

รายงานประจำปี 2563

# Annual

## Report 2020

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## MESSAGE FROM THE CHAIRMAN

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

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

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

Land and Houses Bank Public Company Limited had the total assets of Baht 240,085 million and total loans of Baht 194,100 million, increased by 4.1% and 8.5%, respectively from the previous year. Non-performing loans (NPL) were 2.77% of the total loans. The bank had developed service technologies and digital banking to facilitate customers constantly by adding a variety of services on mobile banking platform. In addition, with the cooperation from business partners in both insurance and leading mutual fund products, the bank had comprehensive products to cover customers' requirements for financial and investment management and aimed to improve its staff to become professional financial advisor with capability to offer wealth management in order to fully address customers' needs and optimal benefits. Moreover, the bank has enhanced its efficiency in various work processes such as speeding up home loan approval and trade finance by collaborating with CTBC Bank, a partner from Taiwan that possesses the expertise in international trade business (Trade Finance).

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 enhanced competitiveness and lays the solid foundation for sustainable growth. Furthermore, the Board of Directors also encourages the bank to adhere to the compliance guidelines on market conduct and Personal Data Protection Act (PDPA).



Finally, the bank 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 Phanijphand)  
Chairman







## COMPANY PROFILE

Land and Houses Bank Public Company Limited is a financial institution which positions itself as a new choice for consumers. It 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 of 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 under the non-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.

On March 1, 2016, for restructuring the Land and Houses financial business group, Land and Houses Bank Public Company Limited 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 <sup>st</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> and 32 <sup>nd</sup> Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Registered Capital	:	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	:	Include ordinary shares 2,000,000,000 shares preferred shares -None-
Accounting Period	:	1 January – 31 December
Contact	:	<b>Head Office</b> Telephone : 0 2359 0000 or 1327 Fax : 0 2677 7223 Email : presidentoffice@lhbank.co.th
Audit Committee	:	Mr. Pradit Sawattananond Chairman 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
	:	Mr. Pichai Dusdeekulchai Member of the Audit Committee Telephone : 09 8992 8295 E-mail : pichaid@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 <sup>rd</sup> Floor, Lake Rajada Office Complex Rajadapisak Road, Klongtoey, Bangkok 10110 Website: www.ey.com/th Telephone : 0 2264 0777 Fax : 0 2264 0789-90

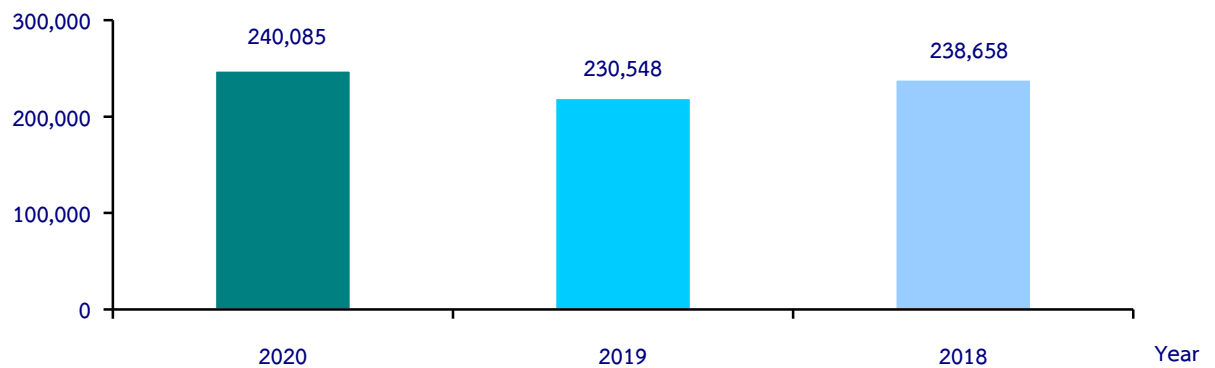


## FINANCIAL HIGHLIGHTS

Items	Separate Financial Statement		
	2020	2019	2018
<b>Statements of financial position : Million Baht</b>			
Total assets	240,085	230,548	238,658
Investments	43,983	51,647	55,313
Loans to customers	160,970	155,530	161,893
Allowance for doubtful accounts (ECL)	6,004	3,962	3,775
Non-performing loans (Gross NPLs)	5,368	2,775	3,520
Debts issued and borrowings	5,003	16,721	23,290
Deposits	182,735	165,018	168,171
Total liabilities	203,719	194,269	203,054
Total owners' equity	36,366	36,279	35,604
Registered share capital	20,000	20,000	20,000
Paid-up share capital	20,000	20,000	20,000
<b>Statements of comprehensive income : Million Baht</b>			
Interest income	7,927	8,788	8,575
Interest expenses	(2,975)	(4,047)	(3,671)
Net interest income	4,952	4,741	4,904
Non-interest income	1,671	1,427	1,154
Operating income	6,623	6,168	6,058
Non-interest expenses	(2,591)	(2,597)	(2,362)
Bad debts and doubtful accounts (ECL)	(2,298)	(1,090)	(570)
Profits before income tax expenses	1,734	2,481	3,126
Net profits	1,408	2,038	2,569
<b>Comparing per share : Baht</b>			
Basic earnings per share	0.70	1.02	1.29
Dividend per share	0.350	0.700	1.170
Book value per share	18.183	18.140	17.802
<b>Financial ratio (%)</b>			
Average Return on assets (ROA)	0.60	0.87	1.10
Average Return on equity (ROE)	3.88	5.67	7.27
Dividend payout ratio	49.73	68.68	91.08
Loans to deposit and borrowing	85.77	85.67	84.60
Non-interest income to total income	25.24	23.13	19.06
Non-interest expense to total income	39.12	42.10	38.99
Total capital to risk assets ratio	19.802	19.265	20.045
Tier 1 capital to risk asset ratio	17.068	16.481	17.131
<b>Capital : Million Baht</b>			
Tier 1 capital	33,959.46	34,578.32	34,344.23
Total capital	39,398.17	40,421.08	40,185.53

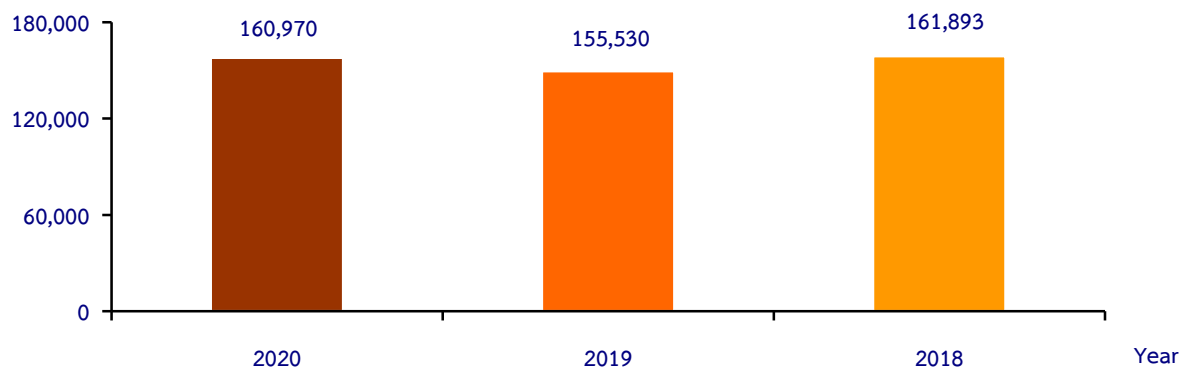
### Total Asset

(Million Baht)



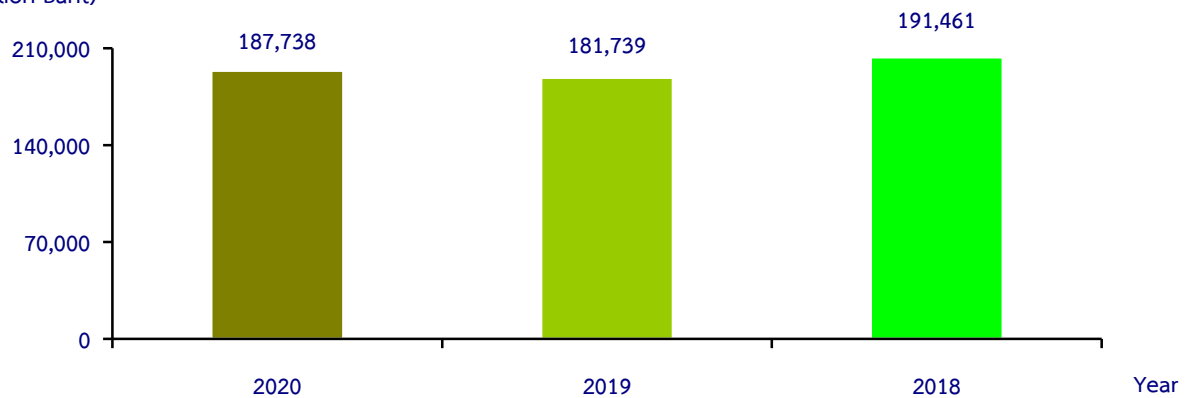
### Loans to Customers

(Million Baht)



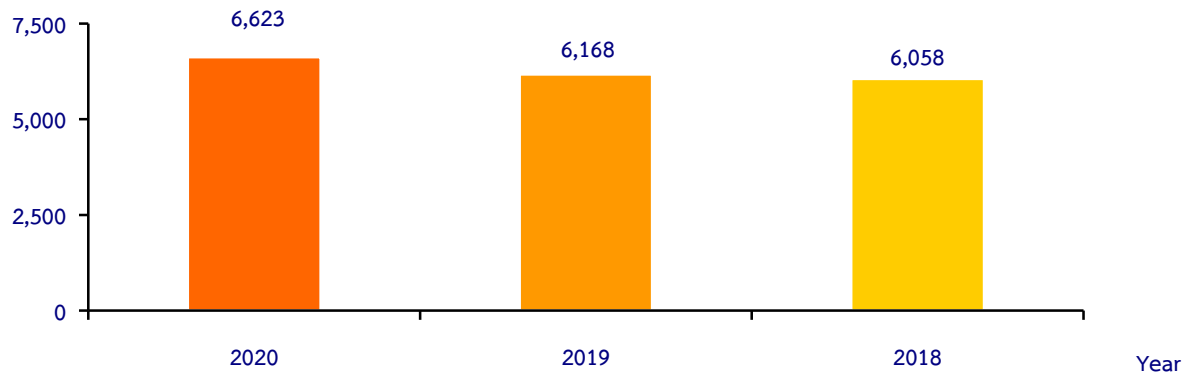
### Deposits & Debts Issued and Borrowings

(Million Baht)



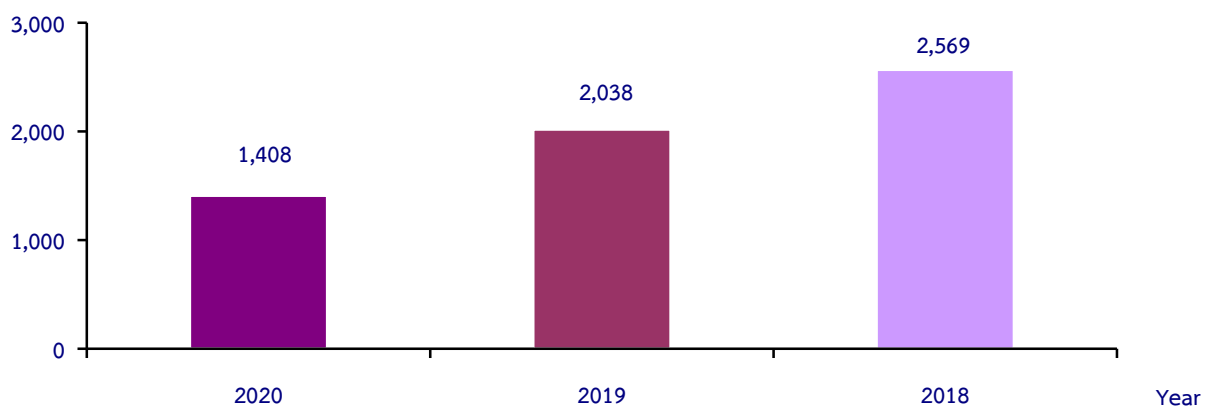
### Operating Income

(Million Baht)



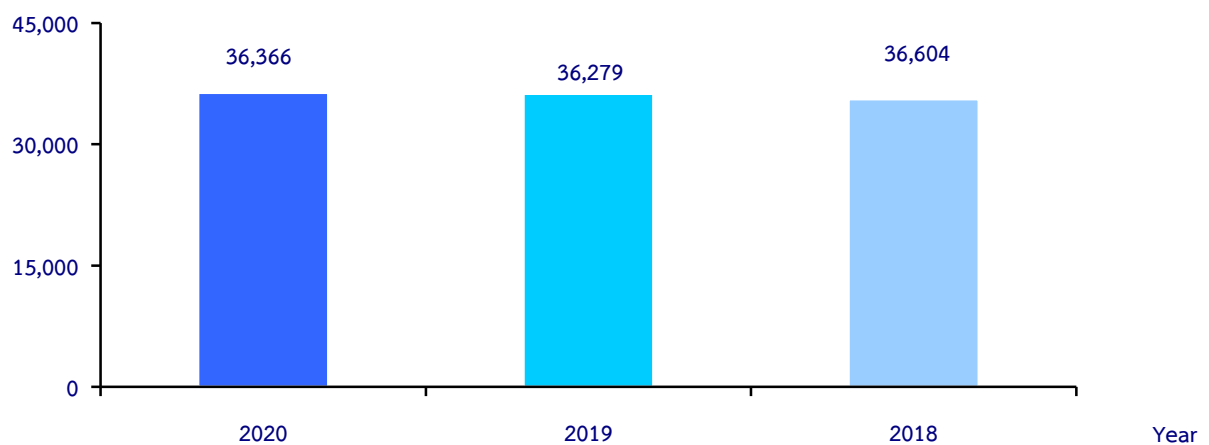
### Net Profits

(Million Baht)



### Owners' Equity

(Million Baht)



## BOARD OF DIRECTORS



**Name:** Mr. Rutt Phanijphand  
**Position:** Chairman  
**Age: (Years)** 73  
**Education:**

- Master of Science in Business Administration, Fort Hays Kansas State University, USA
- Bachelor of Science, Kasetsart University

**Training:**

- National Defense College of Thailand, Class 388
- Director Accreditation Program (DAP) 4/2003: IOD
- Director Certification Program (DCP) 61/2005: IOD
- Financial Institutions Governance Program (FGP) 1/2010: IOD
- Corporate Governance For Capital Market Intermediaries Program (CGI) 14/2016 : IOD
- Information Security Awareness Training 2020: LH Bank

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

### Work experiences in the past 5 years

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

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

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

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. Pradit Sawattananond

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

**Age: (Years)** 72

**Education:**

- Master of Business Administration, Central State University, USA
- Bachelor of Commerce, Chulalongkorn University

**Training:**

- Director Certification Program (DCP) 3/2000 : IOD
- Audit Committee Program 3/2004 : IOD
- Chief Financial Officer Certification Program 1/2004 : ICAAT
- Improving the Quality of Financial Reporting Program 4/2006 : IOD
- Monitoring the Quality of Financial Reporting Program 5/2007 : IOD
- Monitoring the Internal Audit Function Program 5/2008 : IOD
- Monitoring the System of Internal Control and Risk Management Program 2/2008 : IOD
- Role of the Compensation Committee Program (RCC) 6/2008 : IOD
- Advanced Audit Committee Program (AACP)13/2013 : IOD
- How to Develop a Risk Management Plan (HRP) 4/2013 : IOD
- Corporate Governance for Capital Market Intermediary Program (CGI) 1/2014 : IOD
- Information Security Awareness Training 2020: LH Bank

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

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

**Relationship with executives:** - None

Work experiences in the past 5 years:

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

Period	Position	Organization/Company
Apr. 2018 - Present	Independent Director Member of the Audit Committee Member of the Corporate Governance Committee	LH Financial Group PLC
Jul. 2018 - Sep. 2018	Member of the Nomination and Remuneration Committee	
2004 - Present	Independent Director Chairman of the Audit Committee	Asia Sermkij Leasing PLC
2000 - Present	Independent Director Member of the Audit Committee	KGI Securities (Thailand) PLC
2015 - Nov. 2020	Independent Director Chairman of the Audit Committee	Nusasiri PLC
2004 - Dec. 2019	Independent Director Member of the Audit Committee	Thai Film Industries PLC

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

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





**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)** 68  
**Education:**  
 - Master of Business Administration (MBA), New York University, USA  
 - Bachelor of Commerce (Commerce and Accountancy),  
 Thammasat University  
**Training:**  
 - Director Certification Program (DCP) 157/2012: IOD  
 - Information Security Awareness Training 2020: LH Bank  
 - None  
 - None  
 - None

Number of direct holding of shares:

Number of spouse and minor child

holding of shares:

Relationship with executives:

Work experiences in the past 5 years

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

Period	Position	Organization/Company
Dec. 2018 - Jun.2020	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:** Dr. Supriya Kuandachakupt

**Position:** Independent Director  
Member of the Audit Committee  
Member of the Corporate Governance Committee

**Age: (Years)** 67

**Education:**

- Doctor of Philosophy in Economics, University of Hawaii, USA
- Master of Arts in Economics (English Program), Thammasat University
- Bachelor of Economics, University of Tasmania, Australia

**Training:**

- 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 2020: LH Bank

Number of direct holding of shares:

Number of spouse and minor child

holding of shares:

Relationship with executives:

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 Member of the Audit Committee	Asia Sermkij Leasing PLC

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

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





**Name:** Mr. Pichai Dusdeekulchai  
**Position:** Independent Director  
Member of Audit Committee  
Member of Corporate Governance Committee  
**Age: (Years)** 59  
**Education:**  
- Master of Business Administration, Ashland University, Ohio, USA  
- Bachelor of Arts in Mathematics and Statistics, Thammasat University  
**Training:**  
- Director Certification Program (DCP) 278/2019 : IOD  
- Strategic Planning, APTD 2009  
- Leadership Development Program (LDP 2013) : Thai Listed Companies Association  
- Global Management Program (APTD 2015)  
- Cyber Resilience Leadership “Tone From the Top” 2020 : BOT  
- Information Security Awareness Training 2020 : LH Bank

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

Work experiences in the past 5 years

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

Period	Position	Organization/Company
July 2020 - Present	Independent Director Chairman of the Nomination and Remuneration Committee, Member of the Audit Committee Member of the Risk Oversight Committee	LH Financial Group PLC
Apr. 2019 - Present	Independent Director Member of the Audit Committee	Banpu PLC

❖ Current Position in 1 Listed Companies on the Stock Exchange of Thailand, None

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



**Name:** Mr. Li, Ming-Shieh  
**Position:** Director  
**Age: (Years)** 64  
**Education:**  
 - Bachelor of Arts in Economics, National Taiwan University, Taiwan  
 - Kaohsiung Municipal Kaohsiung Senior High School  
**Training:**  
 - Financial institutions' CSR, sustainable business strategy and governance 2017 : Taiwan Corporate Governance Association  
 - How to assist company to cope with risk and crisis 2017 : Taiwan Corporate Governance Association  
 - Fraud Detection and Prevention 2017 : Taiwan Corporate Governance Association  
 - M&A in legal practice 2017 : Taiwan Corporate Governance Association  
 - Director Accreditation Program (DAP) 166/2019 : IOD  
 - Information Security Awareness Training 2020 : LH Bank

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

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

**Relationship with executives:** - None

**Work experiences in the past 5 years**

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

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

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

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 - 2020	Chairman	CTBC Bank Corp. (USA)
2017 - 2020	Chairman	CTBC Capital Corp.
2010 - 2016	President and Executive Director	China Guanfa Bank
2005 - 2010	Country Officer	Citigroup Taiwan
2007 - 2010	Chairman	Citi Bank Taiwan Ltd.
2003 - 2005	Country Treasurer	
1989 - 2000	Head of Sales and Trading for Taiwan	
2000 - 2003	Senior Executive Vice President	Chinatrust Commercial Bank





**Name:** Mr. Shih, Jiing-Fuh  
**Position:** Director  
 Chairman of the Risk Oversight Committee  
 Member of the Nomination and Remuneration Committee  
**Age: (Years)** 56  
**Education:**  
 - Master of Business Administration, University of Texas at Austin, USA  
 - Bachelor of Economics, National Taiwan University, Taiwan  
**Training:**  
 - ABN AMRO Bank Credit Training 1994 : ABN AMRO BANK  
 - CTBC Executive Program 2016 : CTBC BANK & Wharton Business School  
 - Director Accreditation Program (DAP) 146/2018 : IOD  
 - Information Security Awareness Training 2020 : LH Bank  
**Number of direct holding of shares:** - None  
**Number of spouse and minor child holding of shares:** - None  
**Relationship with executives:** - None

Work experiences in the past 5 years:

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

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

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

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



**Name:** Mr. Sirichai Sombutsiri

**Position:** Director  
Chairman of the Executive Committee

**Age: (Years)** 67

**Education:**

- Master of Business Administration (Finance), University of Southern California
- Bachelor of Accountancy (Honour), Thammasat University

**Training:**

- 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
- Cyber Resilience Leadership “Tone from the Top” 2020 : BOT
- Information Security Awareness Training 2020: LH Bank

**Number of direct holding of shares:**

**Number of indirect holding of shares:**

**Relationship with executives:**

**Work experiences in the past 5 years**

- None
- None
- None

❖ Current Position in 3 Listed Companies

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

❖ Current Position in 1 Non-Listed Company

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





**Name:** Mr. Naporn Sunthornchitcharoen  
**Position:** Director  
 Member of the Executive Committee  
**Age: (Years)** 62  
**Education:**  
 - Master of Business Administration, Thammasat University  
 - Bachelor of Engineering Program in Civil Engineering, Chiangmai University  
 - Stanford Executive Program (SEP), Stanford Graduate School of Business, Stanford University, USA  
**Training:**  
 - National Defense College of Thailand, Class 2006  
 - Director Accreditation Program (DAP) 25/2004: IOD  
 - Director Certification Program (DCP) 53/2005: IOD  
 - Financial Institutions Governance Program (FGP) 2/2011: IOD  
 - Information Security Awareness Training 2020: LH Bank  
 - None  
 - None  
 - None

Number of direct holding of shares:

Number of spouse and minor child holding of shares:

Relationship with executives:

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

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

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  
 Member of the Executive Committee  
**Age: (Years)** 66  
**Education:** - Master of Business Administration, University of San Francisco, USA  
 - Bachelor of Arts in Business Administration, National Cheng Kung University, Taiwan  
**Training:** - Director Accreditation Program (DAP) 146/2018 : IOD  
 - Information Security Awareness Training 2020 : LH Bank

Number of direct holding of shares: - None

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

Relationship with executives: - None

Work experiences in the past 5 years:

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

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

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

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	
Mar. 2020 - Present	Special Professional, Office of the Chairman	CTBC Bank Co., Ltd.
2017 - Feb. 2020	Chief Representative, Bangkok Representative Office	
2016 - 2017	Senior Advisor, Bangkok Representative Office	
2015 - 2016	Executive Officer, Office of the Chairman	
2014 - 2015	Senior Advisor, Bangkok Representative Office	
2000 - 2013	Chief Representative, Bangkok Representative Office	
1994 - 2000	Vice President of International Banking Group	







**Name:** Ms. Chompoonoot Pathomporn  
**Position:** Director  
 Member of the Executive Committee  
 President  
**Age (years):** 57  
**Education:** - Master of Business Administration, Bangkok University  
 - Bachelor of Accountancy Commerce and Accountancy, Thammasat University  
**Training:** - 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  
 - Cyber Resilience Leadership “Tone From the Top” 2020 : BOT  
 - Director Accreditation Program (DAP) 164/2019 : IOD  
 - Information Security Awareness Training 2020 : LH Bank  
**Number of direct holding of shares:** - None  
**Number of spouse and minor child holding of shares:** - None  
**Relationship with executives:** - None

Work experiences in the past 5 years

❖ Current Position in 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)	57
Education	<ul style="list-style-type: none"> <li>• Master of Business Administration, Bangkok University</li> <li>• Bachelor of Accountancy, Faculty of Commerce and Accountancy, Thammasat University</li> <li>• National Defense College Class 61, Thailand National Defence College</li> <li>• Lead to Lead the Change : TMB Bank PLC</li> <li>• 7 Habits of Highly Effective People : TMB Bank PLC</li> <li>• iSpeak Power Program : TMB Bank PLC</li> <li>• Think Forward Simulation Workshop : TMB Bank PLC</li> <li>• Profitable Leadership : TMB Bank PLC</li> <li>• Corporate Governance for Capital Market Intermediaries (CGI) 8/2015 : IOD</li> <li>• Cyber Resilience Leadership “Tone From the Top” 2020 : BOT</li> <li>• Director Accreditation Program (DAP) 164/2019 : IOD</li> <li>• Information Security Awareness Training 2020 : LH Bank</li> </ul>

### Work experiences in the past 5 years

#### ❖ Current Position in Listed Companies 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. Thanee Phalawong  
**Position** Senior Executive Vice President, Information and Technology Group  
**Age (Years)** 57  
**Education**

- Public Administration (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 Companies on the Stock Exchange of Thailand – None -

Period	Position	Organization/Company
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** Mr. Pansalit Trakarnkitvichit  
**Position** Senior Executive Vice President, Credit Underwriting and Credit Development Group  
**Age (Years)** 56  
**Education**

- MBA, Finance – Woodbury University
- BA, Economic – California State University, Northridge
- AML/CTPF (Anti-Money Laundering & Counter Terrorism and Proliferation of Weapon of Mass Destruction Financing)
- IT Security Awareness 2020 LH Bank

Work experiences in the past 5 years

❖ Current Position in 2 Listed Companies on the Stock Exchange of Thailand – None -

Period	Position	Organization/Company
2014 - 2019	First Executive Vice President	Kiatnakin Bank PLC

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

Period	Position	Organization/Company
2019 – Present	Senior Executive Vice President	Land and Houses Bank PLC
2009 – 2012	President	Southeast Capital Co., Ltd.
2005 – 2008	President	UOB Leasing (Thai) Co., Ltd.
2001 – 2005	Senior Vice President	UOB Bank (Thai) PLC





**Name** Mr. Chen, Ching-Ming  
**Position** Senior Executive Vice President, Taiwanese Business Development Group  
**Age (Years)** 52  
**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 Listed Companies 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
Dec. 2017 – Present	Senior Executive Vice President Taiwanese Business Development Group	Land and Houses Bank PLC
Feb. 2015 – Dec. 2017	CEO & General Manager	CTBC Singapore
Jun. 2008 – Feb. 2015	President and Chief Executive Officer Board Director	CTBC Bank (Philippines) Corp. (ex Chinatrust)
Jun. 2006 – Jun. 2008	Chief Country Officer of Vietnam and General Manager of Ho Chi Minh City Branch	Chinatrust Commercial Bank Vietnam
Jun. 2004 – Jun. 2006	Senior Vice President and Director	ABN AMRO Bank Shanghai Branch
Jun. 2000 – Jun. 2004	Senior Vice President	Bank of Asia, Thailand (a subsidiary of ABN AMRO Bank)
Jun. 1998 – Jun. 2000	Vice President	ABN AMRO Bank, Asia Pacific Regional Center
Jan. 1992 – Apr. 1998	Assistant Vice President	ABN AMRO Bank Taipei Branch

**Name** Ms. Chutamas Sombunyaviroj  
**Position** First Executive Vice President, Omni Channel Management and Retail Banking  
**Age (Years)** 62  
**Education**

- Master of Commerce, Thammasat University

**Work experiences in the past 5 years**

❖ **Current Position in Listed Companies 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, Omni Channel Management
Age (Years)	60
Education	<ul style="list-style-type: none"> <li>Public Administration (Master of Public and Private Management) National Institute of Development Administration (NIDA)</li> <li>Bachelor of Business Administration (General Management) Ramkhamhaeng University</li> </ul>

Work experiences in the past 5 years

❖ Current Position in Listed Companies 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 of 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, Omni Channel Management	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, Operation
Age (Years)	55
Education	<ul style="list-style-type: none"> <li>Bachelor of Economics (Finance and Banking), Ramkhamhaeng University</li> </ul>

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, Wholesale Banking  
**Age (Years)** 58  
**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, Commercial  
**Age (Years)** 54  
**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. Thakorn Aimjirakul
Position	Executive Vice President, Retail Lending
Age (Years)	44
Education	<ul style="list-style-type: none"> <li>• Master of Business Administration, Old Dominion University, Virginia, U.S.A.</li> <li>• Bachelor of Business Administration, Chulalongkorn University</li> <li>• Strengths Finder : Gallup</li> <li>• The 7 Habits of Highly Effective People : PacRim Groups</li> <li>• Smart Public Speaker : John Robert Powers</li> <li>• TMB Banking Survival on the Future : Compass Institute</li> <li>• E-Commerce &amp; Online Marketing Course : Siamvendra</li> <li>• Facebook, YouTube and Google SEO : Team Digital</li> </ul>

Work experiences in the past 5 years

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

Period	Position	Organization/Company
2015 - 2019	Head of Retail Advisory and Sales Network (EVP Level)	TMB Bank PLC

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

Period	Position	Organization/Company
2020 - Present	Executive Vice President	Land and Houses Bank PLC
2019 - 2020	Director	TK 90 Co., Ltd.

