	234
<u>Related companies/persons</u>		
Related company	9,490	4,490
Directors and executives	3	3
Related persons	7	13
	9,526	4,740
Other assets		
<u>Parent company</u>		
LH Financial Group Public Company Limited	300	300
<u>Subsidiaries of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	5	16
Land and Houses Fund Management Company Limited	5,636	3,270
<u>The major shareholder of the Bank's parent company</u>		
Quality Houses Public Company Limited	6,121	6,164
<u>Related companies/persons</u>		
Related companies	33,533	30,602
	45,595	40,352
Deposits		
<u>Parent company</u>		
LH Financial Group Public Company Limited	28,977	2,075
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Advisory Company Limited	4,650	4,900
<u>The major shareholders of the Bank's parent company</u>		
Land and Houses Public Company Limited	2,013,552	3,838,504
Quality Houses Public Company Limited	830,839	1,343,978
Ms. Piengjai Hampanich	13,243	184,330
<u>Related companies/persons</u>		
Related companies	6,169,828	9,510,874
Directors and executives	87,328	99,026
Related persons	1,445,093	740,213
	10,593,510	15,723,900

(Unit: Thousand Baht)

31 December

Interbank and money market items (liabilities)

Subsidiaries of the Bank's parent company

Land and Houses Securities Public Company Limited	17,578	25,223
Land and Houses Fund Management Company Limited	19,076	20,710

The major shareholder of the Bank's parent company

CTBC Bank Company Limited	589,886	250,870
	<u>626,540</u>	<u>296,803</u>

Debts issued and borrowings

Parent company

LH Financial Group Public Company Limited	84,100	84,100
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Related companies/persons

Directors and executives	20,000	34,000
Related persons	41,200	41,200
	<u>145,300</u>	<u>159,300</u>

Accrued interest payables

Parent company

LH Financial Group Public Company Limited	484	484
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The major shareholders of the Bank's parent company

CTBC Bank Company Limited	1,486	-
Land and Houses Public Company Limited	308	1,667
Ms. Piengjai Harnpanich	43	731

Related companies/persons

Related companies	8,012	7,768
Directors and executives	157	232
Related persons	1,463	1,442
	<u>11,953</u>	<u>12,324</u>

Other liabilities

Parent company

LH Financial Group Public Company Limited	28,320	-
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Subsidiary of the Bank's parent company

Land and Houses Fund Management Company Limited	3	3
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The major shareholder of the Bank's parent company

Quality Houses Public Company Limited	143	130
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Related companies/persons

Related companies	1,073	1,276
Directors and executives	1	3

	29,540	1,412
	(Unit: Thousand Baht)	
	31 December	
	2019	2018
Commitments - letters of bank guarantees		
<u>Related companies/persons</u>		
Related company	21,186	21,186
	21,186	21,186

39.3 Movements of related party balances

The movements of interbank and money market items (assets), loans to customers, deposits, interbank and money market items (liabilities), and debts issued and borrowings having with their related parties for the year ended 31 December 2019 were as follows:

	(Unit: Thousand Baht)			
	For the year ended 31 December 2019			
	Beginning balances	Increase	Decrease	Ending balances
Interbank and money market items (assets)				
<u>Subsidiaries of the Bank's parent company</u>				
Land and Houses Securities Public Company Limited	2,600,000	13,385,000	(10,745,000)	5,240,000
Land and Houses Fund Management Company Limited	27,021	45,918	(72,939)	-
	2,627,021	13,430,918	(10,817,939)	5,240,000
Loans to customers				
<u>Parent company</u>				
LH Financial Group Public Company Limited	3,388,007	30,141,713	(33,169,718)	360,002
<u>Related companies/persons</u>				
Related company	460,000	3,060,000	-	3,520,000
Directors and executives	13,856	-	(3,093)	10,763
Related persons	39,742	42,953	(67,154)	15,541
	3,901,605	33,244,666	(33,239,965)	3,906,306

(Unit: Thousand Baht)