Name	Mr. Paradorn Preyaprawat
Position	Executive Vice President, Bank Operation Group
Age (Years)	55
Education	<ul style="list-style-type: none"> <li>• Master of Business Administration, Ramkhamhaeng University</li> <li>• Bachelor of Business Administration (Finance and Banking) Ramkhamhaeng University</li> </ul>

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 Asavaritikrai  
**Position** Executive Vice President, Global Markets Group  
**Age (Years)** 54  
**Education**

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

**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	Senior Vice President, IT Projects Manager, IT Group	Bank of Ayudhya PCL
Jan. 2007 - Dec. 2016	Senior Vice President, Head of Trading Department - Global Markets Group	
Sept. 1994 - Mar 2000	Assistant Vice President, 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 PLC
Aug. 2005 - Dec. 2006	Vice President, Treasury Department	GE Money Retail Bank PCL
Nov. 2003 - Aug. 2005	Vice President, Capital Markets Department	Calyon Investment Bank
Apr. 2000 - Nov. 2003	Assistant Vice President, Global Markets Division	Standard Chartered Bank

**Name** Ms. Siriporn Ngamwiriyaong  
**Position** Head of Finance Group  
**Age (Years)** 37  
**Education**

- Master of Business Administration, Chulalongkorn University
- Bachelor of Accountancy, Kasetsart University
- LH BANK Leadership Development Journey (7 habits) Lead-Self: LH BANK
- Financial Statement Analysis (Online): DBD
- Cash Flow Statement (Online): DBD
- Code of Conduct and Financial Reporting Standards for Non-Publicly Accountable Entities (Online): DBD

**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	Head of Finance Group	Land and Houses Bank PLC
Jan. 2014 – Nov. 2019	Vice President, Accounting and Tax Policy Department	



## NATURE OF BUSINESS OPERATION

The bank has developed its 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 take into account all factors to determine the organization guidelines on an annual basis, 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 principles, 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-” with “Stable” outlook. The rating of Basel III Tier 2 capital securities was affirmed at “BBB”.

### Vision

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

### Mission

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

### Corporate Value

The organization promotes work-related knowledge development and emphasizes good working behaviors and peaceful coexistence. The bank has also created the corporate core values for employees to understand and share the same values through communication, learning and working under the concept of CDA: C : Customer Centric, D : Dynamic, A : Accountability which can enable all employees to grow together with sustainability.



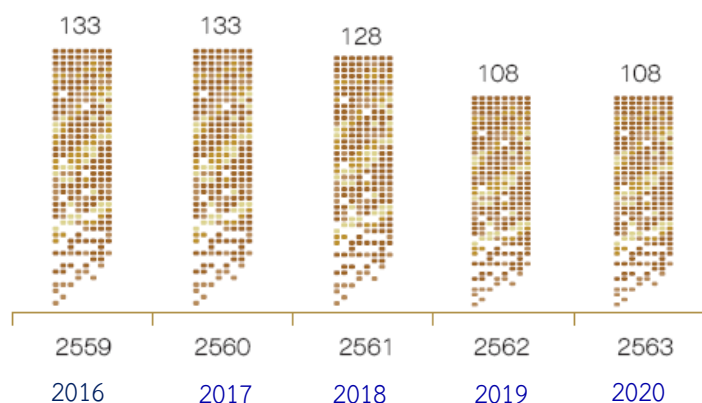


### Branches of the Bank

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

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

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:

- **Savings Deposit**

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

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

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

- **Non-Fixed Deposit** is a high-yield savings account. The minimum balance of Baht 5,000 must be maintained in the account at all time. Deposits and withdrawals can be made anytime.

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

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

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

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

### Competitive Strategy of Deposit Service

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

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

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

## **2. Loan Service**

The bank categorizes 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. Both 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 SMEs & SSME with the purposes for their working capital, production capacity expansion, or investment in buildings, plants, machines and equipment. Short-term and long-term loans are available to suit business types and customers' needs.

#### **1. Big Corporate & Corporate**

It is a lending service for large corporate customers with the objective to provide working capital or to enhance liquidity in business, support the expansion of production capacity or invest in buildings, factories, machines and equipment. Both short-term and long-term loans are available for various type of businesses and customer needs.

#### **2. SMEs & SSME**

It is a lending service for small and medium enterprise customers with the objective to provide working capital or to enhance liquidity in business, support the expansion of production capacity or invest in buildings, factories, machines and equipment. Both short-term and long-term loans are available for the type of businesses and customer 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 machineries 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, for example:

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

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

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

### 3. Retail Loan

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

#### ● Housing Loans

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

#### Competitive Strategy of Loans Service

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

The bank focuses on the strategy for loan extension to existing customers with good track record. This helps the bank create business opportunities and retain the long-term customer base. For new customers, the bank targets to offer loans to those with good financial status, by using its branches to introduce the loans and to have existing customers refer or recommend the bank's loans to their friends or business partners.

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

### 3. Electronic Services

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

- **Internet Banking on Mobile (LH Bank M Choice)** is a service allowing customers to conduct financial transactions quickly and easily every day, anywhere, and anytime via mobile phones. Customers can also buy and sell funds, and open a new deposit account online.



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



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



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

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



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

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



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

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

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



1. Salary payroll service transferring a considerable number of transactions with one-single command

2. Bulk payment transferring a considerable number of transactions with one-single command

3. Bill payment

4. Direct debit and direct credit

- **Mobile Payment Service** is a service for retail stores that would like to add another payment channel by scanning a QR Code through leading e-Wallet agencies in Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and in foreign countries such as WeChat and Alipay from China. QR Code scan can be taken in Thailand and in other countries. The service helps boost up the stores' sales volume, reduce number of loose change for their customers and provides more convenient and secure transfer as the bank will transfer money to the store's account on the next working day.

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



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

#### 4. Other Services

4.1 **Insurances Service** 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. (LHFUND)
- Principal Asset Management Company Limited (Principal)
- MFC Asset Management Public Company Limited (MFC)
- SCB Asset Management Company Limited (SCBAM)
- One Asset Management Company Limited (ONEAM)
- Krungthai Asset Management Public Company Limited (KTAM)
- TMB Asset Management Company Limited (TMBAM)
- Krungsri Asset Management Company Limited (KSAM)
- Phatra Asset Management Company Limited (PhatraAM)
- UOB Asset Management (Thailand) Company Limited (UOBAM)
- Tisco Asset Management Company Limited (TISCOASSET)
- Kasikorn Asset Management Company Limited (KAsset)

**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 cards, life insurance premiums and other expenses. Such payment can also be made with the automatic transfer system.

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

**4.5 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 Targets

The bank's main targets for business operations include the extension of loan services to new customer bases, expansion of deposit base, extension of service channels to increase fee incomes, personnel development to be more knowledgeable and skillful in its financial products, development of products and services that best respond to the customer needs and development of information technology system to facilitate the rapid operation and advancement towards the digital banking. Its internet banking service has been developed further into an application for conducting financial transactions on mobile phones. It has also launched marketing campaigns via social media platforms such as LINE, Facebook and YouTube, to multiply its communication channels to the target groups.

## Income structure

Income structure for the year 2020, 2019 and 2018 is as follows:

Table: Income structure

Income Structure	Separate Financial Statements					
	2020		2019		2018	
	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)	Amount (Million Baht)	(%)
<b>Interest income</b>						
Loans to customers	6,207.92	93.73	6,623.25	107.39	6,343.58	104.71
Investments in debt securities	1,222.49	18.46	1,519.64	24.64	1,547.17	25.54
Interbank and money market items	490.55	7.41	632.50	10.25	659.65	10.89
Hire Purchase	6.10	0.09	12.30	0.20	24.27	0.40
Others	0.13	-	0.03	-	-	-
<b>Total interest income</b>	<b>7,927.19</b>	<b>119.69</b>	<b>8,787.72</b>	<b>142.48</b>	<b>8,574.67</b>	<b>141.54</b>
<b>Interest expenses</b>						
Deposits	(2,119.31)	(32.00)	(2,514.93)	(40.78)	(2,130.37)	(35.17)
Interbank and money market items	(90.57)	(1.37)	(98.60)	(1.60)	(113.93)	(1.88)
Contributions to the Deposit Protection Agency and the Bank of Thailand	(447.92)	(6.76)	(877.06)	(14.22)	(840.45)	(13.87)
Debts issued	(303.37)	(4.58)	(555.77)	(9.01)	(586.32)	(9.68)
Others	(14.05)	(0.21)	(0.18)	(0.00)	-	-
<b>Total interest expenses</b>	<b>(2,975.22)</b>	<b>(44.92)</b>	<b>(4,046.54)</b>	<b>(65.61)</b>	<b>(3,671.07)</b>	<b>(60.60)</b>
<b>Net interest income</b>	<b>4,951.97</b>	<b>74.77</b>	<b>4,741.18</b>	<b>76.87</b>	<b>4,903.60</b>	<b>80.94</b>
<b>Fees and service income</b>						
Acceptances, avals and guarantees	40.54	0.61	56.86	0.92	42.40	0.70
Commission income	209.73	3.17	220.45	3.57	200.71	3.31
Others	101.89	1.54	114.38	1.86	113.14	1.87
<b>Total fees and service income</b>	<b>352.16</b>	<b>5.32</b>	<b>391.69</b>	<b>6.35</b>	<b>356.25</b>	<b>5.88</b>
<b>Fees and service expenses</b>						
Fees and charges	(58.76)	(0.89)	(67.57)	(1.10)	(60.27)	(0.99)
Others	(10.96)	(0.17)	(12.55)	(0.20)	(12.87)	(0.21)
<b>Total fees and service expenses</b>	<b>(69.72)</b>	<b>(1.06)</b>	<b>(80.12)</b>	<b>(1.30)</b>	<b>(73.14)</b>	<b>(1.20)</b>
<b>Net fees and service income</b>	<b>282.44</b>	<b>4.26</b>	<b>311.57</b>	<b>5.05</b>	<b>283.11</b>	<b>4.68</b>
<b>Other incomes</b>						
Gains on investments	833.92	12.59	503.85	8.17	191.74	3.17
Dividend Income	494.14	7.46	582.17	9.44	658.74	10.87
Other operating income	60.92	0.92	28.82	0.47	20.88	0.34
<b>Total other incomes</b>	<b>1,388.98</b>	<b>20.97</b>	<b>1,114.84</b>	<b>18.08</b>	<b>871.36</b>	<b>14.38</b>
<b>Total operating income</b>	<b>6,623.39</b>	<b>100.00</b>	<b>6,167.59</b>	<b>100.00</b>	<b>6,058.07</b>	<b>100.00</b>

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 other interest incomes. In 2020, the bank had interest income amounting to Baht 7,927.19 million, decreased by Baht 860.53 million or 9.79% from 2019.

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 2020, the bank had interest expenses amounting to Baht 2,975.22 million, increased by Baht 1,071.32 million or 26.47% from 2019.

Net interest income is of Baht 4,951.97 million or 74.77% of total operating income. Net interest income increased by Baht 210.79 million or 4.45 % from 2019 as a result of the decrease in interest expense from the Bank of Thailand's notification to temporarily reduce the contributions to the Financial Institutions Development Fund (FIDF) from 0.46% to 0.23%, effective from January 1, 2020 to December 31, 2021.

### 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 2020, the bank had fees and service income amounting to Baht 352.16 million, decreased by Baht 39.53 million or 10.09% from 2019.

Fees and service expenses are of Baht 69.72 million, decreased by Baht 10.40 million or 12.98% from 2019.

Net fees and service income is of Baht 282.44 million or 4.26 % of total operating income, decreased by Baht 29.13 million or 9.35 % from 2019 as a result of the decrease in brokerage fee.

### 3. Other Incomes

Other incomes consist of gains on investments, dividend income and other operating incomes. In 2020, the bank had other incomes amounting to Baht 1,388.98 million, increased by Baht 274.14 million or 24.59 % from 2019 mainly from gains on investments which has increased by Baht 330.07 million or 65.51%.

## SECURITIES AND SHAREHOLDERS INFORMATION

### 1. Securities information

#### 1.1 Ordinary shares

As of December 31, 2020 the bank had total registered share capital Baht 20,000,000,000 divided into 2,000,000,000 ordinary shares at 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, 2020 were as follows:

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

#### 2.2 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 according to 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 set up 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 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 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 line the bank's Articles of Association, the key point being that the dividend is to be allocated equally by the number of shares and its payment must be approved by the 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

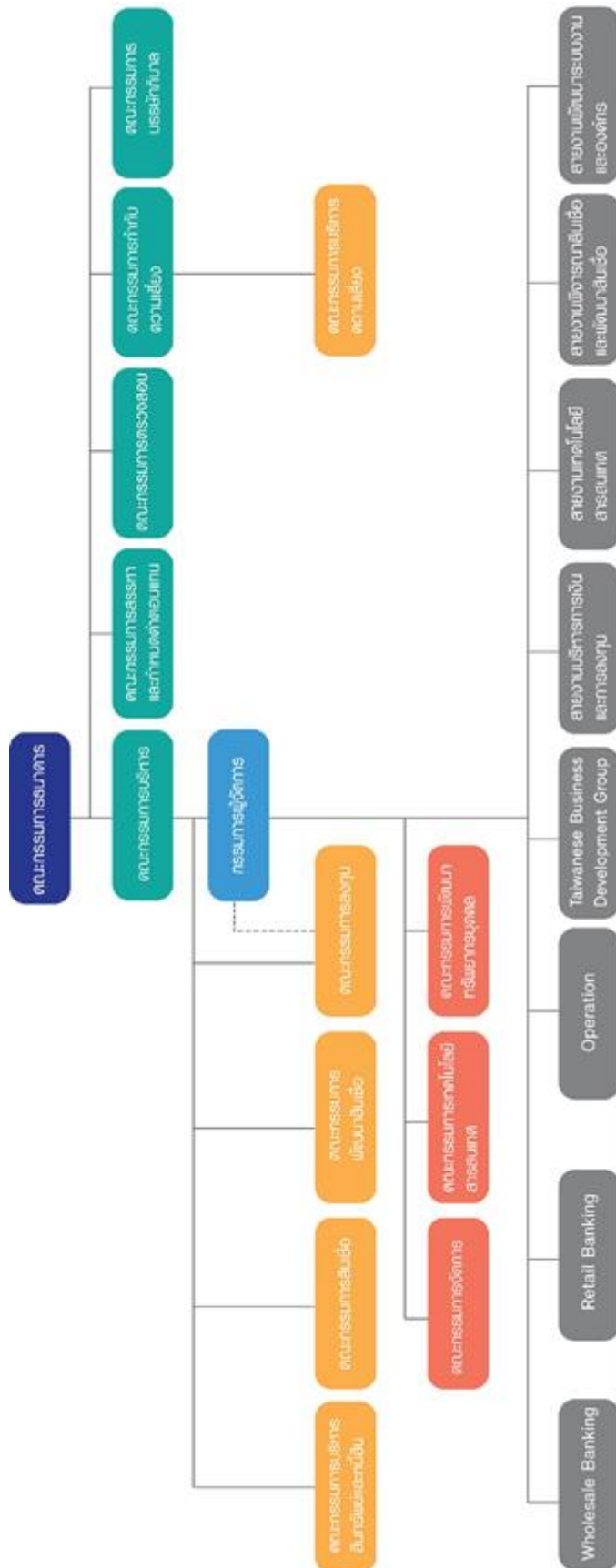
According to the Bank of Thailand's Notification on the criteria of the classification and allocation of allowances, a financial institution which has not yet written off damaged assets from its balance sheets or allocated in full allowances for potentially damaged and undamaged assets and obligations 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 any dividends from the transactions that result in unrealized gains or no real cash inflows such as profits from mark-to-market of securities trading or the reclassification of financial assets. Neither should they pay any dividends from the profits arising from the asset disposal 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 separate duties and responsibilities among them in line with the Bank of Thailand's notification on corporate governance of financial institutions, directors, managers and persons with management authorities. All have been approved by the Bank of Thailand, the details of which are as follows:

### 1. Board of Directors

The Board of Directors consists of 11 directors as follows:

1. Mr. Rutt	Phanijphand	Chairman
2. Mr. Pradit	Sawattananond	Independent Director
3. Mr. Somsak	Assavapokee	Independent Director
4. Dr. Supriya	Kuandachakupt	Independent Director
5. Mr. Pichai	Dusdeekulchai	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 on behalf of the bank with the bank's seal affixed.

#### 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 for the best interests of the organization without conflicts of interest of any shareholders. 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 for the best interests of the bank
2. Determine directions and strategic goals for the bank, approve the policies and operating direction proposed by the management and monitor the management to ensure the effective and efficient execution of the approved policies and to protect the interests of the bank and its shareholders
3. Provide provisions on the Code of Conduct, 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 adhere to the laws and policies set forth





5. Ensure that the management is capable of managing the bank's operations, including the nomination of top executives
6. 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. Ensure that the management reports important matters of the bank to the Board of Directors to receive adequate information from the management to be able to fulfill its duties and responsibilities
8. Ensure that the bank has the risk governance framework and risk culture
9. 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. Ensure that the bank has determined the lending and investment policy for related persons
12. Ensure proper procedure of reporting (Management Letter) from external auditors and the integration of management'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 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 according to the Articles of Association, regulations of the Securities and Exchange Commission and/or the Bank of Thailand.

#### **Roles of Chairman**

1. Supervise, monitor and ensure that the performance of the Board of Directors is effective and achieves the objectives and main goals of the organization
2. Oversee and promote the organizational culture with ethics and good corporate governance
3. Arrange the appropriate time sufficient for all matters proposed by the management and for directors to discuss on significant issues with independent expression of their opinions
4. Strengthen good relations among the directors and management
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. Executive Committee**

The Executive Committee consists of 4 directors as follows:

1.	Mr. Sirichai	Sombutsiri	Chairman
2.	Mr. Naporn	Sunthornchitcharoen	Member
3.	Mr. Wu,	Kuo-Chin	Member
4.	Ms. Chompoonoot	Pathomporn	Member
	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, 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. Audit Committee**

The Audit Committee consists of 4 directors as follows:

1.	Mr. Pradit	Sawattananond	Chairman
2.	Mr. Somsak <sup>1</sup>	Assavapokee	Member
3.	Dr. Supriya <sup>1</sup>	Kuandachakupt	Member
4.	Mr. Pichai	Dusdeekulchai	Member
	Mrs. Wilawan	Sutthibutr	Secretary

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

**Duties and Responsibilities of the Audit Committee**

The Audit Committee has the duties and responsibilities approved by 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 appetite 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

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. Corporate Governance Committee

The Corporate Governance Committee consists of 4 directors as follows:

- |                |               |           |
|----------------|---------------|-----------|
| 1. Mr. Pradit  | Sawattananond | Chairman  |
| 2. Mr. Somsak  | Assavapokee   | Member    |
| 3. Dr. Supriya | Kuandachakupt | Member    |
| 4. Mr. Pichai  | Dusdeekulchai | Member    |
| Mr. Kukrit     | Singhon       | Secretary |

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

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

1. Consider the good corporate governance policy and propose 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. Nomination and Remuneration Committee

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

1.	Mr. Somsak	Assavapokee	Chairman
2.	Mr. Shih,	Jiing-Fuh	Member
3.	Mr. Pradit	Sawattananond	Member
	Mr. Ruangsak	Vitavaskarnvej	Secretary

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

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

1. Determine policies, regulations, qualifications and nomination method of directors and top executives that require approval from the 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 consultants 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. Ensure the Board of Directors has the members and composition appropriate for the organization, and adjust them according to changing environments. Make sure 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 (See Item#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. Ensure that the directors and the authorized persons (See Item#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, 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 (See Item#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 (See Item#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 the board skill matrix to assist the screening processes for eligible directors whose qualifications align with business strategy and taking into consideration the corporate requirements and good governance. The Nomination and Remuneration Committee shall scrutinize and then propose the lists of qualified persons to the Board of Directors for consideration before submitting 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 the 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 principles and honesty to take a position of top executives from First Executive Vice President and higher. 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 collective decision-making process.

## 6. Risk Oversight Committee

The Risk Oversight Committee consists of 3 members as follows:

- |                                       |               |           |
|---------------------------------------|---------------|-----------|
| 1. Mr. Shih,                          | Jiing-Fuh     | Chairman  |
| 2. Mr. Pradit                         | Sawattananond | Member    |
| 3. Mr. Somsak                         | Assavapokee   | Member    |
| 4. 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 international standards.

2. Provide the system to assess and monitor the risk management of management 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 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 appetite 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 Sub-committees

In addition to the sub-committees set up by the Board of the Directors for the benefit of monitoring and overseeing 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 2020, the Board of Directors meetings and sub-committee meetings were 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 2020

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	(%)
<b>Total Meetings (Times)</b>	<b>12</b>	<b>100</b>	<b>24</b>	<b>100</b>	<b>13</b>	<b>100</b>	<b>12</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>12</b>	<b>100</b>
1. Mr. Rutt Phanijphand	12	100										
2. Mr. Pradit Sawattananond	12	100			13	100	12	100	5	100	11	91.67
3. Mr. Somsak Assavapokee	12	100			13	100	12	100	5	100	12	100
4. Mr. Pichai Dusdeekulchai <sup>1</sup>	9 (of 9)	100			10 (of 10)	100	9 (of 9)	100				
5. Dr. Supriya Kuandachakupt	12	100			13	100	12	100				
6. Mr. Li, Ming-Shieh <sup>2</sup>	10	83.33										
7. Mr. Naporn Sunthornchitcharoen	12	100	24	100								
8. Mr. Shih, Jiing-Fuh <sup>3</sup>	10	83.33							5	100	10	83.33
9. Mr. Sirichai Sombutsiri	11	91.67	23	95.83								
10. Mr. Wu, Kuo-Chin	12	100	24	100								
11. Ms. Chompoonoot Pathomporn	12	100	23	95.83								

Note: <sup>1</sup> Mr. Pichai Dusdeekulchai has been appointed since March 27, 2020 and attended the meeting No. 4/2563 held on April 21, 2020 onwards.

<sup>2</sup> Mr. Li, Ming-Shieh didn't attend the meeting No. 2/2020 dated February 28, 2020 and meeting No. 3/2563 dated March 23, 2063 due to the COVID-19 pandemic.

<sup>3</sup> Mr. Shih, Jiing-Fuh didn't attend the meeting No. 2/2020 dated February 28, 2020 and meeting No. 3/2563 dated March 23, 2063 due to the COVID-19 pandemic.