For the year ended 31 December 2019

	Beginning balances	Increase	Decrease	Ending balances
Deposits				
<u>Parent company</u>				
LH Financial Group Public Company Limited	2,075	12,704,340	(12,677,438)	28,977
<u>Subsidiary of the Bank's parent company</u>				
Land and Houses Advisory Company Limited	4,900	342	(592)	4,650
<u>The major shareholders of the Bank's parent company</u>				
Land and Houses Public Company Limited	3,838,504	96,712,771	(98,537,723)	2,013,552
Quality Houses Public Company Limited	1,343,978	39,282,324	(39,795,463)	830,839
Ms. Piengjai Harnpanich	184,330	474,809	(645,896)	13,243
<u>Related companies/persons</u>				
Related companies	9,510,874	200,461,548	(203,802,594)	6,169,828
Directors and executives	99,026	484,019	(495,717)	87,328
Related persons	740,213	7,733,648	(7,028,768)	1,445,093
	<u>15,723,900</u>	<u>357,853,801</u>	<u>(362,984,191)</u>	<u>10,593,510</u>
Interbank and money market items (liabilities)				
<u>Subsidiaries of the Bank's parent company</u>				
Land and Houses Securities Public Company Limited	25,223	16,668,395	(16,676,040)	17,578
Land and Houses Fund Management Company Limited	20,710	21,715,688	(21,717,322)	19,076
<u>The major shareholder of the Bank's parent company</u>				
CTBC Bank Company Limited	250,870	1,163,303	(824,287)	589,886
	<u>296,803</u>	<u>39,547,386</u>	<u>(39,217,649)</u>	<u>626,540</u>
Debts issued and borrowings				
<u>Parent company</u>				
LH Financial Group Public Company Limited	84,100	-	-	84,100
<u>Related companies/persons</u>				
Directors and executives	34,000	-	(14,000)	20,000
Related persons	41,200	-	-	41,200
	<u>159,300</u>	<u>-</u>	<u>(14,000)</u>	<u>145,300</u>

39.4 Directors' and executives' compensation

During the years ended 31 December 2019 and 2018, compensations incurred on directors and executives of the Bank, which were recognised in profit or loss, were classified as follows.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2019	2018
Short-term employee benefits	131	148
Post-employment benefits	13	8
Total	144	156

Directors and executives of the Bank are directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.

40. Interest in unconsolidated structured entity arising in the normal course of business

The Bank has transactions with unconsolidated structured entities, through various activities such as involvement in the establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds and some investment funds.

The provision of funds is in the form of loans which are on normal business terms. The Bank manages these loans in the same as all other loans. As of 31 December 2019 and 2018, the outstanding loans to these structured entities including accrued interest amounted to Baht 5,935 million and Baht 2,871 million, respectively.

41. Operating segments

The Bank has two principal operating segments: lending segment and other segments and they operate their businesses in Thailand. For management purposes of the banking business, the Executive Board of Directors of the Bank has been identified as the chief operating decision maker, and the operating segment is divided into the lending segment: housing and retail, and commercial loans.

The Executive Board of Directors monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Bank measures segment performance based on operating profit or loss and total assets, and on a basis consistent with that used to measure operating profit or loss in the financial statements. In addition, recording for inter-segment (if any) is reported on a basis consistent with external customers.

Operating segment information of the Bank was as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2019			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Interest income from external customers	988,945	6,277,102	1,521,667	8,787,714
Total operating income - net				6,167,589
Other operating expenses				(2,596,762)
Bad debts, doubtful accounts and impairment loss				(1,090,000)
Income tax expenses				(442,445)
Profit for the year				2,038,382

(Unit: Thousand Baht)

	For the year ended 31 December 2018			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Interest income from external customers	1,200,626	5,814,429	1,559,612	8,574,667
Total operating income - net				6,058,065
Other operating expenses				(2,362,073)
Bad debts, doubtful accounts and impairment loss				(570,163)
Income tax expenses				(556,598)
Profit for the year				2,569,231

(Unit: Thousand Baht)

	As at 31 December 2019			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Loans to customers/interbank and money market items	21,823,613	157,074,753	-	178,898,366
Total assets				230,548,310

Total liabilities

194,268,723

(Unit: Thousand Baht)

	As at 31 December 2018			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Loans to customers/interbank and money market items	23,982,061	158,160,193	-	182,142,254
Total assets				238,657,978
Total liabilities				203,053,739

The Bank operates in Thailand only. As a result, all of the revenues, profits and assets as reflected in these financial statements pertain to the aforementioned geographical reportable. Moreover, during the years ended 31 December 2019 and 2018, the Bank had no major customer with revenue of 10 percent or more of total 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'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, deposits, liabilities payable on demand and debts issued and borrowings.