## 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. Thanee Phalawong	Senior Executive Vice President Information and Technology Group	-	-	-
3. Pansalit Trakarnkitvichit	Senior Executive Vice President Credit Underwriting and Credit Development Group	-	-	-
4. Mr. Jing-Ming Chen	Executive Vice President Taiwanese Business Group	Director	-	-
5. Mrs. Chutamas Sombunyaviroj	First Executive Vice President Omni Channel Management and Retail Banking	Director	-	-
6. Mr. Pairath Tragarnrueng	Executive Vice President Omni Channel Management	-	-	-
7. Mr. Kosol Kavayavong	Executive Vice President Assets and Operation Group	-	-	-
8. Ms. Chintana Klaisuan	Executive Vice President 1 Wholesale Banking	-	-	-
9. Mr. Anucha Buppaves	Executive Vice President 2 Commercial	-	-	-
10. Mr. Thakorn Aimjirakul	Executive Vice President 3 Retail Lending	-	-	-
11. Mr. Paradorn Preyaprawat	Executive Vice President Bank Operation	-	-	-
12. Mr. Sompob Asavaritikrai	Executive Vice President Global Markets Group	-	-	-

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

## 8. Company Secretary

The Board of Directors has appointed Mr. Vichian Amornpoonchai, Senior Executive Vice President, Corporate Affairs Group, as the company secretary since May 15, 2009 as prescribed by the laws. The Board of Directors has supported and encouraged the company secretary to continuously receive trainings and expand knowledge in law, accounting or other areas relevant to the duties of the company secretary. The details of his profile are as follows:

**Name :** Mr. Vichian Amornpoonchai  
**Position :** Senior Executive Vice President, Corporate Affairs Group  
 Company Secretary  
**Age : (Years)** 59





**Education :**

- Master of Business Administration, Mahanakorn University of Technology
- Bachelor of Accounting, Dhurakijpundit University

**Training :**

- Certified Professional Internal Auditor (CPIA) : The Institute of Internal Auditors of Thailand (IIAT)
- Modern Managers Program : Chulalongkorn University
- Company Secretary Program 32/2009 : IOD
- Effective Minutes Taking 17/2010 : IOD
- Company Reporting Program 17/2017 : IOD
- Corporate Secretary Development Program : Thai Listed Companies Association
- Director Accreditation Program (DAP) 153/2018 : IOD
- Ethical Leadership Program (ELP) 19/2020 : IOD

**Direct Shareholding :**

- 82 shares, shareholding 0.0000%

**Number of Shared Held by Spouse and Minor Child :**

- 120,000 shares, shareholding 0.0005%

**Relationship with Executives :**

- None -

**Work Experiences in the Past 5 Years**

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

Period	Position	Organization/Company
Feb. 2021 – Present	Senior Executive Vice President, Corporate Affairs Group	LH Financial Group PLC
May 2020 – Jan. 2021	First Executive Vice President, Corporate Affairs Group	
Aug. 2019 – May 2020	First Executive Vice President, Corporate Affairs and Legal Group	
May 2009 - Present	Company Secretary	
Dec. 1998 - Dec. 2005	Vice President, Internal Audit Department	Book Club Finance PLC

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

Period	Position	Organization/Company
Mar. 2008 – Present	Company Secretary	Land and Houses Bank PLC
Mar. 2019 – Aug. 2019	First Executive Vice President, Corporate Affairs and Legal Group	
Aug. 2017 – Mar.2019	Executive Vice President, Corporate Affairs and Legal Group	
Apr. 2016 – Aug. 2017	First Senior Vice President, Office of the President	
Nov. 2010 – Mar. 2016	Vice President, Office of the President	
Aug. 2006 – Oct. 2010	Vice President, Office of the President Acting Vice Present, Compliance Office	





Period	Position	Organization/Company
Dec. 2005 – Jul. 2006	Vice President, Officer of the President and Compliance Office Acting Vice President, Audit Department	
Jan. 2014 - Present	Director Company Secretary	Land and Houses Advisory Co., Ltd.
Mar. 2014 - Aug. 2017	Company Secretary	Land and Houses Securities PLC

### Duties and Responsibilities of the Company Secretary

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

## 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 with similar business size in the same industry.

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 of remunerations.





### 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. Directors' remunerations for the Year 2020

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

Position	Remuneration of Directors (Baht per month)	
	2020	2019
Chairman (Mr. Rutt Phanijphand)	1,000,000	1,000,000
Chairman	60,000	60,000
Non-Executive Directors	40,000	40,000
Executive Directors	40,000	40,000

#### 2. Meeting allowances of directors for the Year 2020

Table : Meeting Allowances of Directors for the Year 2020 and 2019

Position	Allowance (per time)											
	Board of Directors		Audit Committee		Executive Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Risk Oversight Committee	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
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 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 2,700,000 was appropriate for their duties, responsibilities and workload. Allocation of such remuneration is subject to the discretion of the Board of Directors and 3 directors listed below are eligible for such gratuity.





1. Mr. Pairoj Hengsakul
2. Mr. Sirichai Sombutsiri
3. Ms. Chompoonoot Pathomporn

Table: Directors' Gratuity for the Year 2019 and 2018

Directors' Gratuity (Baht)	
2019 (3 directors)	2018 (5 directors)
2,700,000	3,400,000

#### 4. Other non-financial remunerations

According to the resolution of the Extraordinary General Meeting of Shareholders 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 2020 and 2019

List of Directors		Date of Directorship	2020 <sup>1</sup>		2019 <sup>1</sup>	
			Remuneration and Meeting Allowance (Baht)	Bonus (Baht)	Remuneration and Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Rutt	Phanijphand	28 Dec. 2005	12,000,000.00	-	12,030,000.00	-
2. Mr. Pradit	Sawattananond	21 Mar. 2018	830,000.00	-	499,341.00	-
3. Dr. Supriya	Kuandachakupt	1 Aug. 2017	-	-	25,000.00	-
4. Mr. Somsak	Assavapokee	5 Oct. 2012	910,000.00	-	1,258,478.00	-
5. Mr. Pichai	Dusdeekulchai	27 Mar. 2020	521,425.00	-	20,000.00	-
6. Mr. Li,	Ming-Shieh	21 Mar. 2018	-	-	94,341.00	-
7. Mr. Shih,	Jiing-Fuh	1 Aug. 2017	310,000.00	-	150,000.00	-
8. Mr. Sirichai	Sombutsiri	2 Jan 2014	2,458,478.00	-	2,488,478.00	-
9. Mr. Naporn	Sunthornchitcharoen	19 Dec. 2005	460,000.00	-	485,000.00	-
10. Mr. Wu,	Kuo-Chin	1 Aug. 2017	460,000.00	-	465,000.00	-
12. Ms. Chompoonoot	Pathomporn	1 Jun. 2019	1,078,928.00	-	280,000.00	-
13. Mr. Pairoj	Hengsakul	1 Feb. 2009	1,412,026.00	-	2,598,478.00	-
Total			20,440,857.00	-	20,374,116.00	-

Note : <sup>1</sup> Directors' remuneration for the year 2020 and 2019, 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.

<sup>2</sup> Mr. Pairoj Hengsakul resigned from the directorship on March 23, 2020.



## Remunerations of Executives

The bank paid the remuneration for 12 executives which consist of salary, bonus and other remuneration in the total amount of Baht 75,315,336.40.

### 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 2020 and 2019

Type of Remunerations	2020		2019	
	Number (Persons)	Remuneration (Baht)	Number (Persons)	Remuneration (Baht)
Salary	12	60,550,026.67	12	47,973,860.00
Bonus		10,009,350.00		13,380,200.00
Contributions to provident fund		3,513,524.00		3,025,406.75
Premiums for group insurance		30,281.66		35,456.62
Medical expenses		115,507.40		76,769.10
Other remunerations		1,096,646.67		1,869,133.75
<b>Total</b>		<b>75,315,336.40</b>		<b>66,360,826.22</b>

## Employees

The total number of employees of the bank as of 31 December 2020 was 1,268 persons, increased by 39 persons when compared to 2019 as detailed below.

	31 December 2020	31 December 2019	31 December 2018
Number of Employees (person)	1,268	1,229	1,436

## 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 (CDA)

The organization promotes work-related knowledge development and emphasizes good working behaviors and peaceful coexistence. The bank has created the corporate core values for employees to understand and share the same values through communication, learning and working under the concept of CDA: C : Customer Centric, D : Dynamic, A : Accountability which can enable all employees to grow together with sustainability.





### 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 2020 and 2019, the bank paid all contributions to the fund in the amount of Baht 65.8 million and Baht 39.9 million, 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 2020 and 31 December 2019 is as follows:

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

Name of Directors	Position	31 December 2020		31 December 2019	
		Number of Shares Held		Number of Shares Held	
		Parent Company <sup>1</sup>	Bank <sup>2</sup>	Parent Company <sup>1</sup>	Bank <sup>2</sup>
<b>1. Mr. Rutt Phanijphand</b>	Chairman				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>2. Mr. Pradit Sawattananond</b>	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>3. Dr. Supriya Kuandachakupt</b>	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>4. Mr. Somsak Assavapokee</b>	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>5. Mr. Pichai Dusdeekulchai</b>	Independent Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>6. Mr. Li, Ming-Shieh</b>	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>7. Mr. Shih, Jiing-Fuh</b>	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>8. Mr. Sirichai Sombutsiri</b>	Director				
- Number of direct shareholding:		150,000 shares 0.0001%	-None-	150,000 shares 0.0001%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>9. Mr. Naporn Sunthornchitcharoen</b>	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>10. Mr. Wu, Kuo-Chin</b>	Director				
- Number of direct shareholding :		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
<b>11. Ms. Chompoonoot Pathomporn</b>	Director				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-

Note : Parent Company<sup>1</sup> refers to LH Financial Group Public Company Limited.

Bank<sup>2</sup> 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 2020		31 December 2019	
		Number of Shares Held		Number of Shares Held	
		Parent Company <sup>1</sup>	Bank <sup>2</sup>	Parent Company <sup>1</sup>	Bank <sup>2</sup>
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. Thanee Phalawong	Senior Executive Vice President Taiwanese Business Development 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-
3. Mr. Pansalit Trakarnkitvichit	Senior Executive Vice President Information Technology Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
4. Mr. Chen Ching-Ming	First Executive Vice President Commercial Banking Marketing Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
5. Miss Chutamas Sombunyavirong	Executive Vice President Branch Network Administration 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-
6. Mr. Pairath Trangarnrueng	Executive Vice President Assets and Operation 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-
7. Mr. Kosol Kavayavong	Executive Vice President 1				
- 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-
8. Miss Chintana Klaisuan	Executive Vice President 2				
- Number of direct shareholding:		-None-	-None-	1,392,228 shares 0.003%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
9. Mr. Anucha Bupphaves	Executive Vice President 3				
- Number of direct shareholding:		69 shares 0.000%	-None-	701,630 shares 0.006%	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
10. Mr. Thakorn Aimjirakul	Executive Vice President Bank Operation Group				
- Number of direct shareholding:		-None-	-None-	-None-	-None-
- Number of shares held by spouse and minor child:		-None-	-None-	-None-	-None-
11. Mr. Paradorn Preyaprawat	Executive Vice President Global Markets Group				
- Number of direct shareholding:		500,085 shares 0.003%	-None-	782,204 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-
12. Mr. Sompob Asavaritkrai	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 : Parent Company<sup>1</sup> refers to LH Financial Group Public Company Limited.  
Bank<sup>2</sup> 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 |
| 2. Mr. Pradit | Sawattananond | Member   |
| 3. Mr. Somsak | Assavapokee   | Member   |

Ms. Apinya Pawangkanan, Senior Vice President of 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 assigned by the Board of Directors.

During the year 2020, the Risk Oversight Committee had the total of 12 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

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



(Mr. Shih, Jiing-Fuh)

Chairman of Risk Oversight Committee

## RISK FACTORS

### Risk Management Overview

The bank sets the framework and strategies for its business operation to promote growth based on efficient risk management along with creating the sustainable profits. The bank controls and supervises the risk management systematically. The risk management structure and policies have been defined clearly in writing in order to manage risks effectively. The bank also pays attention to the disclosure of risks and capital adequacy to the public in accordance with the principles and regulations of the Bank of Thailand.

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

### Risk Oversight Structure

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

#### Board of Directors

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

#### Audit Committee

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

#### Executive Committee

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

#### Risk Oversight Committee

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

### Risk Management Committee

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

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

### Risk Management Policy

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

### Risk Factor

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

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

#### 1. Strategic Risk

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

##### 1.1 Risk Incurred from Economic Uncertainties and Competitions

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

## 1.2 Risk from Capital Inadequacy

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

Besides, the Bank of Thailand has regulated all commercial banks to maintain the capital buffer in order to support their loss in a crisis (Conservation Buffer) for which commercial banks shall maintain the additional Common Equity Tier 1 from the minimum capital requirement by 0.625 percent per year, starting from January 1, 2016 until reaching 2.5 percent on January 1, 2019.

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

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

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

## 2. Credit Risk

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

### Tools for Credit Risk Management

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

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

### Credit Risk Management Process

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

### Credit Portfolio Management

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

**Credit Risk** consists of:

#### 2.1 Risk from Credit Impairment

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

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

#### 2.2 Risk from Credit Concentration

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

### 2.3 Risk from Devaluation of Asset Collateral Value

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

### 3. Market Risk

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

#### 3.1 Price Risk

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

To manage the price risk in compliance with the Bank of Thailand's notification, the bank applies the Value-at-Risk (VaR) model to measure the maximum loss at a certain level of confidence and within certain period of time. The bank uses the calculated risk values as a guideline to determine the risk appetite. In addition, the bank has conducted various stress-test scenarios which might cause a rapid plunge in securities price to assess potential damages from the risks during a crisis.

#### 3.2 Interest Rate Risk

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

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

#### 3.3 Foreign Exchange Rate Risk

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



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

#### 4. Liquidity Risk

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

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

#### 5. Operational Risk

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

Moreover, the bank has developed its processes and tools to manage operational risk such as operational loss data which are the collection of financial and non-financial losses, near-misses and other incidents. These data have been analyzed and used to improve the operation procedures and draw up controlling guidelines to reduce the likelihood of risks.

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

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

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



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

#### **Office and Branch Management**

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

#### **Mitigation of Risks and Impacts From COVID-19 Pandemic**

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

### **6. IT Risk**

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

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

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

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

### **7. Emerging Risk**

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

#### **7.1 Cyber security and personal data protection**

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

## EXECUTIVE COMMITTEE'S REPORT

The Executive Committee consists of 4 directors as follows:

1. Mr. Sirichai	Sombutsiri	Chairman
2. Mr. Naporn	Sunthornchitcharoen	Member
3. Mr. Wu,	Kuo-Chin	Member
4. Ms. Chompoonoot	Pathomporn	Member

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

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

During the year 2020, the Executive Committee arranged the total of 24 meetings and reported the result of each meeting along with their opinions and suggestions to the Board of Directors with the summary as follows:

- Propose the strategies and directions on the bank's operations for the year 2021 to the Board of Directors
- Monitor, assess and analyze the operations to determine strengths, weaknesses and solutions as well as delegate work and coordinate with the executives to ensure the operations are in line with the strategic plans.
- Monitor the performance of Limited Broker, Dealer and Underwriter (LBDU) business
- Consider relief measures to support customers who are affected by the COVID-19 pandemic, economic conditions and droughts including other measures of the Bank of Thailand
- Consider the business continuity plans for the COVID-19 pandemic
- Manage and develop the organization to enhance its effectiveness
- Determine the policy on lending and credit underwriting
- Screen any task prior to proposing to the Board of Directors
- Assess the performance of the President and propose to the Nomination and Remuneration Committee and the Board of Directors



(Mr. Sirichai Sombutsiri)  
Chairman of the Executive Committee

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Overview

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2020 Economic Overview and Outlook 2021

#### 2020 Economic Overview

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

#### Economic Outlook 2021

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

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

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

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

### Overview of Commercial Banking Industry in 2020 and Competition in 2021

#### Overview of Commercial Banking Industry in 2020

In 2020, the overall picture of loans and deposits of the commercial banking expanded well. Loans grew by 5.2 percent, countering the contraction of the Thai economy. This is partly due to the implementation of various relief measures to enhance liquidity, and partly due to the demand for loans of large corporates that turned to credit instead of raising funds from the issuance of debt instruments. Among the volatility of financial market, loans to SME and retail loans was sluggish which corresponded to the financial status of both household and business sector which remained fragile due to the high debt levels and deteriorating debt servicing ability. Commercial banks, therefore, focused on conservative lending and careful growth.

In 2020, overall deposits grew by 9.6 percent, accelerating from 4.1 percent growth last year, although commercial banks continued to cut their deposit rates in line with the direction of policy rate and high level of excess liquidity. However, due to the uncertain economic direction, depositors and investors slowed down their investments in various assets and deposited their money with banks to reduce risks, resulting in a substantial increase in the money supply in the system.

The profitability was being pressured from increasing reserves to support the potential deterioration of credit quality due to the sluggish recovery of economic condition, high uncertainty, fragile financial position of household and business sectors. Moreover, revenue from core business was still weak, interest income and fee income caused the commercial banks to adapt by putting more emphasis on better effective cost management in terms of the interest and management while searching for gains on investments and asset sale.

**Peer Analysis of the Commercial Banking System**  
**As of December 31, 2020**

(Unit : Million Baht)

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

Note: <sup>/1</sup> Loan to borrowers and net deferred interest

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

## Trend of Commercial Banking and Competition in 2021

Loans of commercial banking are likely to expand in line with the economic direction. On the other hand, credit quality tends to deteriorate since both the amount of non-performing debt or NPL and the rising volume of debts with significant credit risk (Stage 2) which tends to increase, especially SME loans and retail loans. In term of competition, the commercial banks still focus on developing financial products to create a more customer base, especially the wealth customer base which is a potential customer segment, and competing in technological development to enhance digital banking capabilities by focusing on customer-centric business model to respond to changing behaviors of customers.

### Credit Rating

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

## 2. Performance

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

Financial Ratio	Separate Financial Statement		
	2020	2019	2018
<b>Profitability Ratio</b>			
Gross profit margin (%)	56.85	46.13	49.29
Net profit margin (%)	21.25	33.05	42.41
Return on equity (%)	3.88	5.67	7.27
Yield on interest income (%)	3.48	3.93	3.96
Yield on interest expense (%)	1.49	2.07	1.93
Net interest margin (%)	1.99	1.86	2.03
Return on investment (%)	5.33	4.87	4.34
<b>Efficiency Ratio</b>			
Net interest income to assets ratio (%)	2.10	2.02	2.09
Return on assets (%)	0.60	0.87	1.10
Total assets turnover (time)	0.03	0.03	0.03
<b>Financial Ratio</b>			
Debt to equity ratio (time)	5.60	5.35	5.70
Loans to borrowings ratio (%)	85.77	85.67	84.60
Loans to deposits ratio (%)	88.57	94.38	96.40
Deposits to total liabilities ratio (%)	89.70	84.94	82.82
Dividend payout ratio (%)	49.73	68.68	91.08
Total capital funds to risk assets ratio (%)	19.802	19.265	20.045
<b>Asset Quality Ratio</b>			
Loan loss reserve ratio (%)	3.71	2.54	2.33
Non-performing loan to total loans ratio (%)	2.77	1.55	1.94
Accrued interest receivables to total loans ratio (%)	0.54	0.14	0.14
<b>Comparing per Share</b>			
Book value per share (Baht)	18.183	18.140	17.802
Earnings per share (Baht)	0.70	1.02	1.29

## Overall Performance

The analysis of operating results of Land and Houses Bank Public Company Limited was a comparison of performances of the year 2020 and 2019. In 2020, the bank has adopted a set of TFRSs related to financial instrument and TFRS 16 Leases.

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

Other operating expenses decreased by Baht 5.69 million or 0.22% from the year 2019, mainly from the decrease in employees' expenses, advertising and promotional expenses.

Expected credit losses by the bank increased by Baht 1,208.24 million or 110.85% from the year 2019.

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

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

Table: Operating Results

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

## 1. Structure of Operating Income

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

### Operating Income

In 2020, the bank had operating income at Baht 6,623.39 million, increased by Baht 455.80 million or 7.39% from the year 2019, with the following details:

Table: Operating Income

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

### Net Interest Income

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

Interest income was Baht 7,927.19 million, decreased by Baht 860.53 million or 9.79% from the year 2019 given that the bank was more conservative when granting loans by reducing loan interest rate for both retail and corporate customers, offering special interest rates and reducing penalty charges for customers impacted directly and indirectly by the COVID-19 pandemic as well as providing assistance to customers who were impacted by other situations such as economy and drought under the relief measures of the Bank of Thailand.

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



### Non-Interest Income

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

#### - Net Fees and Service Income

Net fees and service income was Baht 282.44 million, decreased by Baht 29.13 million or 9.35% from the year 2019, resulted from the decrease in the brokerage fee income from financial products and services.

#### - Other Incomes

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

### Net Interest Income after expected credit losses (Bad Debts, Doubtful Accounts And Impairment Loss)

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

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

#### Expected credit losses (Bad debts, Doubtful Accounts and Impairment Loss)

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

Table: Net Interest Income after expected credit losses (Bad Debts, Doubtful Accounts and impairment loss)

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

### Other Operating Expenses

Other operating expenses consisted of employee's expenses, directors' remuneration, premises and equipment expenses, taxes and duties, advertising and promotional expenses, amortization for intangible assets, supporting service expenses and other expenses. In 2020, the bank had other operating expenses at Baht 2,591.07 million, decreased by Baht 5.69 million or 0.22% from the year 2019, mainly from the decrease in employees' expenses and advertising and promotional expenses due to the effective management of expenses during the COVID-19 pandemic. The total operating expenses to total operating income ratio in 2020 was 39.12%, decreased from 42.10% in 2019.

Table: Other Operating Expenses

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

#### - Employees' Expenses

The bank had employees' expenses of Baht 1,110.33 million, decreased by Baht 81.65 million or 6.85% from the year 2019.

As of 31 December 2020, the bank had a total of 1,266 employees, increased by 37 employees from the year 2019.

Table: Number of Employees

	31 December 2020	31 December 2019	31 December 2018
Number of Employees (Person)	1,266	1,229	1,436

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 653.95 million, decreased by Baht 5.22 million or 0.79% from the year 2019.

#### - Advertising and promotional expenses

Advertising and promotional expenses was Baht 65.63 million, decreased by Baht 21.14 million or 24.36% from the year 2019.

#### - Supporting service expenses

Supporting service expenses was Baht 288.45 million. In 2020, increased by Baht 94.23 million or 48.52% from the year 2019 due to during 2019 the bank used supportive financial services from companies in the financial business group.

- Other expenses

Other expenses was Baht 123.50 million, increased by Bath 9.25 million or 8.10% 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 2020 and 31 December 2019.

Table: Total Assets

Total Assets	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Assets</b>					
Cash	801.38	1,635.45	1,839.57	(834.07)	(51.00)
Interbank and money market items - net	35,925.75	23,731.79	21,566.86	12,193.96	51.38
Investments - net	43,982.97	51,646.77	55,312.91	(7,663.80)	(14.84)
Loans to customers and accrued interest receivables					
Loans to customers	160,991.88	155,556.42	161,927.06	5,435.46	3.49
Accrued interest receivables and undue interest receivables	872.13	214.15	224.14	657.98	307.25
Total loans to customers and accrued interest receivables	161,864.01	155,770.57	162,151.20	6,093.44	3.91
Less: Deferred revenue	(21.62)	(26.03)	(33.82)	(4.41)	(16.94)
Allowance for expected credit losses (allowance for doubtful accounts and revaluation allowance for debt restructuring)	(6,003.97)	(3,961.51)	(3,775.22)	2,042.46	51.56
Loans to customers and accrued interest receivables - net	155,838.42	151,783.03	158,342.16	4,055.39	2.67
Properties foreclosed - net	652.53	73.73	87.95	578.80	785.03
Premises and equipment - net	250.23	216.80	216.42	33.43	15.42
Right-of-use assets - net	732.07	-	-	732.07	100.00
Intangible assets - net	338.74	391.64	345.07	(52.90)	(13.51)
Deferred tax assets	607.91	223.82	260.77	384.09	171.61
Accrued interest receivables on investments	187.22	285.69	290.82	(98.47)	(34.47)
Other assets - net	767.62	559.59	395.45	208.03	37.18
<b>Total assets</b>	<b>240,084.84</b>	<b>230,548.31</b>	<b>238,657.98</b>	<b>9,536.53</b>	<b>4.14</b>

## Total Assets

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

## Net Investments

As of 31 December 2020, the bank had net investments which had a book value of Baht 43,982.97 million, decreased by Baht 7,663.80 million or 14.84% from the year 2019, mainly from private sector debt securities of investment in debt instruments measured at fair value through other comprehensive income. During the year 2020, there is the transfer of investment in debt instruments measured at amortised cost to investment in debt instruments measured fair value through other comprehensive income in the cost amount of Baht 32,864 million.

Table: Investments Classified by Type of Investments at Book Value

Investments - Net	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Investment in debt instruments measured at fair value through other comprehensive income					
Government and state enterprise securities	18,471.27	-	-		
Private sector debt securities	14,908.30	-	-		
Other debt securities	3,710.50	-	-		
Less: Allowance for expected credit losses	(202.28)	-	-		
<b>Total investment in debt instruments measured at fair value through other comprehensive income</b>	<b>36,887.79</b>	<b>-</b>	<b>-</b>		
Investment in equity instruments designated at fair value through other comprehensive income					
Domestic marketable equity securities	7,088.28	-	-		
Domestic non-marketable equity securities	6.90	-	-		
<b>Total investment in equity instruments designated at fair value through other comprehensive income</b>	<b>7,095.18</b>	<b>-</b>	<b>-</b>		

Investments - Net	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Trading investments</b>					
Domestic marketable equity securities	-	8,509.51	-		
<b>Total trading investments</b>	-	<b>8,509.51</b>	-		
<b>Available-for-sale investments</b>					
Government and state enterprise securities	-	-	180.52		
Private sector debt securities	-	1,055.56	1,033.76		
Domestic marketable equity securities	-	-	10,852.52		
<b>Total available-for-sale investments</b>	-	<b>1,055.56</b>	<b>12,066.80</b>		
<b>Held-to-maturity investments</b>					
Government and state enterprise securities	-	18,336.81	17,308.65		
Private sector debt securities	-	18,347.05	20,467.77		
Other debt securities	-	5,390.94	5,464.44		
<b>Total held-to-maturity investments</b>	-	<b>42,074.80</b>	<b>43,240.86</b>		
<b>General investments - cost</b>					
Domestic non-marketable equity securities	-	6.93	5.28		
Less: Allowance for impairment	-	(0.03)	(0.03)		
<b>General investments - net</b>	-	<b>6.90</b>	<b>5.25</b>		
<b>Investments - net</b>	<b>43,982.97</b>	<b>51,646.77</b>	<b>55,312.91</b>	<b>(7,663.80)</b>	<b>(14.84)</b>

#### 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 2020, loans to customers net of deferred revenue (interbank and money market items included) were Baht 194,100.26 million, increased by Baht 15,201.90 million or 8.50% when compared to the year 2019, mainly from big corporate & corporate loans 76.79%, followed by retail loans 12.53% of total loans. When classified by type of loans, it was mainly from financial intermediation and public utilities and services at 28.26% and 20.89% of total loans, respectively.