The Bank's risk management policies, principally the Bank's manages and controls risk to be within an acceptable level. These policies are annually reviewed for reflecting of the risk from environmental change and the risk from internal and external factors as follows:

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, investments and commitments and transactions which similar loans. Maximum exposure to credit loss of the Bank is the carrying value of loans to customers, including commitments in respect of provisions of guarantees, avals or other types of guarantee with similar characteristics.

The Bank manages credit risk by imposing on credit granting in order to control, detect and reduce the risk of credit transactions. Criteria of credit granting must be considered from various conditions such as target market, business type, loan type, transaction type, loan limit to each debtor to reduce the risks of concentration of credit, collateral to decrease credit risk and person or corporate that the Bank doesn't support. Moreover, the Bank has key risk management measurements, include the following:

(a) Risk identification

The Bank considers factors that are relevant to a borrower and the borrower/ counterparty's business, and external factors that may adversely impact the revenues and the operations of the borrower/counterparty. It also monitors changes in credit quality and historical payment trends, which help provide the picture of asset quality and credit risk. In addition, the Bank conducts reviews of borrower risk level and their alignment with the identified risk factors.

(b) Risk measurement

The Bank has developed tools to measure credit quality. These are a Credit Rating Model, which is used to assign credit ratings to corporate banking customers, and a Credit Scoring Model which is used for personal banking customers. Both tools were developed by the Credit Risk Management and Capital Department in order to reduce the use of judgment by credit approvers during the credit approval process.

(c) Risk monitoring and reporting

The Bank has developed a process of monitoring counterparties' credit risk, so that it is aware of the current size and level of risk associated with its borrowers. Financial reviews and customer visits are required to be carried out at least annually, and the value and liquidity of collateral is appraised, the status of borrowers and their compliance with conditions are reported to executives on a regular basis.

(d) Risk control and mitigation

The Bank sets credit concentration limits at the industry level, and individual client level, in order to ensure the Bank's risk exposure to a particular industry or client is not excessive. If a limit is reached, the responsible department is to investigate the reason of an abnormal circumstance, in order to maintain risk exposure within acceptable parameters. The Bank also has internal control and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by the Bank.

Furthermore, the Bank conducts stress testing that covers credit risk at least annually, in order to forecast potential losses on individual accounts or counterparties and on different types of credit in its portfolio, and consider whether the resulting deterioration in credit quality within its portfolio would affect its

capital adequacy and its current loan provisions, so the Bank will be able to take timely action to mitigate the risk.

42.2 Market risk

Market risk is the risk that changes in interest rate, foreign exchange rate and securities prices in money market/equity market which may negative affect the revenues and capital funds of the Bank. The Bank's market risk consists of interest rate risk, foreign exchange risk and equity position risk.

(a) Interest rate risk

Interest rate risk is the risk that volatility in market interest rates will result in changes in the value of financial instruments, or fluctuations in income or the value of financial assets and liabilities. Interest rate risk is a consequence of the structure and the nature of the items in assets, liabilities, and equity, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the Bank's assets consist of deposit at financial institutions, loans to customers and held-to-maturity debt securities, and its liabilities mainly consist of deposits from individuals. These key items may be affected by interest rate fluctuations, and whenever such fluctuations occur the Bank is exposed to the risk that its income, expenses and/or economics value (equity value) may be affected. The Bank therefore needs to manage interest rate risk in its banking books in order to mitigate the impact.

Interest rate risk in its banking books adversely affects the income or capital adequacy of the Bank as fluctuations in interest rates impact all rate-sensitive assets, liabilities and commitments. The cause is maturity mismatch and repricing risk for assets and liabilities in the Bank's statements of financial position.

The nature of the Bank's exposures to interest rate risk in the banking book are as follows:

(1) Repricing Risk

This arises due to mismatches between the maturities of assets and liabilities, or when interest rate reset dates are not matched.

(2) Basis Risk

This arises because change of reference interest rates of assets and liabilities are not matched.

(3) Option Risk

The Bank has option risk in financial contract both debtor and creditor that counterparties have right to change payment plans or redemption from the original plan when the market

rate is changed. Rights holders will exercise when it is in an unfavorable position as the original payment plan. So it makes cost of interest, return or net interest income including assets and liabilities' structure in statements of financial position changed for the worse.

The Bank has developed interest rate risk measurement tools to evaluate interest rate risk in the banking books. The Bank sets risk limits in order to keep risk levels within stipulated parameters and to report risk levels to Asset and Liability Committee on a monthly basis.

Moreover, the Bank performs stress tests by simulating an interest rate crisis, using simulations provided by the BoT and/or appropriate simulations it has established itself.

As at 31 December 2019 and 2018, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

Descriptions	31 December 2019			Total
	Floating interest rates	Fixed interest rates	Non-interest bearing	
<u>Financial assets</u>				
Cash	-	-	1,635,451	1,635,451
Interbank and money market items	1,480,004	21,887,978	582,479	23,950,461
Derivative assets	-	-	241,376	241,376
Investments	964,928	42,165,429	8,516,442	51,646,799
Loans to customers ⁽¹⁾	99,237,929	53,542,352	2,776,136	155,556,417
<u>Financial liabilities</u>				
Deposits	65,803,801	99,082,424	132,183	165,018,408
Interbank and money market items	4,291,913	6,116,385	95,348	10,503,646
Liabilities payable on demand	-	-	52,083	52,083
Derivative liabilities	-	-	35,634	35,634
Debts issued and borrowings	-	16,760,000	8,129	16,768,129

⁽¹⁾ In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates. In addition, non-interest bearing loans include non-performing loans.

(Unit: Thousand Baht)

Descriptions	31 December 2018			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,839,570	1,839,570
Interbank and money market items	907,025	19,342,000	1,494,917	21,743,942
Derivative assets	-	-	111,046	111,046
Investments	1,038,394	43,416,745	10,857,800	55,312,939
Loans to customers ⁽¹⁾	88,024,482	70,380,029	3,522,546	161,927,057
Financial liabilities				
Deposits	78,792,437	89,192,050	186,516	168,171,003
Interbank and money market items	3,978,789	5,020,693	277,942	9,277,424
Liabilities payable on demand	-	-	172,822	172,822
Debts issued and borrowings	-	23,298,000	12,324	23,310,324

⁽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 2019 and 2018 to the repricing dates or maturity dates (whichever are sooner) of financial instruments carrying interest at fixed rates were as follows:

(Unit: Thousand Baht)

	31 December 2019						
	Remaining periods to repricing dates or maturity dates						
Descriptions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
Financial assets							
Interbank and money market items	6,649,000	15,238,978	-	-	-	21,887,978	1.15 - 4.50
Investments	-	998,203	6,362,002	24,998,626	9,806,598	42,165,429	1.83 - 5.35
Loans to customers	1,150,564	21,583,184	19,134,009	11,456,238	218,357	53,542,352	1.95 - 5.80
Financial liabilities							
Deposits	2,756,595	38,007,078	51,600,096	6,718,655	-	99,082,424	0.85 - 2.30
Interbank and money market items	2,132,000	2,872,546	452,803	659,036	-	6,116,385	0.1 ⁽¹⁾ , 0.70 - 1.60
Debts issued and borrowings	-	7,760,000	4,000,000	1,000,000	4,000,000	16,760,000	1.75 - 5.125

⁽¹⁾ The interest rate of 0.1% is charged on the balance of Baht 2,551 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

(Unit: Thousand Baht)

31 December 2018							
Descriptions	Remaining periods to repricing dates or maturity dates					Total	Interest rates (% p.a.)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money							
market items	14,067,000	5,275,000	-	-	-	19,342,000	1.75 - 5.25
Investments	-	639,799	2,910,183	28,866,227	11,000,536	43,416,745	1.83 - 5.35
Loans to customers	10,638,050	24,851,044	9,355,235	25,282,070	253,630	70,380,029	1.90 - 6.50
<u>Financial liabilities</u>							
Deposits	4,563,927	34,199,925	42,196,577	8,231,621	-	89,192,050	0.60 - 2.45
Interbank and money							
market items	25,000	3,455,283	580,555	914,917	44,938	5,020,693	0.1 ⁽¹⁾ , 0.50 - 1.75
Debts issued and							
borrowings	-	12,450,000	5,848,000	1,000,000	4,000,000	23,298,000	1.50 - 5.125

⁽¹⁾ The interest rate of 0.1% is charged on the balance of Baht 3,044 million obtained for financial assistance to SMEs' debtors that lack of liquidity.