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

Loans Classified by Business Sector	Separate Financial Statements						Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020		31 December 2019		31 December 2018			
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Big Corporate & Corporate loans	149,042.03	76.79	137,503.55	76.86	136,881.71	75.15	11,538.48	8.39
SMEs & SSME loans	20,734.55	10.68	19,121.20	10.69	20,671.28	11.35	1,613.35	8.44
Retail loans	24,323.68	12.53	22,273.61	12.45	24,589.26	13.50	2,050.07	9.20
Loans net of deferred revenue	194,100.26	100.00	178,898.36	100.00	182,142.25	100.00	15,201.90	8.50
Add : Accrued interest receivables and undue interest receivables	880.11		227.36		240.55		652.75	287.10
Total loans and accrued interest receivables net of deferred revenue	194,980.37		179,125.72		182,382.80		15,854.65	8.85

Table: Loans Classified by Type of Loans (interbank and Money Market items included)

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

## Asset Quality

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

Assets Classified by Type of Assets	Separate Financial Statement				
	31 December 2020				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)
- Financial assets where there has not been a significant increase in credit risk (Performing)	35,931.32	33,379.57	151,561.76	2.14	220,874.79
- Financial assets where there has been a significant increase in credit risk (Under-performing)	-	3,710.50	4,781.68	0.36	8,492.54
- Financial assets that are credit-impaired (Non-performing)	-	-	5,498.95	36.07	5,535.02
<b>Total</b>	<b>35,931.32</b>	<b>37,090.07</b>	<b>161,842.39</b>	<b>38.57</b>	<b>234,902.35</b>

Assets Classified by Type of Assets	Separate Financial Statement				
	31 December 2019				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)
- Pass	23,381.18	-	149,573.68	-	172,954.86
- Special - mention	-	-	3,395.43	-	3,395.43
- Sub - standard	-	-	179.31	-	179.31
- Doubtful	-	-	46.30	-	46.30
- Doubtful of loss	-	558.09	2,549.82	27.15	3,135.06
<b>Total</b>	<b>23,381.18</b>	<b>558.09</b>	<b>155,744.54</b>	<b>27.15</b>	<b>179,710.96</b>



### Allowance for expected credit losses (Allowance for Doubtful Accounts)

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

As of 31 December 2020, allowance for expected credit losses according to TFRS 9 was Baht 6,003.97 million, compared to the Baht 3,961.51 million of allowance for doubtful accounts and revaluation allowance for debt restructuring in the year 2019 according to the previous standard, increased by Baht 2,056.45 million or 51.56% in support for any uncertainty of domestic economy and for the group of customers whose credit quality may be deteriorated. Coverage Ratio at 2020 was 119.8% (according to TFRS 9) and Coverage Ratio at 2019 was 151.09% (according to the previous standard).

**Table: Allowance for expected credit losses (Allowance for Doubtful Accounts) Classified by Debtor Classification (interbank and Money Market Items Excluded)**

Classified by Debtor Classification	31 December 2020			
	Loans to customers and accrued interest receivables		Allowance for expected credit losses	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Financial assets where there has not been a significant increase in credit risk (Performing)	151,561.76	93.65	944.58	15.73
Financial assets where there has been a significant increase in credit risk (Under-performing)	4,781.68	2.95	869.40	14.48
Financial assets that are credit-impaired (Non-performing)	5,498.95	3.40	2,762.04	46.01
<b>Total</b>	<b>161,842.39</b>	<b>100.00</b>	<b>4,576.02</b>	<b>76.22</b>
General provision			1,427.95	23.78
<b>Total</b>	<b>161,842.39</b>	<b>100.00</b>	<b>6,003.97</b>	<b>100.00</b>

Classified by Debtor Classification	Separate Financial Statement			
	31 December 2019			
	Loans to customers and accrued interest receivables		Allowance for doubtful accounts and revaluation allowance for debt restructuring	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Pass	149,573.67	96.04	844.43	21.39
Special - mention	3,395.43	2.18	3.09	0.08
Sub - standard	179.31	0.11	21.33	0.54
Doubtful	46.30	0.03	5.39	0.14
Doubtful of loss	2,549.83	1.64	420.51	10.65
<b>Total</b>	<b>155,744.54</b>	<b>100.00</b>	<b>1,294.75</b>	<b>32.80</b>

Classified by Debtor Classification	Separate Financial Statement			
	31 December 2019			
	Loans to customers and accrued interest receivables		Allowance for doubtful accounts and revaluation allowance for debt restructuring	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Additional provision for specific debtors			1,836.52	46.52
General provision			816.25	20.68
<b>Allowance for doubtful accounts</b>			<b>3,947.52</b>	<b>100.00</b>
Revaluation allowance for debt restructuring			13.99	
<b>Total</b>	<b>155,744.54</b>	<b>100.00</b>	<b>3,961.51</b>	

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

Table: Loans to Customers Classified by Maturity

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

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

#### Troubled Debt Restructuring

As of 31 December 2020, there were 9,969 debtors, 268 of which were those under debt restructuring, the outstanding balance was Baht 4,160.49 million.

Table: Troubled Debt Restructuring

Debtors	Separate Financial Statement			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
<b>Total debtors</b>					
- Number of accounts	9,969	9,644	10,523	325	3.37
- Outstanding balance (principal and interest receivables)	161,842.39	155,744.54	162,117.38	6,097.85	3.92

Debtors	Separate Financial Statement			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Ratio (%)
Debtors under debt restructuring					
- Number	268	247	278	21	8.50
- Outstanding balance (principal and interest receivables)	4,160.49	4,657.24	6,356.71	(496.75)	(10.67)

#### Non-Performing Loans

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

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

#### Total Liabilities

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

Table: Liabilities Classified by Type of Liabilities

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

## Deposits

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

Table: Deposits Classified by Type of Deposits

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

## Owners' Equity

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

Table: Owners' Equity

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

### 3. Capital Adequacy

#### Sources and Uses of Fund

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

#### Relations Between Sources and Uses of Fund

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

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

Table: Sources and Uses of Fund

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

### 4. Change of Cash Flow

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

- Net cash used in operating activities was Baht 7,885.42 million, which was from the operating profits before the changes in operating assets and liabilities of Baht 720.84 million and significant changes in assets and liabilities such as interbank and money market items (asset) increased by Baht 11,972.88 million, loans to customers increased by Baht 5,860.92 million, deposits increased by Baht 17,716.56 million and short-term debts issued and borrowings decreased by Baht 10,716.56 million.
- Net cash from investing activities were Baht 8,814.07 million, mainly from cash received from sale of investment in debt instruments measured at amortised cost - net of Baht 9,443.42 million, invested in investment in debt instruments measured at fair value through other comprehensive income - net of Baht 1,530.74 million and cash received from interest income on investments of Baht 1,362.40 million.
- Net cash used in financing activities was Baht 1,762.72 million, mainly from repayment of long-term debts issued and borrowings of Baht 1,002.15 million and dividends payout of Baht 500.00 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 65,607.33 million in 2019 to Baht 69,605.47 million in 2020 or increased by Baht 3,998.14 million or 6.09%.

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

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

### Capital Adequacy and Capital Adequacy Ratio

As of 31 December 2020, the bank had the capital adequacy ratio at 19.849%, higher than the minimum rate of 11.000% required by the Bank of Thailand, however, it has increased from 19.265% on 31 December 2019.

The Tier 1 capital ratio to risk assets was 17.109%, higher than the minimum rate of 8.500% required by the Bank of Thailand.

Table: Capital Adequacy Ratio

Capital Adequacy Ratio	31 December 2020		31 December 2019		31 December 2018	
	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)	Amount (Million Baht)	Ratio (%)
Tier 1 capital as equity capital						
The bank	33,959.46	17.068	34,578.32	16.481	34,344.23	17.131
Minimum rates required by law*		7.000		7.000		6.375
Difference		10.109		9.481		10.756
Tier 1 capital						
The bank	33,959.46	17.068	34,578.32	16.481	34,344.23	17.131
Minimum rates required by law*		8.500		8.500		7.875
The Difference		8.609		7.981		9.256
Total capital						
The bank	39,398.17	19.802	40,421.08	19.265	40,185.53	20.045
Minimum rates required by law*		11.000		11.000		10.375
Difference		8.849		8.265		9.670

**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 2020, the bank had off-balance sheet commitments at Baht 40,786.85 million, decreased by Baht 5,599.91 million or 12.07% compared to the year 2019.

Table: Off-Balance Sheet Commitments

Off-Balance Sheet Commitments	Separate Financial Statements			Change (2020 vs 2019) Increase (Decrease)	
	31 December 2020	31 December 2019	31 December 2018		
	Amount (million Baht)	Amount (million Baht)	Amount (million Baht)	Amount (million Baht)	Ratio (%)
Avals to bills	106.30	1.33	135.52	104.97	7,892.48
Under unmaturing import bills	141.05	130.54	-	10.51	8.05
Letters of credit	228.95	254.88	-	(25.93)	(10.17)
Guarantee - others	5,215.52	5,120.82	5,408.22	94.70	1.85
Undrawn overdrafts	4,737.47	4,838.06	4,623.40	(100.59)	(2.08)
Other commitments	30,357.56	36,041.13	34,176.87	(5,683.57)	(15.77)
<b>Total</b>	<b>40,786.85</b>	<b>46,386.76</b>	<b>44,344.01</b>	<b>(5,599.91)</b>	<b>(12.07)</b>

### 7. Factors Affecting Future Operations

The main factors that might affect the operation in the future include uncertainties surrounding the new wave of COVID-19 outbreak, containment measures, efficacy of vaccine and vaccination coverage as well as political situation in the country. Project administration and various key measures will also affect the global and Thai economic recoveries in the next stage and lead to the impact on the bank's performance via loan demand, loan quality, interest income and provisioning expense to support expected credit losses.

### 3. Newly Revised Financial Reporting Standards

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

During the year, the bank has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. Those new standards that involve changes to key principles are summarised as follows:

#### Financial reporting standards related to financial instruments

A set of TFRSs related to financial instrument, consisting of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7

Financial Instruments: Disclosures

TFRS 9

Financial Instruments

Accounting standard:

TAS 32

Financial Instruments: Presentation



## Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments stipulate the principles relating to the classification of financial instruments and their measurement at fair value or amortised cost taking into account the type of instruments, characteristics of the contractual cash flows and business model, calculation of impairment of financial instruments using the expected credit loss method and hedge accounting as well as the transaction disclosure and disclosure of financial instruments.

**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 has 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.

**3.2 Accounting Guidance on 2 Temporary Relief Measures**

- Accounting guidance on temporary relief measures for entities providing assistance to debtors impacted by situations that affect the Thai economy
- Accounting guidance on temporary relief measures for accounting alternatives in response to the impact of the COVID-19 pandemic

**3.3 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021**

The Federation of Accounting Professions issued the revised financial reporting standards and interpretations which become effective for the fiscal years beginning on or after 1 January 2021. These financial reporting standards have been revised and announced to correspond with the International Financial Reporting Standards. Most of the changes have been made as to clarify the accounting practices and provide the accounting guidance for users.

The bank has disclosed their details in the Note No. 3 to the financial statements.

## CORPORATE GOVERNANCE COMMITTEE'S REPORT

The Corporate Governance Committee consists of 4 members as follows:

- |                |                |          |
|----------------|----------------|----------|
| 1. Mr. Pradit  | Sawattananond* | Chairman |
| 2. Dr. Supriya | Kuandachakupt  | Member   |
| 3. Mr. Somsak  | Assavapokee    | Member   |
| 4. Mr. Pichai  | Dusdeekulchai  | Member   |

Remarks: \* Mr. Pichai Dusdeekulchai was appointed the member of the Corporate Governance Committee on March 23, 2020 to replace Mr. Pairoj Hengsakul.

\* Mr. Pradit Sawattananond was appointed the chairman of the Corporate Governance Committee on April 21, 2020.

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

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

During the year 2020, the Corporate Governance Committee had the total of 12 meetings and reported the result of each meeting to the Board of Directors with the summary as follows:

1. Enhance the good corporate governance and emphasize the stakeholding reporting according to the corporate governance code (CG Code) of the Securities and Exchange Commission
2. Engage in creating the organization culture with best practices for preventing the abuse of duty and strive to provide the whistleblowing channels. Whistleblowing complaint regarding fraud and corruption can be made directly to the chairman of the Corporate Governance Committee so that dealing with complaints is processed with transparency and fairness, and informants are well protected
3. Put the importance on data governance by clearly establishing the insider information policy with annual review or when significant changes made so that directors, executives and employees do not make use of non-public information for personal gain
4. Review the policies in order to set up the guidelines to align with the current structure of the bank regarding anti-corruption / conflicts of interest which will result in effective and efficient compliance with good corporate governance practices
5. Consider the policy on the Anti-Money Laundering and Counter Terrorism and Proliferation of Weapon of Mass Destruction Financing (AML/CTPF) to be in line with laws and regulations of related government agencies and international standards on AML/CTPF
6. Be the company's representative to communicate, monitor and promote the compliance with good corporate governance policy and 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 recognizes the accountability to economy, society, environment and stakeholders as well as develops good corporate governance practices which are significant factors in creating sustainable business values.



(Mr. Pradit Sawattananond)

Chairman of Corporate Governance Committee

## MESSAGE FROM PRESIDENT



2020 was the year that everyone in the world faced challenges from various factors, especially the COVID-19 pandemic. As the bank is committed to being side by side with corporate customers, retail customers, employees and communities impacted by the COVID-19 pandemic, we issues a number of relief measures, including other kinds of support and took the right actions to help everyone go through this crisis together. Following the coronavirus pandemic, consumers have adapted their behaviours and become accustomed to the new

normal lifestyle. This is the key change that underlines the conventional access to products and services, which requires customers to visit the bank's branch for performing financial transactions, is no longer necessary. The bank has adapted its operations to serve the customers' needs effectively. A wider range of products and services with easier access suitable for all ages is created.

The bank has joined the exclusive partnership with Muang Thai Life Assurance Public Company Limited to develop life insurance products that can cover all aspects of customer needs from health protection, financial stability for families to retirement savings management. On the digital banking front, the bank has launched the newly crafted version of LH Bank M Choice application. In addition to efficiency enhancement making financial transactions to be more user-friendly and convenient, a new function for fund investment was added, enabling customers to trade and monitor their portfolio movements with 12 leading fund management companies.

The bank's product and service development is based on the studies of all customer groups in order to serve their changing needs. The bank has fostered the corporate culture of cooperation and teamwork while enhancing employees' potential and their advancements. We aim to drive the organization with unique creativity to be a bank with quality growth and conduct business with good governance principles taking into account the best interests of societies, all stakeholders and shareholders.



(Ms. Chompoonoot Pathomporn)  
President

## BUSINESS SUSTAINABILITY REPORT

The bank aims to run the business in conformity with good corporate governance principles along with social responsibility endeavors by adhering to the code of conduct and business ethics to satisfy stakeholders in all dimensions. The bank realizes that the sustainable and stable growth requires the business operation with vision and competence in managing business to achieve the mission with morality and ethics which will add great value to the organization and shareholders and bolster confidence among shareholders.

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

The Board of Directors pays attention to social responsibility activities to ensure concrete implementation in all operation processes for sustainable growth by encouraging all employees to participate in social activities. The 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. The Corporate Governance Committee is responsible for social responsibilities' operations, gives suggestions and monitors social responsibilities' action plan and reports the results to the Board of Directors. The Chief Executive Officer and President has duties to encourage and support the operations to comply with the Board of Directors' guidelines.

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

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

#### CSR Logo



### The Business Operation Sustainability Strategy

Land and Houses Bank Public Company Limited operate the business in compliance with the corporate governance principles, accountability on economy, society and environment and risk management in all dimensions. In addition, the bank pays close attention to operating the business according to the market conduct with the aim to give customers confidence in the following aspects:

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

### **Corporate Social Responsibility Operations**

The social responsibility is one of the principles considered to be very important. The 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 one way or another. The determination of such policy and practical guideline will guide 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 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**

C S R - i n - P r o c e s s means conducting a business with social responsibility by adopting the business practices from the policy of social responsibility that aligns with both national and international standards for creating the business innovations which will become various activities in working process, product developments and various service standards with the main objective to reduce the potential negative impacts on stakeholders during the work process. It also creates the awareness in social responsibility for all directors, executives, and employees to have the same attitude and commitment in the organization as to become the strong financial institution with the highest corporate social responsibility.

#### **CSR-after-Process**

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

### **Sustainable Development Framework**

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



### Certificate of Collective Action Coalition Against Corruption

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



### Performance of social responsibility for Sustainable Development in various dimensions

Economic	Social	Environmental
Level of satisfaction of customers who received services from branches in 2020 was 94.46%, decreased by 0.84% when compared to 95.30% in 2019.	Number of complaints from employees regarding labor operations in 2020 was 0.00% which remained the same as in 2019.	Amount of credit outstanding granted to the energy companies in 2020 was 46,874 million, increased by 17.19% when compared to Baht 40,000 million in 2019.
	In the year 2020, the rate of employees who got injured while working was 0.00% which remained the same as in 2019. Support for the development of society, community and environment in 2020 valued at Baht 2 million.	Reduction of releasing greenhouse gas: <b>Used paper management</b> Number of trees to replace the cut-down trees for making papers per 1 ton of old papers in 2020 is 464 trees, increased from 454 trees in 2019. <b>Energy Management</b> Light bulb replacement project: from 2016 to 2020, 2,775 fluorescent tubes were replaced by LED which can save 618,360 KWh or 45% when compared to fluorescent tubes. Heat emission was also reduced resulting in lessened carbon dioxide emission of 359,947.36 Kg.Co2e was reduced or equal to planting 39,995 trees.



## Corporate Social Responsibility for Sustainable Business Development Policy

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

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

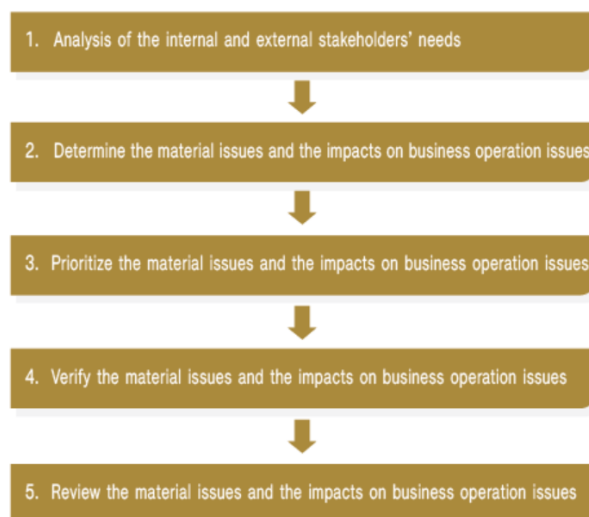


*The bank publishes the details of Corporate Social Responsibility for Business Sustainability Policy on bank's website ([www.lhbank.co.th](http://www.lhbank.co.th)).*

## 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 2020.

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





## 1. Analysis of Stakeholders' Needs

The 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 identifies and selects all stakeholders by considering the importance of all stakeholders and effects of business operations to stakeholders with fairness and appropriateness.



### Practical Guideline for Stakeholders

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

**The stakeholders group** consists of:

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

## Analysis of Stakeholders' Needs

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

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
3. Employees	<ul style="list-style-type: none"> <li>- Arrange trainings and seminars for knowledge and potential development</li> <li>- Improve knowledge and skills in daily life</li> <li>- Always keep a workplace hygienic, clean and safe</li> <li>- Provide appropriate tools and equipment at work</li> <li>- Provide appropriate remunerations, proper positions and benefits</li> <li>- Allow enough time for work-life balance of employees</li> </ul>	<ul style="list-style-type: none"> <li>- No discriminations on employments regardless of ethnic, race, gender, status, religion, political views, or age</li> <li>- Promote employment for vulnerable labors, such as provide opportunities to employ people with disabilities</li> <li>- Develop human resources by providing skill trainings and capacity building for employees by creating opportunities for learning and promotions for career progress</li> <li>- Do not lay off or terminate any employee which is solely based on the management's decision or discrimination</li> <li>- Promote and respect human right protection by not supporting labor coercion, as well as promote employees' work-life balance</li> <li>- Respect for the rights to freely express opinions of employees and comments without interventions, their rights to receive information or opinions through media, as well as provide channels for the voice of employees</li> <li>- Provide fair employment conditions which allow employees to receive proper compensations based on their competency or agreement made between the employer and each employee in accordance with proper industrial standards or standards of living</li> <li>- Properly arrange working environment for work safety and dignity</li> <li>- Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to the executives or public agencies, in relation to any wrongdoings done within the bank</li> </ul>	<ul style="list-style-type: none"> <li>- Arrange welcome activity for new employees</li> <li>- Provide orientation for new employees</li> <li>- Encourage employees to instill CDA</li> <li>- Develop employees' potential by arranging capacity building learning for all levels of employees including increasing the learning channels via the bank's intranet which they can learn at all times under LHFG People Connect to reinforce their potential to keep up with rapid changes.</li> <li>- Succession plan to replace executives and key positions.</li> <li>- Activities to communicate and build stronger teamwork.</li> <li>- Survey market rate of compensation on a regular basis as to improve to align with proper industrial standards or standards of living</li> <li>- Provide channels to receive complaints, opinions and suggestions</li> <li>- Protect and do not treat or punish any disciplinary proceedings against an employee who reports with integrity to executives or public agencies, in relation to any wrongdoings done within the bank</li> <li>- Establish the Environment, Health and Safety Committee for driving the policy and the plan for Occupational Safety, Health and Environment in a workplace</li> <li>- Improve working environment to align with occupational safety guidelines</li> <li>- Support and promote career opportunity for people with disabilities to live in the society with pride</li> <li>- Provide learning and communication channels to support two-way communication</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
		<ul style="list-style-type: none"> <li>- Prepare policy on safety and occupational health, as well as analyze and determine the measures for risk control on safety and occupational health at work</li> </ul>	
4. Customers	<ul style="list-style-type: none"> <li>- Relationship management with customers</li> <li>- Market Conduct</li> <li>- Satisfaction for a wide variety of quality products and excellent services.</li> <li>- Promptness in hearing and responding to customers' requirements</li> <li>- Customer confidentiality.</li> <li>- Equality of each segment of customers</li> </ul>	<ul style="list-style-type: none"> <li>- Conduct the customers' satisfaction survey for branch services</li> <li>- Offer products that can satisfy customers' requirements, improve employees' competency in making an offer to customers with well-integrated products and services as to meet all of their requirements, as well as determine customers' confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>- Apply the survey results of customers' satisfaction to improve branch services</li> <li>- Study customers behaviors as to improve services and strengthen relationship</li> <li>- Give product information accurately, clearly and easily-to understand</li> <li>- Collect suggestions or feedbacks for improvements</li> <li>- Innovate and create products and services that meet consumers' requirements</li> <li>- Publicize products and services' information based on reality through various channels easily accessible by consumers to support their decisions</li> <li>- To provide assistance and answer customers' enquiries to promote good understanding on our products and services</li> <li>- Collect complaints and cope with them immediately</li> <li>- Arrange activities to create good relationship between customers and bank</li> <li>- Have customers' data privacy process in place</li> </ul>
5. Community, Environment and Society	<ul style="list-style-type: none"> <li>- Support communities' activities</li> <li>- Enhance and develop learning and knowledge</li> <li>- Support government's policies</li> <li>- Preserve environments</li> <li>- Collect the voice of neighboring communities</li> </ul>	<ul style="list-style-type: none"> <li>- Perform business with ethics in parallel with environmental and social responsibilities</li> <li>- Support social activities and promote employees' engagement</li> <li>- Support and promote education and participate in improving educational quality and accessibility</li> <li>- Promote traditional and religious and cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>- Listen to the opinions of nearby communities as to improve or support social activities</li> <li>- Provide support for cultural activities suitable for local culture, traditions, and religions</li> <li>- Provide appropriate emergency plan to prevent loss and damages against environment</li> <li>- Organize the Green Office project to reduce electricity and paper use, as well as shift to use environmentally-</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
		<ul style="list-style-type: none"> <li>- Promote effective use of resources by being aware of capability in effective use of resources</li> <li>- Prepare emergency plan suitable for reducing loses</li> <li>- Open a chance and facilitate all related parties to express their creative ideas which is the foundation for creating innovations leading to continuous creation of innovations</li> <li>- Promote and cooperate with the stakeholders, such as business partners, to develop and disseminate innovations</li> <li>- Regularly review business procedure whether it causes any risk or adverse effects to society and environment or not. If any, it must be resolved promptly</li> </ul>	<ul style="list-style-type: none"> <li>friendly office automations</li> <li>- Involve with the development of youth learning via the financial literacy project where the bank sends out trainers to train youths about financial knowledge through various learning activities leading to financial behavioral shift in order to create quality society</li> <li>- Project “LH Bank Support Scholarship” by providing scholarships for students with good records and commitment to further their study until high school level</li> <li>- Donate the used computers project to promote learning among youths in needs</li> <li>- “Old Calendar We Need” for the school of the blind to be used for producing instructional media, braille book and notebook for the blind students</li> <li>- “Give Books and Learning Materials to the Department of Corrections” to promote knowledge of prisoners</li> <li>- Voluntary blood donation project, 1 Giver 3 Receivers to help patients in hospitals from their illnesses nationwide</li> <li>- Providing assistance, financial and non-financial donations, debt restructuring by reducing installment, giving more loan for customers impacted by natural disasters</li> <li>- Relief measure for customers impacted by COVID-19 pandemic by relaxing payment conditions, providing loans for working capital</li> </ul>
6. Business Partners	<ul style="list-style-type: none"> <li>- Perform business with transparency</li> <li>- Facility and process sharing: refer customers in Land and Houses financial business group to partners</li> <li>- Information sharing: Exchange information for business</li> </ul>	<ul style="list-style-type: none"> <li>- Comply with trade terms and conditions and agreements</li> <li>- Creating partnerships with potential business partners</li> <li>- Fair business practices</li> <li>- No barriers for trade partners</li> </ul>	<ul style="list-style-type: none"> <li>- Meet with trade partners.</li> <li>- Conduct marketing together with business partners of Land and Houses financial business group</li> <li>- Create partnerships with customers to refer other customers to use the bank’s services</li> <li>- Receive suggestions or complaints</li> <li>- Appoint the Purchasing Committee in order to manage procurement process appropriate and fair for partners</li> </ul>