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 2019 and 2018 were as follows:

(Unit: Thousand Baht)

For the years ended 31 December						
	2019			2018		
	Average balances	Interest income/ expenses	Average rate (% per annum)	Average balances	Interest income/ expenses	Average rate (% per annum)
Performing financial assets						
Interbank and money market items	20,464,486	632,525	3.09	19,828,989	659,647	3.33
Investments in debt securities	44,630,291	1,519,641	3.40	44,849,474	1,547,171	3.45
Loans to customers	158,577,242	6,635,548	4.18	151,658,038	6,367,849	4.20
Performing financial liabilities						
Deposits	163,799,608	3,278,156	2.00	149,007,058	2,830,630	1.90
Interbank and money market items	9,914,142	127,920	1.29	12,817,247	143,515	1.12
Debts issued and borrowings	22,204,340	640,461	2.88	28,069,186	696,918	2.48

(b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

During the current year, the Bank embarked on trade finance, to offer integrated services to both exporters and importers. As a result, foreign currency positions of the Bank increase. Therefore, the Bank had established risk management framework to mitigate the risk that would be occurred, along with setting the risk ceiling and closely monitor the operations in order to manage risks within acceptable risk level.

As at 31 December 2019 and 2018, foreign currency positions equivalent to Thai Baht of the Bank, were as follows:

(Unit: Thousand Baht)

	31 December 2019				
	USD	EUR	JPY	HKD	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	234	47	84	94	75
Interbank and money market items	119,239	35	-	-	7,193
Investments	964,928	-	-	-	-
Loans to customers	1,226,079	-	-	-	-
Total assets	2,310,480	82	84	94	7,268
Deposits	353,017	-	-	-	-
Interbank and money market items	589,886	-	-	-	-
Accrued interest payables	2,463	-	-	-	-
Total liabilities	945,366	-	-	-	-
Items recognised in the statements of financial position - net	1,365,114	82	84	94	7,268

Foreign currency not recognised in the statements of financial position - net

(Forward contracts, Cross currency and interest rate swap contracts)	(1,373,487)	-	-	-	-
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(Unit: Thousand Baht)

	31 December 2018				
	USD	EUR	JPY	HKD	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	1,219	879	309	402	452
Interbank and money market items	6	-	-	-	-
Investments	1,038,394	-	-	-	-
Total assets	1,039,619	879	309	402	452

Foreign currency not recognised in the statements of financial position - net

(Cross currency and interest rate

swap contracts)	(1,038,394)	-	-	-	-
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(c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity securities or stocks may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The Bank had closely managed equity position risk, which has a policy to invest in equity securities with a lower risk than the equity market. Moreover, the Bank monitors risks in equity securities to ensure the lower risk to the market.

42.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank manages its liquidity risk by performing through net liquidity status report or liquidity gap analysis. The Bank's analysis has two components, which are a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, that analyse the net liquidity status at each point in time and consider the cash flow adequacy over the next year. Moreover, the Bank assesses liquidity risk based on the accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behaviour, in order to maintain liquidity risk at the appropriate levels stipulated by the Bank.

The Bank conducts a study of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios which cover the effect of liquidity management of the Bank. The Market and Liquidity Risk Management Division, Operational and Market Risk Management Department are responsible for carrying out the study and reporting the results to Asset and Liability Committee, which measures liquidity requirements under each scenario, and provides a framework for establishing contingency plans.

In addition, the Bank also monitors its liquidity risk relating to regulation of maintaining liquid assets for supporting crisis situation (Liquidity Coverage Ratio: LCR), which determines assumptions for total cash inflows and outflows to reflect withdrawal behavior of each counterparty and transaction type both on/off balance sheet items, which are affected by different cash flow indicators. The assumptions should also reflect the business group structure that the group's commercial banks may need to help their liquidity in a severe and continuous cash outflow crisis. Therefore, the Bank sets risk limits for monitoring its liquidity risk levels, which enable the Bank to maintain appropriate amounts of liquid assets and efficiently cope with fluctuations in cash inflows and outflows.