Stakeholders	Needs Analysis	Practical Guidelines under Policies	Implementation
	- Network extension: extend networks together with partners		- Prompt payments for products and services - Transparent selection of service providers
7. Competitors	- Perform business with transparency and fairness	- Comply with the rules of fair competition and never use any dishonest method	- Determine mutually fair competition conditions
8. Creditors	- Pay interest and payback when due - Continuous communication	- Comply with the agreements or terms and conditions in the agreements and duties	- Comply with the contract or any conditions agreements and duties - Collect suggestions or complaints

## 2. Determining Material Issues Affecting Business Operations

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

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

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

## 3. Prioritizing Material Issues Affecting Business Operations

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









Table : Analysis of Material Issues Affecting Business Operations

Material Issues Affecting Business Operations	Sustainable Issues according to GRI (Global Reporting Initiative)	Internal stakeholders	External Stakeholders	Topics to Include in Annual Report	Sustainable Development Goals (SDGs)
Good corporate governance	GRI 102-18 GRI 102-19	- Companies in the financial business group - Directors, executives and employees	- Shareholders - Customers - Partners	Good corporate governance	
Market Conduct	GRI 102-43 GRI 103-1 GRI 103-2 GRI 103-3 GRI 203-1	- Companies in the financial business group - Directors, executives and employees	- Customers	- Sustainable business operations - Responsibilities towards customers	   
Digital development	GRI 203-2	- Companies in the financial business group	- Customers	- Innovations and Dissemination of innovative social responsibilities	   
Code of conduct and business ethics	GRI 102-16 GRI 102-17 GRI 102-25 GRI 103-1 GRI 103-2	- Companies in the financial business group - Directors, executives and employees	- Shareholders - Customers - Partners	- Code of conduct and business ethics - Anti-Corruption	



Material Issues Affecting Business Operations	Sustainable Issues according to GRI (Global Reporting Initiative)	Internal stakeholders	External Stakeholders	Topics to Include in Annual Report	Sustainable Development Goals (SDGs)
	GRI 103-3 GRI 205 GRI 205-2 GRI 205-3 GRI 206-1				
<b>Risk management</b>	GRI 102-11 GRI 102-15 GRI 102-30 GRI 103-1 GRI 103-2 GRI 103-3 GRI 201-2	- Companies in the financial business group - Directors, executives and employees	- Shareholders - Customers - Partners	- Risk factors - Internal control and risk management - Good corporate governance	
<b>Human resource management</b>	GRI 102-8 GRI 102-41 GRI 103-1 GRI 103-2 GRI 103-3 GRI 401-1 GRI 401-2 GRI 401-3 GRI 403 GRI 404 GRI 412	- Companies in the financial business group - Directors and executives	- Partners	- Fair treatment of labors - Respect for human rights	
<b>Financial literacy</b>	GRI 103-1 GRI 103-2 GRI 103-3 GRI 201-1 GRI 203-1 GRI 203-2 GRI 413-1 GRI 419-1	- Companies in the financial business group	- Customers - Communities, Societies and Environment	- Development of Communities and Societies	

Material Issues Affecting Business Operations	Sustainable Issues according to GRI (Global Reporting Initiative)	Internal stakeholders	External Stakeholders	Topics to Include in Annual Report	Sustainable Development Goals (SDGs)
Communities, Societies and Environment	GRI 201-1 GRI 203-1 GRI 203-2 GRI 413-1 GRI 419-1	- Companies in the financial business group	- Customers - Communities, Societies and Environment	- Development of Communities and Societies	     

#### 4. Verifying Material Issues Affecting Business Operations

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

#### 5. Reviewing Material Issues Affecting Business Operations

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

#### Auditing Quality of Report

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

#### Inviting Business Partners to Join the Anti-Corruption Association

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

#### Credit Underwriting Following Environmental, Social and Good Governance Risks

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

### Customer Relationship Management

The bank is committed to raising the level of service quality by conducting a research on the satisfaction of customers who received the service experiences at our branches in order to deeply understand their requirements and can define the KPI for effective services. Thus, we can improve the service quality based on their requirements and can also determine the indicators of service quality. Besides, the bank has improved the service standards to ensure prompt and effective services.

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

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

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

### Supply Chain Management

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

The bank has determined the practical guidelines for procurements and services so that quality supplies and services can be obtained with appropriate price. The process for procurements and services consists of 6 methods as follows:

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

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

**Selection of suppliers or vendors** has the steps as follows:

1. Acquire the lists of suppliers and vendors to meet the needs of users.
2. Select the suppliers and the vendors according to the selection criteria of business stability, product qualification, service and pricing which conform to the procurement guideline of the bank. The bank also procures good quality products at appropriate price with sellers who have no records of corruptions, or operate illegal business, no illegal labor policy, treats the business partners with transparency, fairness, takes care of occupational safety in the workplace, and saves environment in order to create a supply chain for mutual business operations which will benefit employees, community, society and environment.

3. When received a list of suppliers or vendors which passed the selection process, the next step is evaluation process to find suppliers or vendors who provide supplies with good quality, reasonable cost and price.

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

#### **Monitoring, Auditing and Evaluating Process of Business Partners**

The bank has monitored and assessed the performance of partners in various ways, such as evaluating their satisfaction for services, having a channel to collect their suggestions and complaints. However, to ensure that the bank has received the products and good services as required, the bank has the procurement management team to check the products and services and provide suggestions to the partners to improve the quality of products. In case the partners cannot follow the required standard, the bank will consider not using their service.

#### **Tax Management**

The bank operates the business with transparency and stability according to the good governance principles. The bank is committed to operating its business in conformity with the rules and regulations of revenue code.

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

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

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

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

##### **Tax Incentives**

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

## 1. Good Corporate Governance



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

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

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

Each of the sub-committees supervises the business operations following the vision, mission, operation plan and good corporate governance principles. The roles and responsibilities have been indicated clearly in writing. The good corporate governance of the 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 principles and practices on good corporate governance for the Board of Directors to follow as business guidelines as well as executives and employees to adhere to for their operations. This is to ensure that the bank performs the business operations with responsibility, transparency and equitable treatment of stakeholders; while promoting its management with integrity, efficiency and effectiveness.

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

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

Principle 1 Establish clear leadership roles and responsibilities of the board

Principle 2 Define objectives that promote sustainable value creation

Principle 3 Strengthen board effectiveness

Principle 4 Ensure effective CEO and people management

Principle 5 Nurture innovation and responsible business

Principle 6 Strengthen effective risk management and internal control

Principle 7 Ensure disclosure and financial integrity

Principle 8 Ensure engagement and communication with shareholders

*The details of the Good Corporate Governance Policy are published on the bank's website ([www.lhbank.co.th](http://www.lhbank.co.th)).*

The bank has not yet fulfilled the principle as follows:

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

## Compliance with the Good Corporate Governance Principles

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

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

1. The Board of Directors is considered as the heart of good corporate governance. Their members consist of experts in various fields with experiences, leadership, vision, independence of decision making and dedication. They perform their duties responsibly, prudently and honestly for the maximum benefit of the bank and shareholders. Moreover, they shall supervise the bank to have effective management in the following aspects:

- Establish objectives and goals
- Formulate business strategies, operational policies and allocation plans of key resources in order to achieve objectives and goals
- Monitor, assess and supervise the operational reporting

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

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

3. The Board of Directors supervises executives to perform their duties with responsibilities, carefulness, integrity and compliance with laws, regulations and resolutions of shareholders meeting; clearly determines the scope of duties and responsibilities and assignments for the President; and monitors her performance as assigned.

#### 4. Board of Directors Meeting

- The meetings of the Board of Directors are arranged on a regular basis. The bank has determined the meeting schedules in advance for the whole year. In case of necessity and urgency, an extraordinary meeting may be called on as deemed necessary. The bank has informed all directors in advance so that they can allocate time and attend the meeting. Meeting agendas are set clearly. The important agenda items include the consideration of quarterly and annual financial statements and the monitoring of the bank's operation.

- The directors shall attend the meetings at least 75% of the total Board of Directors meetings held each year except having appropriate reasons and necessities.

- The Board of Directors meeting requires no less than half of all directors to constitute a quorum in accordance with the Articles of Association, and a resolution of the meeting shall be passed by majority vote. In case of a tie vote, the chairman shall have a casting vote. In case of agenda requiring the Board's decisions, a quorum of at least two-thirds is required at the time of voting.

- Chairman and high-level executives have duties to jointly consider and determine the matters to be included in the agenda of the Board of Directors meetings.

- The company secretary has duties to submit notification of the meeting to all directors not less than 7 days before the meeting date so that directors have adequate time to study the materials. The company secretary is also required to arrange the minutes of the meetings in writing and keep the minutes adopted by the Board of Directors for audit purposes.

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



6. Non-executive directors can organize meetings among themselves without the presence of President in order to discuss management-related issues or problems of their interests and to find ways to improve or provide useful suggestions to the management. A summary of their opinions and resolutions shall be reported to President for acknowledgement.

7. The annual performance evaluation of the President will be conducted by assigning the Nomination and Remuneration Committee to consider the evaluation method as well as the remuneration and bonus for annual performance based on her responsibilities towards the bank.

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

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

2. The Board of Directors shall ensure that the objectives, goals and strategies in each period are consistent with the key objectives and goals.

## Principle 3 : Strengthen board effectiveness

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

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

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

The bank has determined the proper structure of the Board of Directors to suit the bank's business. The Board of Directors consists of 11 directors, i.e. 2 female directors and 9 male directors. The election of directors is made in accordance with the resolution of the shareholders meeting, rules, regulations and the articles of association, while the composition of the Board of Directors conforms to the notifications of the Bank of Thailand, the Capital Market Supervisory Board and the Stock Exchange of Thailand.

The structure of the Board of Directors is as follows:

- **Independent director<sup>1</sup> : 4 positions** accounting for 36.36 percent of the Board of Directors, namely Mr. Pradit Sawattananond, Mr. Somsak Assavapokee, Dr. Supriya Kuandachakupt and Mr. Pichai Dusdeekulchai.

- **Executive director<sup>2</sup> : 4 positions** accounting for 36.36 percent of the Board of Directors, namely Ms. Chompoonoot Pathomporn, Mr. Wu, Kuo-Chin, Mr. Naporn Sunthornchitcharoen and Mr. Sirichai Sombutsiri.

- **Non-Executive Director : 3 positions**, accounting for 27.28 percent of the Board of Directors, namely Mr. Rutt Phanijphand, Mr. Li, Ming-Shieh and Mr. Shih, Jiing-Fuh.

Note : <sup>/1</sup> **Independent director** refers to a director who does not own a business, participate in business administration, or have benefits related to the bank which may affect independent decision making. The bank has determined the qualifications of “independent director” according to the Capital Market Supervisory Board’s regulations.

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

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

- The Board of Directors has defined the qualifications of independent directors in line with the good corporate governance guideline, the notifications of the Capital Market Supervisory Board and the Bank of Thailand. The Board of Directors consists of at least 3 independent directors or at least one-thirds of the total number of the directors, whichever is higher. The independent directors must not be employees or staffs who receive salary from the bank. They shall also be independent from the majority shareholders of the bank and be able to protect the minority shareholders’ interests.

*The bank reveals the details of the independent directors’ qualifications under the topic of Management Structure on Independent Directors Qualifications.*

- All directors including independent directors have been nominated by the Nomination and Remuneration Committee because their qualifications conform to related laws, regulations of regulators, and the Articles of Association with regard to directors and good corporate governance principles. Their knowledge, experience, skill, a wide range of expertise, honesty, specific competences useful the bank as well as abilities to provide independent opinions and profound understanding of the financial business group, have been taken into account without gender bias.

## 2. Nomination of Directors

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

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

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

### 3. Number of Directorship in Other Companies

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

- Director, Chief Executive Officer and President and authorized management persons are allowed to hold the position of either chairman or executive director in other banks of not more than 3 business groups and not more than 5 listed banks on the Stock Exchange of Thailand or abroad.

*The bank reveals the details of directorship in other banks in the topic of the Board of Directors' positions in the listed banks on the Stock Exchange of Thailand and holding the positions in non-listed banks on the Stock Exchange of Thailand.*

### 4. Independent Directors' Term of Office

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

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

### 5. Number of Directors to Retire by Rotation

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

### 6. Sub-committees

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

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

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

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

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

## 7. Company Secretary

- The Board of Directors has appointed Mr. Vichian Amornpoonchai, Senior Executive Vice President of Corporate Affairs Group, to be the company secretary since March 21, 2008. His duties involve providing some advice pertaining to laws and regulations that the Board of Directors should acknowledge, and taking responsibilities for matters connected the Board of Directors. In addition, the company secretary shall cooperate with related parties to ensure that the resolutions of the Board of Directors and that of the shareholders meeting have been followed. The scope of company secretary's duties and responsibilities according to the laws require him to act with responsibility, carefulness and honesty.

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

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

## 8. Remuneration of Directors and Executives

The remuneration of directors determined by the Annual General Meeting of Shareholders in monetary form consists of salary and meeting allowances. Proposed by the Nomination and Remuneration Committee and later consented by the Board of Directors. The remuneration has been clearly defined, fair, reasonable, transparent, in conformity to the directors' duties, bank's performance, individual performance, aligned with industry and sufficient to retain qualified directors. Moreover, it shall be proposed to the shareholders meeting for approval on an annual basis.

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

The Board of Directors provides the self-assessment for the Board of Directors and sub-committees in the form of collective assessment, individual assessment and cross-assessment at least once a year to review their performance and challenges in the previous year. The self-assessment foster the awareness of their roles and responsibilities, which consequently helps enhance work efficiency. It is also an essential tool to assess the appropriateness of the Board of Directors' composition and its performance. The assessment results and recommendations from directors shall be applied to improve the duties of the committees and individual director. The Stock Exchange of Thailand's self-assessment form has been applied and adjusted in order to cover the committees' duties and the bank's business nature and environment. The self-assessment includes:

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

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

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

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

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

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

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

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

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

The assessment form is divided into 3 areas as follows:

1. Structure and qualifications of directors
2. Board of Directors meeting and sub-committees' meeting
3. Roles, duties and responsibilities of directors

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

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

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

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

#### - Cross-Assessment of Directors

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

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

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

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

### - Good Corporate Governance Self-Assessment

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

**The assessment form** is divided into 4 areas as follows:

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

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

- If the 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** the Corporate Governance Committee collectively conducted the evaluation and proposed the results to the Board of Directors for consent.

**Assessment Results** of good corporate governance for the year 2020, most items were marked in "Yes" box.

### Principle 4 : Ensure effective CEO and employee management

The Board of Directors has appointed the Nomination and Remuneration Committee to clearly and transparently nominate directors, Chief Executive Officer and President, and define their remunerations which are commensurate with their roles and responsibilities. The remunerations of directors must be approved by the shareholders meeting and disclosed in the annual report and the annual registration statements (Form 56-1).

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

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



Table : Trainings and Seminars for Directors in 2020

Name of Directors	Training and Seminar Program
1. Mr. Rutt Phanijphand Chairman	<p>- <b>Thai Household Debt</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : September 2, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p> <p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
2. Mr. Pradit Sawattananond Independent Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
3. Mr. Somsak Assavapokee Independent Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
4. Dr. Supriya Kuandachakupt Independent Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
5. Mr. Pichai Dusdeekulchai Independent Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>



Name of Directors	Training and Seminar Program
	<p>- <b>Cyber Resilience Leadership “Tone from the Top” 2020</b></p> <p>Arranged by the Bank of Thailand</p> <p>Date: September 24, 2020</p> <p>Venue : Meeting Room, 5<sup>th</sup> Floor, Bank of Thailand Learning Center</p>
6. Mr. Li, Ming-Shieh Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
7. Mr. Shih, Jiing-Fuh Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
8. Mr. Sirichai Sombutsiri Director	<p>- <b>Cyber Resilience Leadership “Tone from the Top” 2020</b></p> <p>Arranged by the Bank of Thailand</p> <p>Date: September 24, 2020</p> <p>Venue : Meeting Room, 5<sup>th</sup> Floor, Bank of Thailand Learning Center</p> <p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>
9. Mr. Naporn Sunthornchitcharoen Director	<p>- <b>IT Securities Awareness</b></p> <p>Arranged by Land and Houses Bank Public Company Limited</p> <p>Date : October 19, 2020</p> <p>Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited</p>



Name of Directors	Training and Seminar Program
10. Mr. Wu, Kuo-Chin Director	<b>- IT Securities Awareness</b> Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited
11. Ms. Chompoonoot Pathomporn Director	<b>- LHFG Leadership Forum : Shaping the New Future</b> Arranged by Land and Houses Bank Public Company Limited Date: May 28, 2020 Venue : The Sukhothai Bangkok Hotel <b>- Cyber Resilience Leadership “Tone from the Top” 2020</b> Arranged by the Bank of Thailand Date: October 15, 2020 Venue : Meeting Room, 5 <sup>th</sup> Floor, Bank of Thailand Learning Center <b>- Household debts in Thailand</b> Arranged by Land and Houses Bank Public Company Limited Date: September 2, 2020 Venue : Board Meeting Room 2, 5 <sup>th</sup> Floor, Q.House Lumpini Building <b>- IT Securities Awareness</b> Arranged by Land and Houses Bank Public Company Limited Date : October 19, 2020 Venue : Board Meeting Room 1, Land and Houses Bank Public Company Limited

## 2. Remuneration and Employee Welfare

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

### 3. Provident Fund

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

### 4. Orientation Program for New Directors

The bank arranges an orientation session for newly appointed directors. The Chief Executive Officer and President and top executives will give them thorough briefings, from the bank’s vision, mission, performance, strategies and business targets to key operations and business nature. Relevant documents including roles and responsibilities of directors, laws and regulations related to the business, annual report and other information of the bank are also provided.

### 5. Succession Plan for High-Level Executives

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

#### Succession Plan for Executives and Key Positions

To get personnel in the organization ready to fill key positions in the future, the bank has strengthened potential successors by providing them with opportunities to join exclusive programs for top executives and meetings of the Board of Directors and Management Committee as well as appointing them the bank’s representatives in various occasions. This helps secure the stability and continuity of the bank’s business operations and ensure the bank has staff ready to fill positions critical to the bank’s business operations. The Nomination and Remuneration Committee will select and scrutinize qualified persons who have knowledge, abilities and experience in various fields as well as thorough understanding of the bank’s business, economy, laws and other areas by taking into account the organization’s necessity and good corporate governance. The bank has initiated the Management Development Program, a workshop to elevate executives’ capabilities as specified in its future leader plan, covering 4 learning dimensions namely, Visionary Leadership, Leadership Role & Situational Leadership, Change Leadership and Management & Developing People.

### Nomination of Directors and Top Executives

The qualified candidates with sound knowledge, experience in various areas and thorough understanding of banking, finance, economy, laws and related fields, will be carefully screened to ensure the complete composition of the board as required. The board skill matrix was established to ensure such nominations are in line with the bank's business directions. The Nomination and Remuneration Committee will propose the Board of Directors to consider the appointment of directors and/or independent directors in case of vacancies from other causes rather than completing the term, or to propose to the shareholders meeting in order to elect directors and/or independent directors in case of vacancies by rotation and/or election of additional new directors.

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

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

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

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

### Remuneration of Directors and Executives

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

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

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

## **Principle 5 : Nurture innovation and responsible business**

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

The bank gives priority to and takes into account the rights of stakeholders based on related laws; does not commit any act that violates their rights; and is committed to fulfilling its responsibilities towards all groups of stakeholders.

### **2. Determining the policy on the treatment of stakeholders**

- Instill strong work ethics with strict adherence as guidelines to carry out duties honestly and fairly for the bank, stakeholders, public and society

- Disclose the bank's information to shareholders, investors, and public accurately, comprehensively, in a timely manner, and in line with related laws and regulations; and cooperate with regulators in providing accurate and comprehensive reports in a timely manner

- Establish the bank's code of conduct and ethics in writing as guidelines on the treatment of all stakeholders from internal stakeholders, namely, employees and executives, to external stakeholders, namely, all shareholders, customers, business partners, competitors, government sectors and other agencies. Ensure transparent operations and encourage active cooperation between the bank and stakeholders for mutual benefits; and ensure that stakeholders will receive protection and good treatment

- Establish ethics for directors and employees and promote their participation so that they uphold ethical principles and practices with honesty, morality and carefulness; and prevent any act that violates rules and regulations and tarnishes the bank's reputation

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

#### **Section 1 Intention**

The objective of the bank's code of conduct and code of ethics for directors and employees is to provide all levels of employees including directors with good practical guidelines as a working standard. Recognized as a trusted financial institution and a national source of funding, the bank strives to operate its business with honesty and well balance between business performance and impacts on shareholders and customers. It also adheres to the principles of business sustainability by taking into account society, environment and humanitarian principles.

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

Section 3: Code of Ethics for Directors

Section 4: Code of Ethics for Employees

## Definitions

“Code of Conduct”

Refers to rules of practices that the commercial bank 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 regularly at work.

“Bank”

Refers to Land and House 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 employees with special contracts.

## Section 2 Code of Conduct

**2. Code of conduct** can be divided into 10 areas as follows:

### 2.1 Code of Business Ethics

The 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 as well as the anti-corruption policy and anti-money laundering and combating the financing of terrorism policy
- 2.1.2 Prevent and avoid any actions that may lead to the conflicts of interest
- 2.1.3 Perform duties as a professional who has sound knowledge, abilities, skills and prudence
- 2.1.4 Keep confidentiality and shall not use internal information or confidential information to seek unlawful benefits for oneself or others

### 2.2 Roles of Directors and Executives

The bank’s directors and executives shall be aware of their duties and responsibilities under the moral and ethical framework in order to promote good governance at all levels in the 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 on the business judgment rule. They shall also protect the bank’s benefits by paying attention to the incidents occurred to the bank or its operations.



- 2.2.2 Directors and executives shall play an important role in instilling good corporate governance in the bank, which will boost up the confidence among shareholders, customers, regulators and all stakeholders for the maximum benefits of the bank, industry and nation. For this reason, the good corporate governance policy and ethics have been set clearly in writing and communicated to employees and executives to follow effectively.
- 2.2.3 Directors shall follow the good corporate governance principles and shall act as the intermediary between shareholders and management, with the main duties of determining policies relating to business operations and directions. They also set good corporate governance and supervise executives and management to efficiently and effectively perform their duties in accordance with the defined policies.
- 2.2.4 The bank is required to operate its business under the laws, regulations, standards and practices of regulators, directors as the representatives of shareholders shall set policies while executives as the representatives of management shall carry forward policies to be implemented properly and efficiently. The bank shall also provide an effective internal control to ensure the bank carries out its business strictly in accordance with laws, rules and regulations.
- 2.2.5 Directors shall make sure that the bank has policies and efficient risk management system to cushion any significant risks. They shall supervise the Risk Management Committee to perform its duties properly and professionally and not to be dominated by any business units. In addition, executives shall be aware of potential risks, protect the bank's benefits while limiting any possible damages to be under risk appetite and effective risk management.
- 2.2.6 Any transactions by directors and executives with the bank shall be taken at an appropriate level or shall be considered as normal business transactions as those of with general persons who are not particularly related to the bank. This is to avoid any conflicts of interest that may arise or be expected. In the event that any conflicts of interest occur, they must be settled fairly and immediately.

### 2.3 Service Standards

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

- 2.3.1 Manage its business effectively, enabling customers and stakeholders to receive the good services
- 2.3.2 Set a good corporate governance to deliver services that comply with related regulations
- 2.3.3 Set a prudent management system and internal control to prevent service errors

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

## 2.4 Employees and Work Environment

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

- 2.4.1 Provide a good and safe working environment; therefore, employees are ready to service customers
- 2.4.2 Place an emphasis on treating all employees with justice and honor
- 2.4.3 Encourage and support employees to improve themselves by attending trainings regularly
- 2.4.4 Provide fair compensations for employees based on fair performance evaluation
- 2.4.5 Keep employees' personal information confidential and do not take their information to seek other benefits
- 2.4.6 In case of any investigation on employees' operations, the bank shall support employees for the cooperation with both compliance, internal and external audit units to ensure fairness
- 2.4.7 Do not discriminate the differences of gender, race, age, religion or disability
- 2.4.8 Prevent any verbal and physical threats that may affect the honor or human dignity of others in the workplace
- 2.4.9 Provide appropriate communication channels for complaints and whistleblowing

## 2.5 Customer Accountability

The bank shall place an emphasis on customers and treats them with accountabilities as follows:

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

## 2.6 Conflicts of Interest

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

### 2.6.1 Protection of insider information usage

- (1) Provide measures to control securities trading and disclose securities trading account of directors, executives, employees and related parties who may have access to internal information, to prevent abuse of duty for their personal interests or others unlawfully
- (2) Provide physical separation of working area to prevent information leakage between business units that may have conflicts of interest

### 2.6.2 Transactions with connected persons and related person transactions

- (1) Transactions the bank does with directors, executives, major shareholders or connected persons shall not lead to a transfer of benefits of the bank.
- (2) Persons who have any interests with or involve in any transaction shall not participate in decision-making process of that transaction to ensure the maximum benefits of the bank.
- (3) Carefully define regulations and process for connected transactions to ensure benefits of the bank and its shareholders

### 2.6.3 Receiving and giving gifts, receptions and other benefits

- (1) Receiving or giving gifts and other benefits to foster business relationships shall be operated with caution, reasonability and value suitable for occasions and tradition.
- (2) Do not offer a bribe, reward, provide or claim for any other inappropriate benefits either directly or indirectly to/from customers, government agencies, private organizations, or any third parties, which influence their neutral judgment or influence others on their duties as to gain improper benefits.

## 2.7 Information Management

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

### 2.7.1 Information Management

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

### 2.7.2 Communication

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

## 2.8 Overall Supervision

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

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

## 2.10 Society and Environment

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

### Section 3 Code of Ethics for Directors

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

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

##### 3.1 Business Management

- 3.1.1 Supervise the business operations without potential risks to the security of the bank
- 3.1.2 Perform the duties with integrity, transparency, morality and justice to ensure that the maximum benefits of the bank has been taken into consideration when making any decision or taking any action without discriminations or abstentions by upholding the principle of equality
- 3.1.3 Perform duties in a professional manner with knowledge, skills, determination and caution; and apply existing knowledge and skills to manage the bank to the fullest
- 3.1.4 Refrain from seeking personal interests and related persons' interests by disclosing or exploiting non-public information or confidential data to a third party that may constitute conflicts of interest both intentionally and unintentionally. Information gained from positions shall not be used for personal financial gains and others
- 3.1.5 Oversee the bank's operations to be in compliance with related laws, regulations and ensure that no facts are concealed and the information is reported accurately, completely, timely and regularly
- 3.1.6 Comply with the laws and regulations relating to the business operations

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

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

##### 3.3 Social and Environmental Responsibilities

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

## Section 4 Code of Ethics for Employees

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

#### 4.1 Integrity

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

#### *A. Code of Conducts for Supervisors and Executives*

1. Understand the importance of code of ethics for financial professionals that they have to adhere to honesty as their first priority
2. Be a coordinator who conveys the policies of regulators and shareholders to related parties to understand and put them into practices
3. Be a good leadership role model
4. Encourage and support employees to realize the importance and virtue of performing their duties with honesty and fairness by providing them knowledge, praising and/or rewarding executives and employees who work with honesty, sincerity and morality
5. Build up trust, reliability and satisfaction for customers by pointing out disadvantages, inaccuracy and impact arising from giving bribes, rewards or other undue benefits to employees and executives

#### *B. Code of Conducts for Employees*

1. Honesty is the foundation for building trust and confidence among customers, which ultimately leads to business success and higher ethics.
2. Perform duties with honesty and protect the bank's benefits as it is your own business
3. Provide services to customers with a purpose in maximizing their benefits based on honesty and legitimacy
4. Shall not place an importance on their own personal interests over accountability to the bank and shall not seek benefits or embezzle assets likely to belong to the bank or its customers
5. Shall not disclose the information of customers' projects to other persons or shall not run a business to compete with customers
6. Shall be honest with customers and shall not exploit customers' trust to seek personal benefits

7. Avoid receiving anything of value or gifts from customers, if possible, employees shall receive them on behalf of the bank as a service provider and not obtain them for personal benefits
8. Shall not exploit his/her position for personal benefits and shall not allow other persons to seek benefits from his/her own name or position
9. Shall not solicit for any other assets from customers, except expenses and fees charged by the bank
10. Shall not give hope or pledge to customers of any particular subject that he/she has no authority to do so
11. Prompt to resolve customers' problems and be ready to assist as much as possible if the case is not contrary to the bank's benefits or causes any damage to the bank
12. When receiving money from customers to pay to the bank, he/she shall deliver 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 and customers. 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 about the bank's former and existing employees
- Information about the bank's business partners
- Information about business communications with government or its agencies

Keeping confidential information of the bank is very important for any financial and banking business. To some extent, by the nature of business, the employees are privy to the confidential information of customers, which, if disclosed, can cause damages to customers or other parties. Therefore, a guideline has been laid down to protect the reputation and avoid any damage to the bank and its customers.

##### A. Code of Conducts for Supervisors and Executives

1. Receive guidelines and regulations from coordination unit and apply to the bank's guidelines and policies by setting as the bank's practices
2. The supervisor shall create the bank's environment that supports the protection of confidential information.
3. Set up a department responsible for controlling employees' operations to be in accordance with the regulations of confidential information protection

4. When all employees acknowledge and realize such practices, supervisors and executives are responsible to advise them in case of any interruption as well as paying attention to their opinions and suggestions, and consequently, applying their feedbacks to the bank's practices and operations.

#### **B. Code of Conducts for Employees**

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

#### **C. Exceptions**

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

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

#### **4.3 Professional Ethics**

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

##### **A. Code of Conducts for Supervisors and Executives**

1. Set guidelines or work manuals comprehensively and clearly as standards for business operation which is grounded in morality, ethics and justice



2. Supervise the operations of employees under supervision and/or in departments related to their duties to ensure compliance with the bank's prescribed guidelines
3. Executives shall behave themselves and act as role models for employees at all levels.
4. Executives shall develop employees to have deeper knowledge and expertise in products and services for the maximum benefits of customers.
5. Shall not induce customers to use the bank's products or services through fraudulent propaganda or exaggerated information that can mislead customers

#### ***B. Code of Conducts for Employees***

1. Have a positive attitude and loyalty to the bank
2. Efficiently perform duties with knowledge and abilities required by professional standards with carefulness and responsibility
3. Provide important information to customers in regard to their benefits, terms and conditions truthfully, completely and clearly
4. Avoid inappropriate behaviors relating to temptation, drug, all types of gambling, insolvency and immorality, which damage the image of themselves and the bank
5. Always treat customers with equality, honesty and friendliness
6. Cooperate and promote activities that will generate mutual understanding among employees at all levels
7. Follow laws, regulations and standards related to the bank's business strictly
8. Provide customers' information adequately for using in performing duties and servicing them efficiently
9. Design efficient management to maintain healthy financial stability and status to prevent any damage to customers and the general public
10. Compete with peers or other banks under the defined rules and regulations without blaming and defaming others
11. Behave properly as a representative of the bank

#### **4.4 Service to Community**

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

##### ***A. Code of Conducts for Supervisors and Executives***

1. Receive guidelines and regulations from coordinating departments to apply to the bank's guidelines and policies and to set up the bank's practice accordingly
2. Executives shall behave as a good role model and shall encourage members of the bank to realize the importance of social activities.

3. Specify the purposes of the business to benefit society and not cause any damages to society
4. Support and follow the government policies, and take part in government's activities

#### ***B. Code of Conducts for the Bank's Employees***

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

#### **Whistleblower Policy**

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

##### **1. Whistleblowing / complaints of fraud and corruption**

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

##### **2. Issues for whistleblowing / complaints about fraud and corruption**

- Misuse of authority to seek any alleged benefits for individual, family, friend and acquaintance such as giving or taking bribes or benefits, conflicts of interests, deception, violation of the bank's regulations and policies
- Destruction of documents, distortion or concealment of information in order to support corruption
- Suspicious act of corruption or situation/ information that may be within the scope of such act
- Negative impacts from giving corruption clues, providing information, collaborating in investigation process, or refusing to involve in corruption such as being bullied at work, downgraded, penalized, dismissed from work or other impacts that harm whistleblower

However, complaints related to problems and/or disputes between individuals or anonymous complaints are not counted as whistleblowing / complaints about fraud and corruptions.

### 3. Channels for whistleblowing / complaints of fraud and corruption

Witnesses of suspected corruptions or victims of threats from refusing to engage in corruptions can raise any concerns/ lodge any complaints either anonymously or otherwise with clear facts or sufficient evidence to believe that fraud and corruption exist through the chairman of the Corporate Governance Committee.

### 4. Protection for whistleblower and those who refuse to engage in corrupt practices

The bank has set a protective mechanism for persons who collaborate with the bank for any acts against fraud and corruption which include whistleblowing, providing information and refusing to engage in fraud and corruption, to ensure such acts hold no harm to informants. The mechanism is as follows:

1. The bank will protect the persons who collaborate with the bank for whistleblowing or refusing to engage in fraud and corruption from any trouble, danger or unfair treatment arising from the collaboration of anti-corruption.
2. The bank will not demote, impose penalties, or pose any negative impact on staff or executives who reject fraud and corruption even such acts might cause the loss of business opportunity to the bank.
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 limitedly revealing the information only among investigation team. If such information is found to be misused and disclosed improperly, it will be considered as a violation and subject to disciplinary actions.
5. In case, employees or executives are found guilty of unfair treatment or causing damages to others with a motive for being reported / complained or refused to involve in corruption, such acts are subject to disciplinary actions.

### Channels for whistleblowing

The bank provides channels for shareholders, investors, customers and public who witness any suspected fraud and corruption or receive impacts from refusing to engage in fraud and corruption to whistleblow via independent directors of the bank as follows:

- 1) Chairman of the Corporate Governance Committee  
Mr. Pradit Sawattananond  
Tel. 08 1868 1487  
Email: pradits@lhbanks.co.th
- 2) Secretary of the Corporate Governance Committee  
Mr. Kukrit Singhon  
Tel. 08 5152 2566  
Email : kukrits@lhbanks.co.th

### Receiving general complaints

The bank provides various channels for both internal and external stakeholders to lodge their complaints and sets up the work group to verify the fact to ensure fairness, transparent and accountability.

### Channels for complaints

The bank provides channels for shareholders, investors, customers, employees and public to lodge their complaints via 4 independent directors as follows:

#### Independent directors

Mr. Pradit Sawattananond Chairman of the Audit Committee

Tel. 08 1868 1487

Email: [pradits@lhbanks.co.th](mailto:pradits@lhbanks.co.th)

Mr. Somsak Assavapokee Member of the Audit Committee

Tel. 08 1868 1487

Email: [pradits@lhbanks.co.th](mailto:pradits@lhbanks.co.th)

Dr. Supriya Kuandechakupt Member of the Audit Committee

Tel. 08 5901 5888

Email: [supriyak@lhbanks.co.th](mailto:supriyak@lhbanks.co.th)

Mr. Pichai Dusdeekulchai Member of the Audit Committee

Tel. 09 8992 8295

Email: [pichaid@lhbanks.co.th](mailto:pichaid@lhbanks.co.th)

**Bank's website** : [www.lhbanks.co.th](http://www.lhbanks.co.th)

**E-mail** : [presidentoffice@lhbanks.co.th](mailto:presidentoffice@lhbanks.co.th)

**Call center** : 1327

### 3. Disclosure of policy compliance and reporting for sustainable business development

The bank has established a policy on corporate social responsibility for sustainable business development by integrating CSR into the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It also reinforces executives and staff at all levels to engage in and instill a volunteer spirit to build their awareness of social responsibility. Also, it lays a strong foundation for sustainable development which leads to true sustainability of social and national development.

#### Social Responsibility for Sustainable Business Development Policy

The bank is aware of operating business with social responsibility for sustainable growth by focusing on taking care of stakeholders, economy, society and environment with morality and ethics as well as corporate governance. The business operations must be conducted with honesty, transparency and fairness with the awareness of negative impact on the economy, society and environment. Thus, the bank develops the policy of social responsibilities for sustainable business development in writing following the guideline of Corporate Social Responsibility Institute, the Office of the Securities and Exchange Commission and the Stock

Exchange of Thailand. The bank realizes the importance of “dependence” as people in the society are target consumers of every business’ products and services. Therefore, no matter what direction a business organization is developing towards, people in the society inevitably contribute some support. The policy and practical guideline help direct members of the organization to operate CSR-in-process and CSR-after-process by encouraging executives and employees at all levels to instill voluntary spirit and CSR awareness.

The policy on social responsibilities for sustainable business development consists of principles and practical guidelines for directors, executives and employees at all levels to adhere to 9 areas as follows:

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

● **Disclosure of the Policy Compliance and Reporting for Social Responsibility**

The bank discloses its compliance of social responsibility policy in the annual report and bank’s website, including employees’ participation in conformity with the policy to instill a sense of social responsibility.

**4. No violations of human rights and care for public sentiments**

The bank recognizes the importance of stakeholders, employees, communities and surrounding societies that should be treated with fairness, equality, respect and dignity. The bank aims to build good relationships, not violate basic rights, and operate its business with great care of public sentiments. This endeavor is fundamental to human resource management and development.

The bank is aware of fair treatments for employees at all levels, ensuring that they will receive appropriate remunerations and benefits while developing their potential for professional advancement and supporting employees participation as well as providing them with several channels to receive complaints and to report any inappropriate acts. Staff members are able to voice their opinions, report or lodge complaints or concerned issues which are considered unfair, corruptive or misconducted through supervisors or other channels. The bank has established independent procedure for receiving complaints with the committee to scrutinize them to ensure fairness and transparency. Verifications and decisions are made by taking into account the results and remedies in accordance with the principles of human rights and with the aim to encourage staff to share their opinions when there are any actions, committed by the bank or staff, that might violate human rights. Such practice ultimately helps reflect problems and solutions.

In addition, the bank supports and respects any protection of human dignity by not engaging in forced labor and child labor exploitation, which affect the confidence of external stakeholders.

### **Occupational Health and Safety Policy in Workplace**

The bank has determined the occupational health and safety policy for the workplace and established the Safety Healthy Environment Committee (SHE) as a mechanism to drive the policy to a success.

## **5. Reinforcing Fair Treatments of Stakeholders**

### **Fair Treatments of Employees**

The bank has provided appropriate remunerations, benefits and provident funds for good quality of life of employees.

### **Fair Treatments of Business Partners, Competitors and Creditors**

The bank has encouraged fair treatment towards business partners, competitors and creditors in terms of costs and returns. For example, the bank manages its procurements by determining adequate delivery period, and fair trade agreements; does not involve in any activities that violate property or infringe intellectual property; and arranges payments for services or acquisition of properties in a fairly and timely manner.

## **Principle 6 : Strengthen effective risk management and internal control**

### **1. Internal Control and Internal Audit**

The Board of Directors supports and places an importance on internal control activities in 5 areas to ensure that the bank has adequate and appropriate internal control to achieve the established objectives of business operations under the good compliance and internal control as follows:

- Environment
- Internal control
- Risk assessment
- Information technology system control and communication
- Monitoring and evaluation

### **2. Risk Management**

The Board of Directors places an emphasis on risk management across the organization and monitors the financial business group to have risk governance framework and risk culture. The Board of Directors has established the risk management policy and risk management procedures which consist of risk identification, risk assessment, risk monitoring and controls, and risk reporting; and regularly reviewed the adequacy and effectiveness of risk management.

### **3. Compliance with Regulations**

The Board of Directors, executives and employees of the bank in the financial business group have complied with related laws, regulations and rules to ensure that all companies have operated their businesses with responsibilities, transparency, equitable treatment of stakeholders and management with honesty. The bank also ensures the companies in the financial business group have complied with supervisory regulations, provides the procedure for related party transactions with performance report, data storage and booking according to financial reporting standards.

### Head of Compliance

Mr. Kukrit Singhon, Vice President of Compliance Office, LH Financial Group Public Company Limited, has appointed acting Head of Compliance since March 1, 2020 with duties and responsibilities as follows:

1. Compliance
2. Information technology compliance
3. AML/CFT compliance

### Profile of the Head of Compliance

<b>Name</b>	:	Mr. Kukrit Singhon
<b>Position</b>	:	Vice President, Compliance Office
<b>Age (Years)</b>	:	44
<b>Education</b>	:	- Doctor of Juridical Science (J.S.D.), Chulalongkorn University - Master of Laws (LL.M.), Chulalongkorn University - Bachelor of Laws (LL.B.), Thammasat University

### Work experiences in the past 5 years

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

Period	Position	Organization/Company
Feb. 2019 - Present	Vice President, Compliance Office	LH Financial Group PLC
Oct. 2015 - Jan. 2019	Vice President, Compliance Department	Sumitomo Mitsui Banking Corporation Co., LTD. (SMBC/Japan) Bangkok Branch
Aug. 2014 - Sep. 2015	Assistant Vice President, Compliance Department	Citi Bank N.A/USA, Bangkok Branch

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

Period	Position	Organization/Company
-	-	-

### Duties and Responsibilities of Compliance, Information Technology Compliance and AML/CFT Compliance

#### Compliance Tasks

- To be a center of rules and regulations of regulators regarding commercial bank business
- To oversee, monitor and control 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 to comply with regulations and follow up on identified defects, and propose solutions to management and the Corporate Governance Committee
- To submit the annual compliance report to the Bank of Thailand and the Office of Securities and Exchange Commission and other regulators as required
- To accelerate, follow up and clarify corrections on complaints from regulators such as the Bank of Thailand and the Office of Securities and Exchange Commission, etc.

#### Information Technology Compliance Tasks

- To be a data center for Foreign Account Tax Compliance Act (FATCA) and related IT technology by setting up supervisory guidelines and regulations and work process in compliance with international standards, laws, rules and regulations of regulators; randomly review the compliance, monitor identified defects; and propose solutions to management and the Corporate Governance Committee
- To request for permission, waiver, consultation and acknowledgement of IT and FATCA-related matters by acting as a center between the bank and regulators
- To oversee IT operations and FATCA to comply with laws, policies, charter, rules and regulations and related operation manuals
- To oversee the use of IT outsourcing services by supervising and reviewing the draft contract of IT outsourcing services according to the regulation of the Bank of Thailand
- To oversee the review of policies, charter, rules and regulations and related operation manuals on IT operations and Foreign Account Tax Compliance Act (FATCA) by reminding relevant departments to do the review according to the specified period
- To renew the license of smart card reader software
- To compile data set reports used for IT compliance task and reporting advance payments as required by the Bank of Thailand
- To report significant events (Event Report) and temporary shutdown of IT system to the Bank of Thailand
- To compile the statistical records of IT system failures from 4 channels including mobile banking, internet banking, ATM/ADM and branches, and disclose such failures affecting critical services
- To audit IT compliance and Foreign Account Tax Compliance Act (FATCA) and monitor any identified defects
- To prepare and submit annual report to the Bank of Thailand and the Office of Securities and Exchange Commission



### AML/CFT Compliance Tasks

- 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 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, 2020

The number of employees in the Compliance Group, the Information Technology Compliance Office and AML/CFT Compliance Office totaled 25 persons consisting of 10 in the Compliance Group, 6 in the Information Technology Compliance Office and 9 in the AML/CFT Compliance Office.

#### 4. Prevention of Conflicts of Interest

The Board of Directors 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 interest 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 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 insider 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. Securities trading shall comply with the rules and regulations on securities trading of regulators.

##### Practical Guidelines for Conflicts of Interest

The bank prioritizes the prevention of conflicts of interest by laying down the following guidelines:

1. To determine the measures to prevent misuse of information
2. To determine the operational regulations to prevent any action that may cause conflicts of interest, connected transactions or improper related party transactions
3. To determine the measures to monitor, control and audit the implementation

The 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 pays attention to the anti-corruption as follows:

##### **1.1 Gifts, Presents, Receptions and Benefits**

Do not give or receive gifts, presents including other benefits that motivate to perform or not perform the duties honestly or may encourage the consent in inappropriate business agreement. It is required to follow the regulations in the code of conduct and business ethics, the code of ethics for directors and the code of ethics for employees 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 take the bank's capital or other resources to support any candidates, political parties, or political campaigns or movements, except for legal approval or to promote overall democracy. Such support needs approval from the Board of Directors before proceeding.

2. The Board of Directors shall show honesty, be good role models for the compliance with the anti-corruption policy, create understanding and encourage employees in the financial business group to consistently and seriously adhere to the anti-corruption policy while embedding such policy into organizational culture.

3. 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 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.

5. 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.

6. 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.

7. 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](http://www.lhbank.co.th)) where information is available in 2 languages: Thai and English
2. IR/ PR news of the bank
3. Analyst meeting (In 2020, no meeting was held due to COVID-19 outbreak)
4. Press conferences and PR news distribution (In 2020, no meeting was held due to COVID-19 outbreak)
5. 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 III 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 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, 2020.

The bank has the channels of information and contact at:

Address	:	1 Q.House Lumpini Building, 5 <sup>th</sup> Floor, South Sathon Rd., Thungmahamek, Sathon, Bangkok 10120
Telephone	:	0 2359 0000 Ext. 2019, 2020, 2021, 2024
Fax	:	0 2677 7223
Email	:	<a href="mailto:presidentoffice@lhbank.co.th">presidentoffice@lhbank.co.th</a>
Website	:	<a href="http://www.lhbank.co.th">www.lhbank.co.th</a>

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 for the annual performance and major events to the shareholders.

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, sub-committees, name lists and authorities of the Board of Directors, total number of meetings, total number of attendance of individual director, remuneration and profiles of directors and executives, bank's information and auditor's report 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. This way, shareholders can have enough time to study the supporting documents beforehand. Besides, the bank announces the meeting notification on newspapers for 3 consecutive days and at least 3 days prior to the meeting date. Each items on the agenda is clearly stated whether it is matters for acknowledgement, matters for approval or matters for consideration, together with the Board of Directors' opinions on each item.

## 2. Investor Relations Function

The 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.

In 2020, the bank released a number of news to mass media, investors, securities analysts. It is another channel to effectively communicate with all stakeholders about the bank's information.

## 3. Appointment of Auditor and Determination of Audit Fee

The Audit Committee considered the qualifications and performance of auditor, proposed to the Board of Directors for consent and the board will propose it to the shareholders meeting for approval. The list of prospects to be appointed as the bank's auditor shall be consented by the Bank of Thailand and disclosed in the annual registration statements (Form 56-1) and 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. Remuneration of Auditors

Table: Remuneration of auditors in 2020 and 2019

Scope of Work	Audit Fee (Baht)		Changes Addition (Reduction)	
	2020	2019	Amount (Baht)	Rate (%)
<b>1. Review Fee</b>				
• 1 <sup>st</sup> quarter ended 31 <sup>st</sup> March	750,000	725,000	25,000	3.45
• 3 <sup>rd</sup> quarter ended 30 <sup>th</sup> September	750,000	725,000	25,000	3.45
<b>2. Review Fee</b>				
• For the 6-month period ended 30 <sup>th</sup> June	1,900,000	1,600,000	300,000	18.75
• Fiscal year ended 31 <sup>st</sup> December	1,900,000	1,600,000	300,000	18.75
Total	5,300,000	4,650,000	650,000	13.98
<b>3. Special audit of TFRS 9</b>	-	500,000	(500,000)	(100.00)
<b>Total</b>	<b>5,300,000<sup>(1)</sup></b>	<b>5,150,000<sup>(1)</sup></b>	<b>150,000</b>	<b>2.91</b>
<b>Remarks :</b> <sup>(1)</sup> This audit fee excluding the fee for reviewing employees' benefits by actuarial expert which will be charged to the bank based on actual costs incurred, estimated not to exceed Baht 200,000 per year and the fees for reviewing and auditing to report to the CTBC's auditors.				

### 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 shareholders' basic rights, the bank is committed to ensuring equitable treatment of all shareholders and urging individual and institutional shareholders to exercise their basic rights as stipulated by law. Such basic rights include the right to buy, sell or transfer securities they own, the right to receive a share of the bank's profits, the right to receive dividends, the right to appoint a proxy to attend the meetings and cast their vote, the right to participate in the meetings of shareholders and vote for the appointment or removal of directors, the right to determine directors' remuneration, the right to appoint auditors and determine audit fees, the right to express their opinions and ask questions at the shareholders meetings and the right to obtain adequate and relevant information via easily accessible communication channels.

The 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](http://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.

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 it is the matters for acknowledgement, matters for approval or matters for consideration that include directors' opinions, facts and reasons of each agenda sufficient for making decisions. And such information is disclosed to public via SET Portal and the bank's website at [www.lhbank.co.th](http://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 proposed directors for shareholders to elect
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, specifically concerning the shareholders meeting
6. Proxy form A, form B and form C



7. Biographies of independent directors for shareholders' proxy appointment to attend the meeting
8. Definition of independent directors
9. Map of the meeting venue
10. Request form for annual report

The Annual General Meeting of shareholders is required to be held within 4 months after the end of accounting period, the Board of Directors may summon the Extraordinary General Meeting on the date, time and place determined by the Board of Directors. Besides, a shareholder or many shareholders who hold shares in aggregate not less than 10 percent of the total paid-up share capital may jointly submit a letter to the Board of Directors requesting an Extraordinary General Meeting at any time. Matters and reasons for calling the meeting are required to be specified in the letter. In this case, the Board of Directors must hold an Extraordinary General Meeting within 45 days from the date of receiving the notice.

The 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.

As the 2020 Annual General Meeting of Shareholders was held amid deep concern about the COVID-19 outbreak, health and safety measures were in place, including the arrangement of screening points to check the temperature of participants before entering into the meeting, social distancing, providing them with alcohol hand gel and face masks as recommended by the Department of Disease Control, Ministry of Public Health and encouraging shareholders to appoint a proxy to the bank's independent directors.

#### **At the Meeting Date**

- 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 staff in order to run the registration smoothly and fast.

#### **Attending the Shareholders Meeting**

- During the meeting, the shareholders can register to attend the meeting to exercise their voting rights on any agenda that have not yet been voted.
- At the 2020 Annual General Meeting of Shareholders, the bank nominated 2 independent directors: the chairman of the Audit Committee and a member of the Audit Committee to act as shareholders' proxy with their profiles. The bank has sent the notice of AGM with Proxy Form B and Proxy Form C to the shareholders, enabling them to determine the direction of voting. In addition, the shareholders can download other types of proxy forms from the bank's website in both Thai and English.

- At the 2020 Annual General Meeting of Shareholders, there were 9 directors attending the meeting and 2 absentees, namely Mr. Li, Ming-Shieh and Mr. Shih, Jiing-Fuh, who were in Taiwan at the time and could not attend the meeting due to the COVID-19 epidemic in Thailand and Taiwan. Several top executives of the companies in the financial business group also participated in the meeting.

#### 4. Open Session for Shareholders' 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 Meeting**
  - 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 2020 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 every shareholder will be treated and protected equally and fairly based on their fundamental rights, by providing measures to prevent conflicts of interest or the misuse of insider information for benefits of their own or others.

## 7. Protection of Rights of Minority Shareholders

- The Board of Directors realizes the rights and equality of individual shareholders and treats all of them, whether they are majority or minority, individual or institution, foreign or Thai, fairly and equally. All shareholders shall receive important and accurate information at the same time to protect their basic rights.

## 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:



Directors, executives and employees including their spouses and minor children who are privy to the bank's sensitive information and financial statements which have not been disclosed to the public may not propagate or disclose them to other persons, both inside and outside the bank, especially the insider information and non-public information prohibited to premature revelation unless it is necessary for any department to acknowledge it in which case it will protect the information in the same manner as the owning department does.

This does not include the disclosure of information to regulators; namely, the Bank of Thailand, and the Securities and Exchange Commission.

2. Directors, executives and employees including their spouses and minor children who are privy to the bank's sensitive information and the financial statements shall not be allowed to buy, sell, transfer or accept the transfer of the bank's shares during the period of 30 days before the public disclosure of the financial statements.