The periods to maturity, counting from the financial position dates, of financial instruments outstanding as at 31 December 2019 and 2018 were as follows:

(Unit: Thousand Baht)

	31 December 2019					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	1,635,451	-	-	-	-	1,635,451
Interbank and money market items	7,231,483	15,238,978	1,480,000	-	-	23,950,461
Derivative assets	-	52,835	4,029	184,512	-	241,376
Investments	-	998,203	6,362,002	35,770,152	8,516,442	51,646,799
Loans to customers ⁽¹⁾	8,067,411	35,953,231	22,848,482	88,687,293	-	155,556,417
Financial liabilities						
Deposits	66,298,597	38,561,881	52,542,586	7,615,344	-	165,018,408
Interbank and money market items	6,519,262	2,872,545	452,803	659,036	-	10,503,646
Liabilities payable on demand	52,083	-	-	-	-	52,083
Derivative liabilities	-	25,742	9,892	-	-	35,634
Debts issued and borrowings	-	7,760,000	4,000,000	5,008,129	-	16,768,129

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

(Unit: Thousand Baht)

	31 December 2018					
Descriptions	At call	Less than 3 months	3 - 12 months	More than 1 year	No maturity	Total
Financial assets						
Cash	1,839,570	-	-	-	-	1,839,570
Interbank and money market items	15,688,942	5,275,000	780,000	-	-	21,743,942
Derivative assets	-	-	-	111,046	-	111,046
Investments	-	639,799	2,910,183	40,905,157	10,857,800	55,312,939
Loans to customers ⁽¹⁾	19,212,328	35,695,272	16,721,733	90,297,724	-	161,927,057
Financial liabilities						
Deposits	80,991,264	34,738,055	43,183,652	9,258,032	-	168,171,003
Interbank and money market items	4,281,730	3,455,283	580,556	959,855	-	9,277,424
Liabilities payable on demand	172,822	-	-	-	-	172,822
Debts issued and borrowings	-	12,450,000	5,848,000	5,012,324	-	23,310,324

⁽¹⁾ Loans to customers maturing at call included defaulted loans and non-performing loans.

The Bank disclosed Liquidity Coverage Ratio as of 31 December 2018 through the Bank's website at www.lhbank.co.th on 30 April 2019 and will disclose Liquidity Coverage Ratio as of 31 December 2019 within April 2020.

Moreover, as at 31 December 2019 and 2018, the Bank had the following commitments as summarised by the periods to maturity, counting from the financial report dates, of the contracts:

(Unit: Thousand Baht)

	31 December 2019			31 December 2018		
	No more than 1 year	Over 1 year	Total	No more than 1 year	Over 1 year	Total
Avals to bills	1,330	-	1,330	134,498	1,018	135,516
Liability under unmatured						
import bills	130,543	-	130,543	-	-	-
Letters of credit	254,884	-	254,884	-	-	-
Undrawn bank overdrafts	4,838,061	-	4,838,061	4,623,402	-	4,623,402
Guarantee - others	4,808,826 ⁽¹⁾	311,991	5,120,817	4,753,473 ⁽¹⁾	654,744	5,408,217
Other commitments	-	36,041,126	36,041,126	-	34,176,876	34,176,876

⁽¹⁾ As at 31 December 2019 and 2018, these amount included contracts with no maturity date amounting to Baht 2,120 million and Baht 2,026 million, respectively.

43. Fair value of financial instruments

43.1 Financial assets and liabilities measured at fair value

As at 31 December 2019 and 2018, the Bank had financial assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Derivative assets					
- Foreign exchange rate	56,864	-	56,864	-	56,864
Total derivative assets	56,864	-	56,864	-	56,864
Trading investments					
- Domestic marketable equity securities	8,509,514	8,509,514	-	-	8,509,514
Total trading investments	8,509,514	8,509,514	-	-	8,509,514
Available-for-sale investments					
- Private sector debt securities	1,055,563	-	1,055,563	-	1,055,563
Total available-for-sale investments	1,055,563	-	1,055,563	-	1,055,563
<u>Liabilities</u>					
Derivative liabilities					
- Foreign exchange rate	35,634	-	35,634	-	35,634
Total derivative liabilities	35,634	-	35,634	-	35,634

(Unit: Thousand Baht)

	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Available-for-sale investments					
- Government and state enterprise securities	180,517	-	180,517	-	180,517
- Private sector debt securities	1,033,761	-	1,033,761	-	1,033,761
- Domestic marketable equity securities	10,852,519	10,852,519	-	-	10,852,519
Total available-for-sale investments	12,066,797	10,852,519	1,214,278	-	12,066,797

During the current year, there was no transfer within the fair value hierarchy.