## 2. Fair Business Operation



The bank operates its business with good corporate governance principles which have been specified in writing in order for directors, executives and all employees to be as guidelines. Consequently, it will result in fair business without seeking other interests, avoiding any operations which may cause conflicts of interest and taking into consideration the utmost interest of the bank, customers and stakeholders.

The bank is confident that fair business will bring about confidence which will, in turn, be positive for the business in the long term. The bank operates its activities in accordance with market conduct for sustainable business development. In this regard, the bank conducts activities in consistent with laws and fair competition and encourages its employees to realize the importance of compliance with laws, keeping trade secrets refraining from obtaining information of trade partners and competitors with dishonesty and fostering competition under laws.

The bank promotes fair treatments of stakeholders both in terms of costs and returns, for instance, procurement, appropriate delivery schedule, fair trade agreements and refrains from any activity which infringes property and intellectual property including prompt payments for products and services in a timely manner.

The bank has determined the procurement method and receiving service method as to obtain quality products and services at an appropriate price by specifying the methods of procurements including; price method, quotation method, bidding method, continued method, special method and urgent method. The appropriate method depends on financial amounts of the each transaction. In addition, the bank has determined the criteria for the selection of suppliers and service providers in order to have fairness and equality by choosing from the stability of their businesses, specifications of products and services and prices considered by the Purchasing Committee.

### 3. Anti-Corruption



The bank is determined to be a corruption-free organization with integrity, fairness and accountability to community and all stakeholders according to the code of conduct, code of ethics and good governance principles. The bank also strictly conforms to government and private sectors' regulations.

The Board of Directors emphasizes the importance of anti-corruption, thus, establishes the anti-corruption policy depicting the roles and responsibilities and operating guidelines for directors, executives and employees to strictly follow as well as defines the punishments reflecting the direction and scope of work of the bank in preventing and acting against corruptions. The bank is strongly determined to establish the policy consistent with operating guidelines against all forms of corruptions in order to bring about the transparency and good governance. Moreover, the whistleblower policy has also been established to be a channel for stakeholders to whistleblow any acts of offenses or corruptions and the whistleblower and a person who says no to corruptions and informants will be kept protected and confidential. The accused will receive a fair treatment as well.

The bank also defines 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-fraud and leadership model in anti-corruption activities.

The bank has published the anti-corruption policy, whistleblower policy, anti-money laundering policy, counter terrorism and proliferation of weapon of mass destruction financing (AML/CTPF) policy and conflicts of interest policy through the bank's intranet for directors, executives and employees at all levels to be aware 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 units such as the National Anti-Corruption Commission (NACC), the Office of Public Sector Anti-Corruption Commission (PACC) and the Anti-Corruption Organization of Thailand (ACT), etc.

The bank has full confidence that the frameworks and directions given will be effective guidelines against any illegal acts or corruptions. This reflects the commitment and dedication to promote transparent and corruption-free organization. The bank expects to have good cooperation and support from related parties, and realizes that employees must strictly adhere to the rules for giving or receiving gifts and other benefits during New Year's Eve or other occasions.

## 4. Respect for Human Rights



The bank emphasizes the fair and equal treatments of all stakeholders such as employees, surrounding communities and societies with justice and equality; respect for human rights and dignity of all people, no forced labors and no child labor exploitation, building good relationship, no violations of basic rights, being cautious in any action that will affect public feelings, all of which are the foundation for human resource development.

The bank pays attention to fair treatments of all levels of employees to ensure they obtain appropriate returns and benefits; improves their potential for occupational advancements; and encourages their engagement. The bank also provides several channels for whistleblowing and lodging complaints and reports of misconducts. As a result, employees can voice, report and whistleblow any matter regarding unfair acts through supervisors or other channels. In this regard, the bank has determined the process for accepting complaints. Such process is independent in inspection and decision-making process by considering the outcomes as well as remedies to be in accordance with the human right principles. The bank also encourages employees, gives them opportunities to voice their opinions in the case where entity or employees committed any acts that may violate human rights, and expedites the problem-solving process.

Respect for human rights is a basic practical guideline the bank strictly adheres to and determines the practical guideline as follows:

- Arranging the number of leaves and holidays as required by law or beyond the requirements of law for some holidays so that employees can sustain their work-life balance
- Supporting the knowledge enhancement for developing employees' potential
- Clearly determining the criteria for investigations and disciplinary actions for fair punishments with the same standard
- Supporting each department in the bank to set team building activities as to promote good relationship, engagement and harmony, and to take part in creating good activities for communities
- Hiring staff regardless of gender, race or religion

## 5. Fair Treatment of Labors



The bank regards human resource management as a mission in developing and supporting the human resource management in terms of knowledge 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.

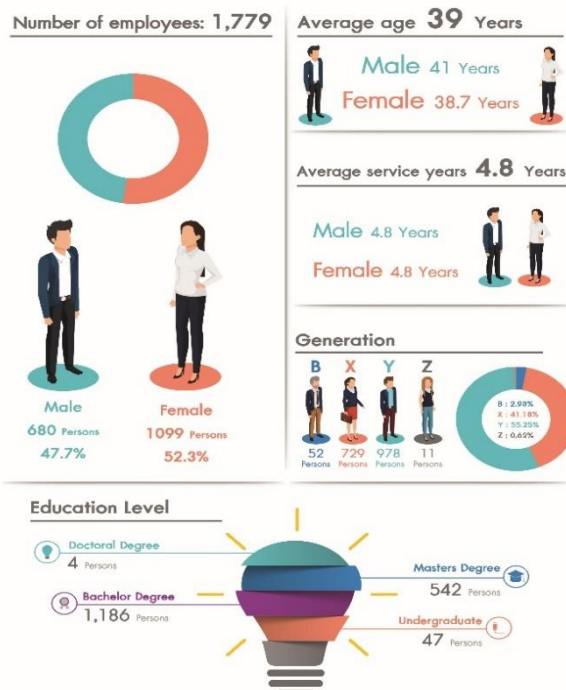
### Key Principles for Human Resource Management and Development

The bank strives to improve human resource management as well as supporting proactive operation of all departments in order to achieve business goals. Moreover, the bank always strives to provide employees with further trainings and promote quality of work life, by taking into account the fair treatment of employees and human rights.

For sustainable growth, the bank focuses on taking care of employees in various ways with the belief that the development of skills, abilities, motivations, positive work environments, good occupational health and good welfare and benefits will enable them to perform their duties with full potential which, in the end, results in positive impacts on customers and stakeholders.





The total number of employees of LH Financial Group Public Company Limited financial business group as of December 31, 2020 was 1,779 persons.

### Employee data in 2020





## Employee Data Classified by Business Group in 2020

					
Sex	Male	126 (44.2%)	450 (35.5%)	41 (44.1%)	63 (47.7%)
	Female	159 (55.8%)	819 (64.5%)	52 (55.9%)	69 (52.3%)
	Total	285 (100%)	1,269 (100%)	93 (100%)	132 (100%)

## Employment Rate and Employment Status

Personnel of LH Financial Group Public Company Limited financial business group include:

- Permanent employees of 98.5 percent
- Special-contract employees of 1.5 percent

All personnel are subject to the general employment agreement without additional conditions.

## Employee Recruitment

The bank focuses on creating the processes, various channels and methods to approach applicants in order to keep up with the rapidly changing lifestyle in the digital world. The bank provides various recruitment channels on social media such as Facebook and LINE, and joins various recruitment activities such as Toward Success Together Day and Chance for Friends which encourage its employees to refer friends to work with the bank. It also focuses on creating interesting content of publicity to draw job seekers attention.

## Employee Recruitment Criteria

The bank recruits a candidate to work by considering their knowledge, abilities and the bank's criteria. The bank also favors a candidate whose beliefs and values are in line with the bank's. Behavioral test based on the bank's core value has been applied to all applicants and its result has also been considered in the recruitment process to ensure the right candidates are selected.

## Equality and Diversity

The bank adheres to the practice that treats all employees with fairness according to the labor law and stands up for human rights without discriminations of any kind, regardless of race, skin color, sex, religion, political views, revocation of citizenship, social background and any other form of discriminations related to both internal and external stakeholders. The bank does not engage in illegal labor practice and child labor exploitation. These guidelines are applied to all employees ranging from executives to operational employees. The bank also offers work opportunities for persons with disabilities.

## Employment of Disabled Persons

The bank has offered job opportunities and generated income for persons with disabilities by joining the project arranged by the Thai Bankers' Association, where contractors hired people with disabilities to work for the Thai Red Cross Society in many provinces. Similarly, the bank has also hired persons with disabilities to work for the bank.

## 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 : The Number of Retired Employees Getting Hired

	2020	2019	2018
Accumulated number of retired employees getting hired (Person)	1	10	9
Number of retired employees per year (Person)	6	7	5

## Sustainable Growth with Human Resources Development

The bank has encouraged and instilled its employees with the CDA core value by implementing the master plan which includes creating perception and attitude through communication channels and the practice, belief and individual mindset activity to build group habit norm and corporate value. The bank has continuously instilled the value in both new and existing employees.

## Activities to Promote Organization's Core Values

Many activities were conducted to promote the corporate core values together with expanding knowledge and understanding among employees. The bank also focusses on the employee engagement through various activities encouraging everyone to share ideas for making creative changes, starting from their self-development, further enhancement of their work efficiency to matters that require improvements to be in line with the corporate core values.



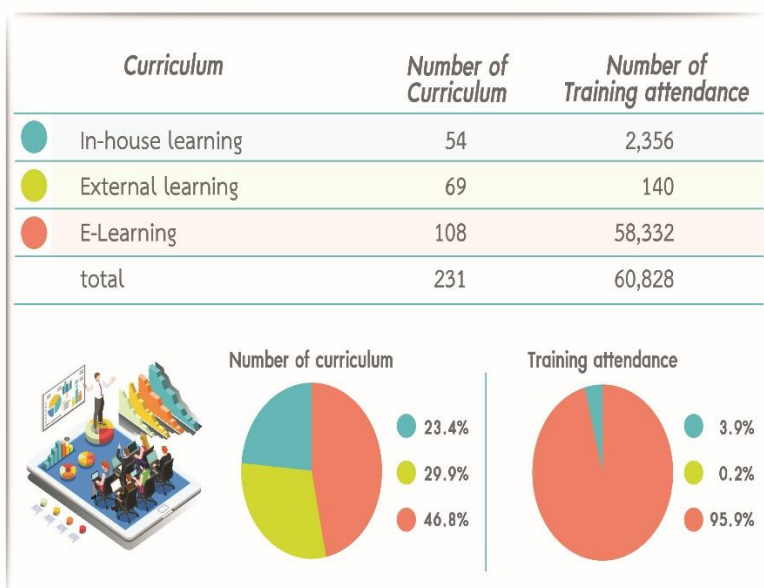
## Welcome Newcomer Activity

All new employees have to join the “Welcome Newcomer” on their very first day. The activity aims to create favorable impression on the newcomers, to introduce the bank’s core values, and to give them some tips or advice on the work life with the organization such as introducing a newcomer to colleagues, recommending nearby canteens so they are comfortable with new environment and eventually adaptable to their work.

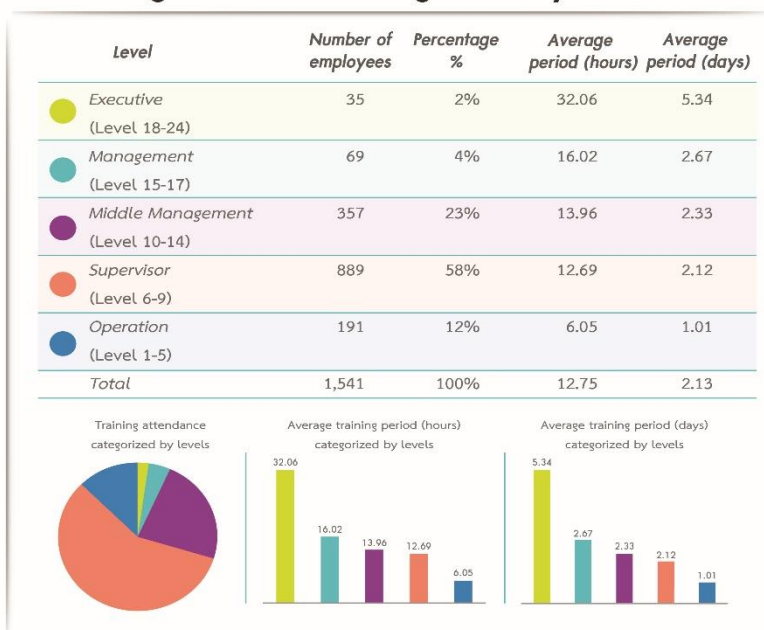
## Employee Potential Development

Employees are a significant factor driving the 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 training courses. The requirements of human resource development play a significant role in the career path of employees.

### Training data in 2020



### Training attendance categorized by levels



The 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, via on any devices without limitation under ‘LHFG People Connect’ maximizing employees’ potential to keep abreast of new knowledge and rapid change.

**LHFG | People Connect**

**แนะนำบทเรียนใหม่ในช่วงสถานการณ์ COVID-19**



**Communication in Crisis**

ในสถานการณ์ปัจจุบัน การสื่อสารที่มีประสิทธิภาพอาจสร้างปัญหาหากทำไม่ถูกต้อง เราต้องสื่อสารอย่างไร เพื่อให้ผ่านสถานการณ์นี้ไปได้



**Work From Home Effectively**

เมื่อต้องมาทำงานที่บ้านจริงจัง กลับพบเรื่องเครียดมากมาย เราต้องปรับตัวอย่างไร เพื่อให้ได้ผลงาน และไม่เครียด

ทุกท่านสามารถเข้าไปเรียนรู้ผ่านช่องทาง LHFG | People Connect Application  
ในหัวข้ออื่น ๆ ได้ที่ ‘การเรียนรู้ > Communication in Crisis’  
‘การเรียนรู้ > Work From Home Effectively’

“ถ้าเราหยิบเอากฎนี้มาปรับมาใช้กับตัวเอง ได้ทั้งเงิน ทั้งแรงใจ  
มาเตรียมความพร้อมให้ตัวเองกันเถอะ  
Anytime Anywhere Any Device - เพียงคุณ click ก็ค้นพบความรู้”

หากเกิดปัญหาการใช้งาน หรือต้องการคำแนะนำเพิ่มเติม ติดต่อได้ที่ @HRconnect

## Human Resources Development - Executives and Key Successors Development

The bank highlights the importance of top executive development by assigning the Nomination and Remuneration Committee to develop the policy, guidelines and succession plans as well as to support leader development systematically and continuously.

The bank has laid down guidelines on leader development with the focus on the principle of efficiency: Lead Self, Lead Team & Lead Change/Culture which covered ideas and practices to ensure efficient results. Its learning processes comprise learning in classroom, goal setting for self and team developments, and knowledge sharing among learners, supervisors and mentors.

The bank has developed the training course for the Relationship Manager (RM) and sales staff called ‘Mindset Development and Work Practice for Sales Staff’. The course aims to level up their mindset and working styles in terms of service, consulting and relationship building which mainly focusses on customers’ interests and, most importantly, complies with the regulatory rules. The Measurement of the learners’ performance is required after the course. The course composition covers in the following 3 areas.



## 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 their 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.

The two factors used in the annual performance appraisal are expected behaviors (Potential) and key performance indicators (KPI). The ratio between these 2 factors is determined appropriately to suit each level of employee and has been considered by the Human Resources Development Committee to ensure its appropriateness and efficiency.

## Determining and Managing Remunerations

The bank is careful to determine and manage remunerations by focusing on fairness and competitiveness. Therefore, the bank has the policy of salary increase and bonus payment based on the annual performance results. Special salary adjustments are also made by referring to salary surveys in the financial industry in order to retain qualified employees who can meet expectations with the bank. All remunerations mentioned above are consented by the Nomination and Remuneration Committee and proposed to the Board of Directors for approval to assure fairness, transparency and accountability.

## Compensation Ratio in Gender Dimension

The compensation ratio of men to woman is 1:1.

## Pride Building in the Organization

The bank recognizes the value of employees, which is an important factor in business operations. The bank has a policy to give honorary pins to employees who have been working with the bank for 10 years, with the aims at praising and lifting the morale of employees who dedicated themselves to the organization for a long time. In 2020, the bank held the ceremony to present an honorary pin to 44 employees who have been serving the bank for 10 years.

Table: Number of employees who have been working for 10 years.

2020	2019	2018	2017
44 persons	16 persons	43 persons	47 persons



Raising Awareness through



## Communication Channels

The bank considers communication as a crucial factor to drive the organization, unify employees and increase their engagement in establishing the sustainable organization and therefore sets up various internal communication channels to facilitate easy access and ensure communication continuity. To raise awareness among employees, the bank employs efficient content and channel management to achieve its goal of building awareness and positive attitude towards the bank's shared values. The internal communication channels consists of 2 types of media as follows:

**1. Online Media** consists of LH Bank People Intranet, LH Bank People Voice, LH Bank People TV, LINE, Facebook, LH Bank People LIVE, and LHFG People Connect Application (OneDee).

**2. Offline Media** aims to promote a sense of pride in the organization and the engagement between the bank and employees through various on-site development activities intended to inform employees about the direction and policies of the bank, to strengthen the relationship among employees who work in different branches nationwide and to enhance employees' quality of life (Care & Share). It is one of the easiest ways to reach out them.



## Welfare Arrangements and Employee Engagement Building

The bank prioritizes the mental and physical health of employees. Consequently, it provides them with a comprehensive benefit package which will be reviewed on a regular basis to be consistent with the current situation. In addition, the bank arranges various activities for health promotions and medical check-ups. After receiving their health check-up results, the bank also sets up the follow up activities with doctors so that its staff can consult or inquire about their health concerning the results with doctors. Moreover, the bank provides free influenza vaccination and offers a special discount for employees' family members who wish to receive such vaccinations medical check-ups.

LHFG People Connect

PRO Benefit & Welfare

**แจ้งกำหนดการตรวจสุขภาพประจำปี 2563**

พนักงานประจำสำนักงานใหญ่ พนักงานสาขาในกรุงเทพฯ และปริมณฑล

สำหรับในปีนี้ได้เพิ่มทางเลือกในการตรวจสุขภาพเป็น 2 แห่ง โดยสามารถเข้ารับบริการได้ดังนี้

1. ADDLIFE (Zone Life Center ชั้น 1)  
วันที่ 1 กันยายน - 31 ตุลาคม 2563
2. โรงพยาบาลเปาโล  
วันที่ 24-25 กันยายน 2563 ให้บริการที่ชั้น 20 อาคารพิฆาต สหกรณ์  
วันที่ 26 กันยายน - 31 ตุลาคม 2563 ให้บริการ ณ โรงพยาบาลตึก 6 สาขา

**พนักงานสาขาภูมิภาค**

ฉีดวัคซีนป้องกันไวรัสโควิด-19 และตรวจสุขภาพ ณ โรงพยาบาลในพื้นที่ที่ท่านได้กำหนดให้เข้ารับบริการได้ตั้งแต่วันที่ 9 กันยายน - 31 ตุลาคม 2563

**หมายเหตุ**

1. พนักงานที่มีสิทธิตรวจสุขภาพประจำปี ไม่ได้ พนักงานที่เกษียณอายุ และบรรจุขึ้นใหม่ประจำปี
2. พนักงานที่มีสิทธิฉีดวัคซีนป้องกันโควิด-19 ไม่ได้
- 3.1 พนักงานประจำ พนักงานสหกรณ์ พนักงานสัญญาจ้างธนาคาร
- 3.2 พนักงานชั่วคราว (Contract) ขึ้นอยู่กับงานให้ธนาคาร

สาย ระบุแผนกพนักงานที่ 003/2563  
ต้อง พกบัตรประชาชนตรวจสุขภาพประจำปี ไปด้วยให้ด้วย

**สอบถามข้อมูลเพิ่มเติม**

พนักงานประจำสำนักงานใหญ่ กิตติ์ คุณพระนิภา (คุณเมย์) โทร. 2262  
พนักงานประจำสำนักงานสาขา กิตติ์ คุณสุเมธ (คุณเมย์) โทร. 2215

เพราะเราห่วงใยคุณ

## Welfare Arrangements

Good benefits 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 the good quality of life. Such benefits are as follows:

- Staff uniform
- Provident fund
- Medical service, dental care and medical check-up
- Group life insurance and health insurance
- Housing loan and hire purchase with low interest rates

## Good Environment and Workplace Safety

The bank emphasizes the good working environment and safety for the employees and therefore establishes the Safety Healthy Environment Committee (SHE) as a mechanism to implement its policies and plans on occupational safety and health as detailed below:

- Educate and increase understanding about occupational safety in the workplace through various communication channels
- Annual fire drill



- Establish the SHE hotline to receive reports on unsafe incidents and coordinate with related agencies in order to provide immediate assistance. In 2020, no employees were injured while working.

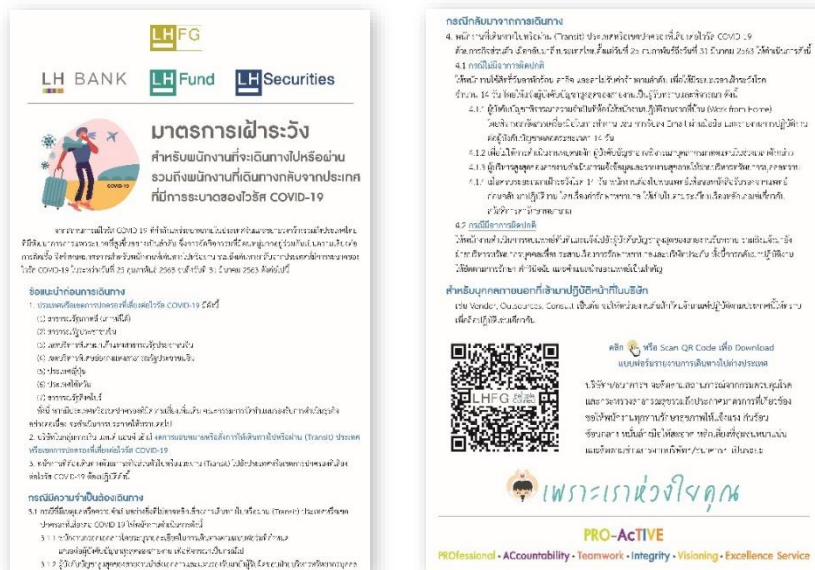
Table : Number of employees injured while working

	2020	2019	2018	2017
Number of employees injured while working	0	0	0	0

- CARE project, the activity to promote health and safety

The bank has provided health and safety communication, including warnings of any health hazards and risk incidents. The COVID-19 had begun spreading since the end of 2019 before the situation become worse during the end of February 2020. Consequently, the bank needed to change their working patterns such as allowing some employees to work from home and assigning some employees to work at an alternative site. Health and safety measures are taken to facilitate employees' operations, including providing shuttle buses for employees assigned to the alternative site, face masks and hand sanitizers. Communication of such preventive measures with health promotion information against the COVID-19 that is beneficial to employees is conducted through LHFG People Connect Application.

### Communication of Preventive Measures against the COVID-19



### Words of Encouragement from Management amid the COVID-19 Outbreak





## Nurse Counseling Service to Ease Anxiety over the Covid-19



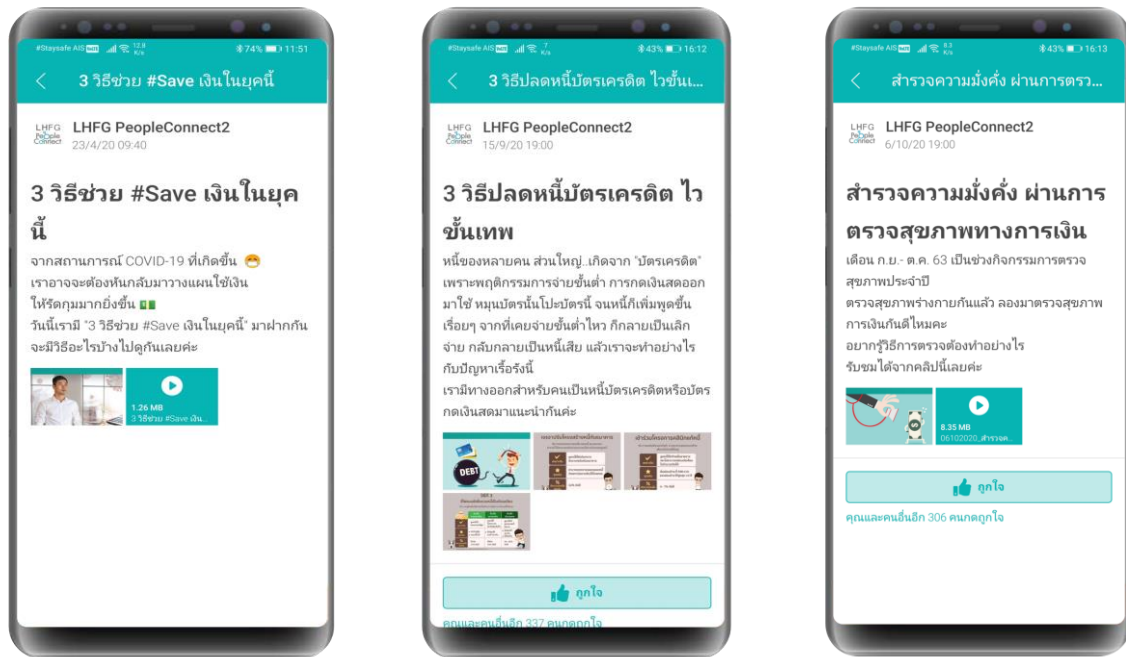
## Distributing Hand Sanitizers and Face Masks to Employees



## Educating about the COVID-19 and Health tips for Employees and Their Family members



## Educating Employees about Effective Money Management Tips



## Health Promotion Activities for Employees



## 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 investments in a wider range than any other business. The bank, therefore, has been operating effectively coupled with social responsibility, especially towards consumers on which the bank puts the first priority.

The bank prioritizes the benefits and satisfaction of customers by offering the products and services with quality, responding to the demands of all segments of customers. There are many areas of development to accommodate more convenience. The details of products and services are clearly and accurately presented to customers through various channels which can be easily accessed so that they have enough information regarding our products and services including sales promotions for making decisions. Moreover, the bank emphasizes and operates its business under the market conduct.