43.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2019 and 2018, the Bank had financial assets and liabilities that were measured at cost, and for which fair values were disclosed using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Cash	1,635,451	1,635,451	-	-	1,635,451
Interbank and money market items - net	23,731,785	582,483	-	23,145,819	23,728,302
Derivative assets	184,512	-	252,946	-	252,946
Investments - net	42,081,697	-	43,844,511	6,903	43,851,414
Loans to customers - net	151,783,035	-	-	152,016,006	152,016,006
<u>Liabilities</u>					
Deposits	165,018,408	65,935,984	99,418,440	-	165,354,424
Interbank and money market items	10,503,646	4,387,261	6,202,162	-	10,589,423
Liabilities payable on demand	52,083	52,083	-	-	52,083
Debts issued and borrowings	16,768,129	8,129	16,736,981	-	16,745,110

(Unit: Thousand Baht)

	31 December 2018				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Cash	1,839,570	1,839,570	-	-	1,839,570
Interbank and money market items - net	21,566,859	1,494,921	-	20,070,145	21,565,066
Derivative assets	111,046	-	119,569	-	119,569
Investments - net	43,246,117	-	43,929,825	5,256	43,935,081
Loans to customers - net	158,342,151	-	-	158,465,848	158,465,848
<u>Liabilities</u>					
Deposits	168,171,003	78,978,953	89,570,274	-	168,549,227
Interbank and money market items	9,277,424	4,256,731	5,023,731	-	9,280,462
Liabilities payable on demand	172,822	172,822	-	-	172,822
Debts issued and borrowings	23,310,324	12,324	23,406,093	-	23,418,417

The Bank estimates the level 2 and level 3 fair values for financial instruments as follows:

- (a) The fair values of investments in debt securities are determined based on the yield rates quoted by the Thai Bond Market Association.
- (b) The fair values of non-marketable equity securities are determined based on generally accepted pricing models.
- (c) The fair values of loans to customers and interbank and money market items (assets) that bear floating interest rates are assumed to approximate their carrying values, net of allowance for doubtful accounts and revaluation allowance for debts restructuring. The fair values of loans to customers and interbank and money market items (assets) that bear fixed interest rates are the present value of the expected future cash flows, discounted by the interest rates the Bank offers on similar loans. The fair values of non-performing loans are the present value of the expected future cash flows from the disposal of the loan collaterals, discounted by the rates and durations as referred in the BoT's guidelines regarding provision.
- (d) The fair values of deposits and interbank and money market items (liabilities) that are payable on demand or bear floating interest rates are assumed to approximate their carrying values. The fair values of deposits and interbank and money market items (liabilities) that bear fixed interest rates are determined by discounting the expected future cash flows at the Bank's announced interest rates for instruments having similar characteristics.
- (e) The fair value of derivatives is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates, obtained from reliable sources and adjusted to reflect counterparty credit risk.
- (f) The fair values of debts issued and borrowings that are both subordinated or unsubordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings with similar conditions.

44. Events after the reporting period

44.1 Subordinated debentures

On 28 February 2020, the Board of Directors' Meeting No.2/2563 of the Bank passed a resolution to early redeem the subordinated debentures No.1/2558, to be counted as Tier 2 Capital, after 5 years from the issuing date, totaling Baht 4,000 million.

44.2 Dividend payments of the Company

On 28 February 2020, the Board of Directors' Meeting No.2/2563 of the Bank passed a resolution to propose to the Annual General Meeting of the Company's shareholders for approval a 2019 dividend payments in cash of Baht 0.70 per share, or a total of not more than Baht 1,400 million, from its operating results for the year ended 31 December 2019. During 2019, the Bank paid an interim dividend totaled Baht 900 million, consisting of the first interim cash dividend from its operating results for the three-month period ended 31 March 2019, total of Baht 500 million, paid on 6 June 2019 and the second interim cash dividend from its operating results for the nine-month period ended 30 September 2019, total of Baht 400 million, paid on 9 December 2019. The Bank will therefore pay the remaining cash dividend of Baht 0.25 per share, or not exceeding Baht 500 million.

45. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 28 February 2020.

REFERENCE INFORMATION

Auditor	:	EY Office Limited
Auditors		Miss Ratana Jala Certified Public Accountant (Thailand), registration No. 3734 and/or Miss Somjai Khunapasut Certified Public Accountant (Thailand), registration No. 4499 and/or Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), registration No. 4951
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