### Fundamental Rights of Consumers

The bank announces the fundamental rights of consumers in order to make them aware of their rights eligible from using services via the bank's website as follows:

Rights of Consumers	Products	Personnel or Processes
1. Right to receive correct information	<ul style="list-style-type: none"> <li>● Consumers shall receive clear explanation about the differences between the main products of bank and the products of securities and insurance.</li> <li>● Consumers shall receive the information of product details, risks, conditions, benefits such as in the form of APR (Annual Percentage Rate) or IRR (Internal Rate of Return) and related assumptions.</li> <li>● Consumers shall receive the information of an advertisement or other marketing media in sales promotions correctly and appropriately.</li> </ul>	<ul style="list-style-type: none"> <li>● Consumers shall receive the fact sheet summarizing the main information when they are offered securities and insurance products. The fact sheet must indicate the unique features and risks of the products with concise and straightforward wording, and is in line with the form required by the Office of The Securities and Exchange Commission (SEC) and the Office of Insurance Commission (OIC), for making the decision to buy the products.</li> </ul>

2. Right to choose the financial products and services freely		<ul style="list-style-type: none"> <li>● Consumers have the right to freely invest and can deny buying the securities and insurance products.</li> <li>● Consumers have the right to deny buying the products of securities and insurance which are bundled with the products of the bank. The bank shall give the right to the consumers in choosing to buy or not to buy such products.</li> <li>● Consumers have right to give the consent or deny giving the consent to reveal the information as mentioned in the letter of consent given separately from the purchase agreement.</li> </ul>
3. Right to claim for fairness		<ul style="list-style-type: none"> <li>● Consumers have the right to claim to all branches of the bank selling the products of securities and insurance (Point of Sale) with the evidence to prove that the bank has acknowledged the claims.</li> <li>● Consumers shall be able to ask for more information for better understanding of the products from the call center of the bank.</li> </ul>
4. Right to claim for compensation		<ul style="list-style-type: none"> <li>● Consumers have the right to receive appropriate compensation if it is proven that the bank fails to conform to the good product offer policy with intention or negligence causing any damage to the consumers.</li> </ul>

### Fair Treatment of Consumers

The bank has been conducting the social responsibility in CSR-in-Process by implementing the practical guideline in the corporate social responsibility for business sustainability policy and to create the business innovation until it is part of working processes, product development as well as service standards. The main objectives are to reduce the potential negative impacts on the stakeholders in all aspects and to create the awareness of social responsibility among directors, executives and employees.

The bank has developed a working process by imposing regulation, establishing standard operational guideline, creating organizational structure, and assigning separate duties to each department properly (Three Lines of Defense) with clear process of operation, quick and accurate system and effective control. The bank also designs the systems to create correct and mutual understanding among employees and related parties. The system is intended to reduce errors, and can be audited, monitored and evaluated efficiently so that it can bring forth the highest benefits to customers including:

- For savings and current accounts without transaction movements for more than 1 year, the bank will notify the balance and condition of account maintenance fee deduction to customers 30 days in advance.
- For debt collection and debt management, collectors must introduce themselves to customers by telling their names and objective correctly and appropriately. In case of face to face communication, evidence on debt collecting permission certified by the bank must be shown to customers. The bank also specifies the time and frequency of debt collection which is proper and conforms to the law and practice of the Bank of Thailand and related official entities.
- The disclosure of full details of products and services is factual without distortion or misleading information, detailing the simplified terms and conditions of products and operating procedures which allow customers to accept the terms and conditions before making their decisions.
- The announcement of the interest rates and fees is made in advance before the effective date of any changes in order to keep customers informed before making decisions. The publication will be done by posting announcement at the bank's branches and on the website at [www.lhbank.co.th](http://www.lhbank.co.th). The announcement clearly specifies the rate against the credit line and type of customers, details and conditions of such products so that the customers can consider before making decisions.

The bank also provides various communication channels which can be easily accessed by customers. They can view the details of products and services, news and information of the bank quickly. The channels for publicizing such details are divided into 2 ways as follows:

- **Off-line media** consists of many types of printed media, media at the branches of the bank and direct mails to customers.
- **On-line media** consists of the contents via Website, LINE, Facebook, YouTube, radio, television and SMS.

The bank provides its employees with sound knowledge of products and services' information so that they can give the information correctly and quickly. This is to ensure customers' experience in using smooth services. The bank also has a call center to provide advisory service available 24 hours daily at 0 2359 0000 or 1327.

The bank provides channels to receive complaints, suggestions, and critiques by having the independent unit to handle those issues as well as resolve customers' complaints. The information was collected as to improve the standard of operation and service. The bank provides various channels to receive the complaints as follows:

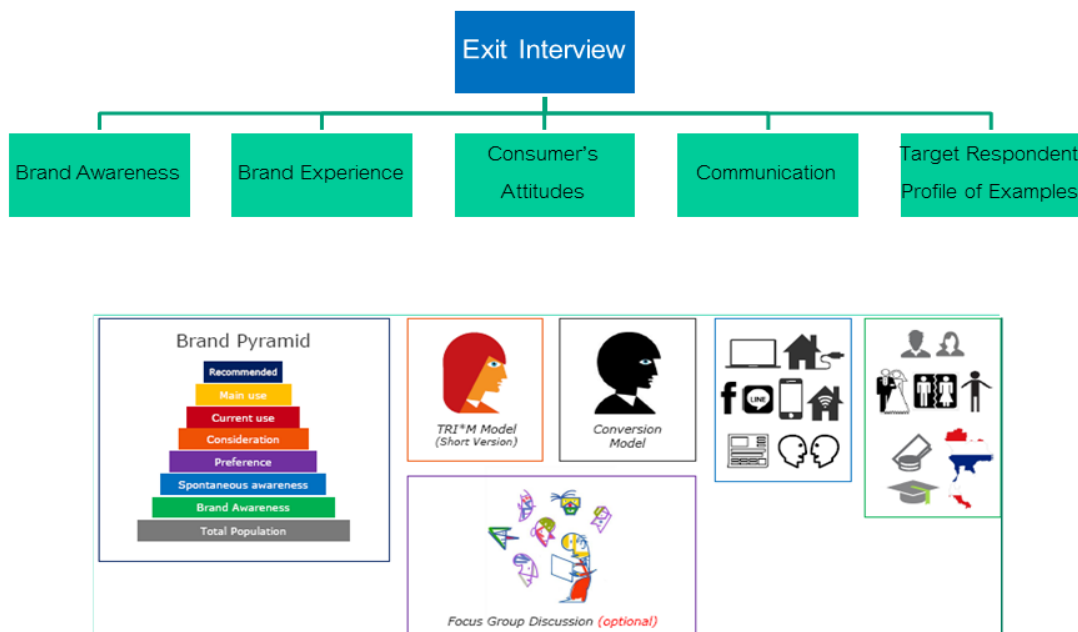
- Head Office or Branches
- Call Center: 0 2359 0000 or 1327
- Website: [www.lhbank.co.th](http://www.lhbank.co.th)
- Official Facebook Fanpage



The bank pays attention to the confidentiality of customers' data by not revealing them unless the written consent is provided.

### Research and Customers' Satisfaction Measurement

The bank measures the customers' satisfaction in the services provided by staff at branches via random call and feedbacks from customers using services at branches. In addition, experienced external agency was hired to conduct a research on customers' satisfaction and recognition of our brand, products and services among public to measure the level of customers' satisfaction with standardized methods and with a procedure to obtain complete and transparent data in both qualitative and quantitative sampling. The collected information will then be used to develop and improve products and services in order to address the needs of customers in each segment to increase their satisfaction.



### Providing Savings Account for Basic Financial Service Access

The bank provides many financial products under the concept of promoting inclusive financial access to stimulate economic growth sustainably and thoroughly by supporting public including the elderly and the disabled to gain easy access to financial products and services with lower cost. This important mechanism serves as an initiative on supporting all individuals to learn basic financial planning, gain access to financial services, cultivate savings attitude and expand to other products.

#### Criteria for Opening Basic Banking Account

- Savings account
- 1 person / 1 account
- Receive savings account's interest rate



- No minimum balance when opening an account (can start with zero balance)
- No account maintenance fees
- No fees for ATM / Debit card used with the basic banking account

In case a customer applies for ATM / debit card with the aim to support individuals holding valid state welfare cards and having rights to receive benefits from state welfare cards or to foster Thai citizens with the age over 65 years old to get easy access to financial services, the bank always recommends such customers to open a basic deposit account to support the government's policies.

#### Customer Qualifications

- Individuals holding valid state welfare cards or those with the age over 65 years old
- Individuals with child care subsidy having children from birth to 3 years of age
- Individuals with allowance for the elderly
- Individuals with disability living allowance
- Individuals with compensation for being village health volunteers
- Individuals with other social welfare benefits

The above savings account can be coupled with other services of the bank such as

- LH Bank PromptPay
- Debit card
- Mobile Application LH Bank M Choice
- Utility bill payment or ATS for utility bill payments

#### Arbitration and Result Notification to Whistleblowers According to Service Level Agreement (SLA)

The bank has determined the Service Level Agreement (SLA) to set the duration of processing financial services for retail customers. The agreement, covering services in the field of credits, deposits, electronic cards and general services, is intended to upgrade the financial service standards and to set the standards for receiving and handling customer's complaints, and to eventually reduce the number of complaints. It is the bank's commitment to deliver more efficient, faster and more convenient services, to respond to the customers' needs well so that they can realize the bank's operations. Moreover, the Service Level Agreement ensures the correctness and completeness of facts and / or information, the cooperation of customers and force majeure, uncontrollable situations and / or situations where the bank shall comply with the business continuity plan.

The bank has disclosed the Service Level Agreement (SLA) on the bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) covering 5 areas of financial services as follows:

1. **Receiving and Handling Complaints** consist of
  - Verification of complaints through various channels
  - Notification of solutions or progress on actions to cope with complaints in all channels



**2. Loans for Retail Customers** consist of

- Release of collateral
- Ownership transfer of cars / motorcycles to borrowers once the debt has been paid off
- Credit underwriting - the bank will keep customers informed of the result
- Issuing a confirmation letter for debt settlement
- Request for credit account statement

**3. Deposits** consist of

- Cash deposit / withdrawal through ATM / CDM of the same bank or different banks with an error occurred: no money received or incorrect balance (excluding suspected fraud cases).

- Fund transfer or e-Wallet top up via ATM, CDM, internet, mobile banking but the system malfunctioned causing no money received, the bank will check the error, notify a customer, and correctly adjust that transaction.

- Request to check list of transfers to wrong account, internal transfers or interbank transfers or e-Wallet top up to wrong account (excluding suspected fraud cases), the bank will check the error and inform a customer.

**4. Electronic Cards** consist of

- Freezing electronic cards such as ATM cards and debit cards
- Advising against the debit card holder's payment
- Checking the debit card's transactions at the point of sale locally and returning money to card holders

**5. General Services** consist of

- Customers can request for various information such as the calculation of interests for credit / hire-purchase of no longer than 12 months and 6-month statements which will be given to them in writing.

**Market Conduct**

All companies in the LH financial business group have been emphasizing and supporting operations according to the market conduct for sustainability. We expect our customers to gain confidence on:

1. Receiving sincere and fair services
2. Receiving appropriate and clear advice
3. Receiving fair prices and conditions
4. Receiving convenient services and proper solutions
5. Receiving understanding of their rights and duties

## 7. Cooperation in Development of Community and Society



The bank has been operating its business under the concept of sustainable development while it eagerly fulfills its social responsibility. The companies in the group play the crucial role in promoting social activities in various occasions with the expectation for the highest benefits to the society and community. The bank also encourages volunteer among employees to help and create benefits through activities as well as other activities held by public and private sectors, with the aim to maximize the benefits for the society and communities as guided by the sustainable development goal.

The bank has continued to support and promote the development of society and communities through supportive activities covering in 3 areas as follows:

1. Education
2. Society
3. Arts and Culture

### 1. Education

Education is the foundation for all success stories, thus, the bank always realizes the significance of educational support, knowledge development and quality of Thai juveniles. For example, the bank provides the nationwide scholarship project with the purpose to support the youths who are good at study but unable to afford to pursue higher education, the project, “Give Books and Learning Materials to the Department of Corrections” encouraging employees and customers to donate books to promote knowledge of prisoners and the donation of old calendars to the Bangkok School for the Blind, allowing them to turn these old calendars into instructional materials such as Braille books and notebooks for students with visual impairments.



The donation of books to the Department of Corrections to promote self-development of prisoners.

## ● Scholarship Project

As the bank realizes the importance of education and the development of youths who, in the future, will be the main strength and powerful driver of the nation in the long run; therefore, it has set up a scholarship project providing 18 scholarships across the country for 3 consecutive years. The project was intended to help the youths who have high academic performance, possess academic capability, and are determined to pursue higher education. This project can help them realize the value and the importance of education as well as provide a sustainable way to increase the quality human resources.

### Main Objectives

- To bring the educational stability to the 7<sup>th</sup> grade students with high academic performance but lack of money to be able to continue their education until 12<sup>th</sup> grade level
- To instill the youth to realize the value and the importance of education
- To increase the number of potential and quality human resources to the society
- To carry out activities that benefit and help society and country as a whole (Corporate Social Responsibilities)

### Nature of Scholarship

- It is a scholarship for junior high school to high school students who have excellent academic record and good behaviors.
- It is offered for youths in a wider area across 6 regions where the bank's branch networks are located.
- There are 18 scholarships in total.

### Qualifications of Eligible Candidates

- Thai nationality with a domicile in Thailand
- Aged between 11 – 18 years old.
- An underprivileged person who lacks opportunities due to poverty, or a person who is orphan and being looked after by a guardian that is poor, or a person who is under the care of a foster home or foundations
- Having good behaviors and being a disciplined person

The bank has permitted its branches in 6 regions across the country to select eligible schools and students for the scholarship project.

### List of schools joining the 2020 scholarship project includes:

- Anurajaprasit School, Bangkok
- Thanyarat School, Pathumthani
- Chuen Chom Pittayakarn School, Maha Sarakham
- Hua Hin Wittayakom School, Prachuap Khiri Khan
- Phuket Wittayalai School, Phuket
- Sankamphaeng School, Chiang Mai

## Scholarship's Activity Snapshots



Thanyarat School, Pathumthani



Sankamphaeng School, Chiang Mai



Hua Hin Wittayakom School, Prachuap Khiri Khan





Donation of Used Fluorescent Light Bulbs in Good Condition to the Baan Nokkamin Foundation. They will sell them and get money for scholarships for children in the foundation.

#### Old Calendar Donation Project

The bank has collected the unused desk calendars to donate to the Bangkok School for the Blind for the production of instructional materials, Braille books and notebooks for students with visual impairments.



Donation Of Old Calendars to the Bangkok School for the Blind.

## Used Computers Donation Project

The bank endeavors to fulfill educational gap for urban or up-country to have the same standard. The bank, therefore, arranges the used computers donation project, offering second-hand, ready-to-use computers and notebooks with good condition to disadvantaged schools as an educational resource so that their students could fully search for knowledge and information and make the most of it.



The Donation of Used Computers and Notebooks to Anuban Phibunwes School



The Donation of Used Computers and Notebooks to Wat Tamnaktai School (Vilas-osathanon-nukror)

## 2. Social Activities

Various projects which support social and environmental development and drive positive changes in communities have been implemented through a wide range of supports such as providing budget, donating materials, providing aids in an emergency, voluntary activities of employees, internal activities for employees to donate money and materials to different public charities, and sharing knowledge and skills. All activities were stimulated by the group together with its alliances, network associates, customer groups and all the stakeholders nearby the bank. The group believes that delivering public activities cannot be achieved by one organization alone. It also needs concrete collaborations

from related parties to help tackle problems and bring about constructive changes to the society for sustainable growth, for instance, inviting employees and customers to donate money for disaster victims and participating in the anti-corruption activities to encourage Thai society to work together against all forms of corruption while promoting market conduct.

#### • Voluntary Activity for Social Development

Amid the COVID-19 pandemic, the bank has given priority to prevent and monitor the risks of transmission, particularly for the hygiene and safety of employees. In order to manage this, a working group has been set up to monitor and communicate health and safety tips to employees. Security measures were implemented including allowing employees to work from home, allowing flexible work hours and lunch breaks to ease the congestion in the workplace, marking social distancing signs in the office, canteen and service points and providing employees with alcohol-based hand sanitizers and face masks. Regarding preventive measures for its facilities, the bank increased the frequency of cleaning and disinfection with disinfectants being sprayed on risky areas, cleaned the air conditioning outlets, installed air purifiers and separate the safe zone. Before entering into the bank's facilities, everyone was also required to conduct temperature checks, apply alcohol hand gel and wear a face mask. All these measures were to ensure the safety of all employees in a workplace.

In addition, the bank is concerned about customers, partners, public and all groups of stakeholders impacted by the COVID-19 outbreak, the bank, therefore, joins forces with Land and Houses Financial Business Group to make a Baht 1 million donation raised by executives, employees and customers under the "Fight COVID-19 Together" project to purchase medical equipment and supplies used for treating and saving COVID-19 patients. The donation went to the following 4 medical institutions:

1. Ramathibodi Foundation
2. Chulalongkorn Hospital, Thai Red Cross Society
3. Rajavithi Hospital Foundation
4. Bamrasnaradura Infectious Diseases Institute



The bank also delivers 2,800 lunch boxes to express sincere appreciation and gratitude towards medical staff and other related personnel who are at the frontlines in the fight against COVID-19.





The COVID-19 outbreak causes significant negative impacts on the economy and all business sectors. The bank has launched the relief measures to help all groups of customers relieve, to some extent, burdens and anxiety, keep them in business and get them ready for situations with their full potential. Such measures include the bank participation in DR BIZ program of the Bank of Thailand aiming to help multi-creditor businesses to lessen their debt burdens in the hope that they would be able to recover quickly.

#### Implementation of supportive measures for all groups of customers

### LH Bank ห่วงใยลูกค้า

ออกมาตรการช่วยเหลือลูกค้าที่ได้รับผลกระทบจากภาวะเศรษฐกิจและสถานการณ์ต่างๆ เช่น สงครามการค้า ภัยแล้ง การเบิกจ่ายงบประมาณล่าช้าของภาครัฐ สถานการณ์การระบาดของไวรัสโคโรนา และอื่นๆ

### ให้ธุรกิจได้ไปต่อ

- ผ่อนปรนเงื่อนไขการชำระ เช่น ปลอดเงินต้นสูงสุด 12 เดือน และขยายระยะเวลาเงินกู้ เพื่อให้ภาระการผ่อนชำระลดลง หลังหมดช่วงปลอดเงินต้น
- สนับสนุนสินเชื่อเงินหมุนเวียนเพิ่ม
- ลดดอกเบี้ยให้ลูกค้าในช่วงที่มีปัญหา สูงสุดไม่เกิน 12 เดือน โดยพิจารณาเป็นรายๆ ไป
- ช่วยเหลืออื่นๆ ตามที่เห็นสมควรโดยพิจารณาเป็นรายๆ ไป

Call Center 1327

### LH BANK

### ธนาคารแลนด์ แอนด์ เฮาส์ ห่วงใยลูกค้า

### พร้อมให้ความช่วยเหลือลูกค้าผู้ประกอบการ SMEs

<p>ลูกค้าผู้ประกอบการที่มีวงเงินสินเชื่อ ไม่เกิน 100 ล้านบาท</p> <p>พักชำระเงินต้น และดอกเบี้ย <b>6 เดือน</b></p> <p>เริ่มนับผล เม.ย.-ก.ย.63</p>	<p>ลูกค้าผู้ประกอบการที่มีวงเงินสินเชื่อ ไม่เกิน 500 ล้านบาท</p> <p>เงินกู้เสริมสภาพคล่อง</p> <p>กู้ได้ <b>20%</b> ของยอดวงเงิน 31 ธ.ค.62</p> <p>อัตราดอกเบี้ย 2% ไม่ติดดอกเบี้ย 6 เดือน</p>
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ตามร่างพระราชกำหนดให้อำนาจธนาคารแห่งประเทศไทย สามารถออกสินเชื่อดอกเบี้ยต่ำ (ซอฟท์โลน) ธนาคารจะแจ้งรายละเอียดให้ทราบต่อไป

สามารถติดต่อเจ้าหน้าที่ดูแลบัญชีของท่าน หรือ LH Bank ทุกสาขา หรือ โทร. 1327

### LH BANK

### ปรับลดดอกเบี้ยเงินกู้

### MLR / MOR / MRR

# 0.40%

ลดลง

เพื่อบรรเทาความเดือดร้อนของลูกค้าสินเชื่อธุรกิจและลูกค้าสินเชื่อรายย่อย

มีผลตั้งแต่วันที่ 14 เมษายน 2563 เป็นต้นไป

สอบถามข้อมูลเพิ่มเติม โทร.1327



Currently, blood reserves at the Thai Red Cross are inadequate for patients' urgent needs. The bank comprehends the problem and is eager to be part of supports for social activities. Thus, the bank initiates a voluntary social activity by persuading all employees to donate blood annually.



#### • Promoting and Developing Education of Thai Youths

The bank sees Thai youths as the future of the country. It strives to enhance their moral sense and sharpen their academic skills. Therefore, the bank joins the Thai Bankers Association to create the financial literacy project which is the prototype of financial literacy plan for the country. The pilot target of the project is university students. Staff of the bank will be sent to be a trainer to teach them some monetary knowledge via activities to activate recognition and understanding leading to positive changes in their desirable financial behaviors.

#### Objectives of Financial Literacy Project

1. To drive financial literacy project for public as stipulated by 5-year strategic plan of the Thai Bankers Association.
2. To develop the expertise and personal financial management skills to the member banks' personnel to be voluntary trainers and to conduct site visit sharing financial knowledge to students from selected or assigned universities under the idea of "1 bank, 1 university." Activities conducted to promote financial literacy are based on contents, curriculum and practices standardized by the Thai Bankers Association.
3. To raise awareness of effective personal financial planning among university students.

### Performance of 2020 Financial Literacy Project

1. Have improved financial literacy and created financial discipline for 634 trainers from 11 member banks.
2. Have shared knowledge to over 7,000 students from 18 universities.
3. Have created positive attitudes towards banks among the target students.



Activities of the “Financial Literacy Project” for knowledge sharing and financial literacy for public

### 3. Arts and Culture

The bank joins many traditional activities with local people living nearby the bank’s service centers, for example, supporting the Chinese New Year, Children's Day to strengthen and promote the traditions, arts and culture with communities around the bank’s branches.

## 8. Environmental Management



The bank is aware of the importance of the environmental problems seeing that business activities can bring about direct and indirect impacts on environment. As time passes, such impacts cause pollutions and lead to natural disasters which eventually result in huge losses. Thus, the bank has implemented several measures to reduce pollutions and to preserve environment by promoting energy and paper saving campaign in the organization.

### Green Office Project

All activities consume resources and energy, leave environmental footprints: waste and polluted water. Inevitably, the bank shares part in greenhouse gas emission into the atmosphere which, in turn, causes climate change and global warming, a critical environmental crisis affecting the nation and the whole world.

The bank pays attention to good environmental management. Therefore, it has assigned the Occupational Safety, Health and Environment Committee to define the safety measures for the Green Office project by creating understanding of the environmentally-friendly management on resources, energy and environment. The ultimate goal is to have an efficient use of resources and energy to uphold the standard of office to be more environmentally-friendly. The bank also encourages its employees to minimize energy consumption and pollutant emission to the public.

### Implementation of Green Office Project

1. Use energy saving devices
2. Make the most of natural light energy
3. Design an office layout
4. Promote 5S activity
5. Check lighting standard values of office building
6. Check air conditioners and ventilators
7. Increase green spaces in office
8. Increase co-working spaces

### Encouraging Employees to Engage in Efficient Use of Resources

1. Provide information and training on environment and promote energy saving via internal media such as Intranet
2. Support the reuse of materials such as reused papers
3. Promote a reduction in paper use and the number of printers, provide photocopier pool, and change employees' behaviors to always think twice before printing
4. Eliminate papers used for meeting materials by sharing the information through electronic channels
5. Turn off the building light when no one is in the room or meeting room for a long time and turn off the light in some areas during a lunch break



6. Turn off computer screens during a lunch break
7. Constantly promote 5S activity

Although the attempts mentioned above do not significantly reflect any numerical results of how much the energy and expense have been decreased, they help raise awareness among employees and make a behavioral change in their daily life.

#### **Vehicle Service Management**

The bank has the policy to reduce carbon dioxide emission 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, for example:

- The bank has renovated the office building and maintained office equipment in an environmental-oriented manner to reduce pollution, save energy and costs.
- The bank has reduced the number of single function office automations and replaced them with new energy-saving technologies with less pollution. The ongoing project helps reduce energy-related costs and other expenses such as paper cost, maintenance and procurement costs for office equipment. Moreover, it also helps save the office space.
- The bank has selected energy saving fluorescent tubes and LED tubes, with the wattage suitable for space, and proper size of cables. The office decoration also employed soft colors and natural light as much as possible and water-saving taps were installed.

#### **Energy Management Goal for 2020**

The bank's energy management goal for 2020 was to reduce electricity consumption by 5 percent from 2019.

#### **GHG Emissions Reduction**

The bank follows the guideline developed to eliminate greenhouse gas, carbon footprint and the standard for the reduction of carbon dioxide emission according to Care the Bear: Eco Event Kit manual initiated by the Stock Exchange of Thailand with the purpose to reduce the use of energy from electrical equipment and switch to more efficient and energy-saving electrical equipment. The bank also encourages personnel to learn about greenhouse gas management and holds related workshops to raise their awareness on climate changes and its effects as part of the preparation for the corporate carbon footprint assessment.

Consequently, the bank had replaced fluorescent tubes with LED tubes since 2016 until 2020. Currently, 2,775 fluorescent tubes at the bank's headquarters has already been replaced, consisting of 2,378 long LED tubes and 397 short LED tubes, and saved energy consumption by 618,360 kWh. or approximately 45 percent when compared with the use of fluorescent tubes. As LED tubes produce less heat than traditional fluorescent lamps, they could reduce the carbon dioxide emissions by 359,947.36 Kg.Co<sub>2</sub>e, equivalent to 39,995 large trees to absorb the amount of carbon dioxide.

Replacing Fluorescent Tubes with LED Tubes Project	
Number of fluorescent tubes replaced by LED tubes	2,775 tubes
Number of hours used	15,000 hours/tube
Amount of carbon dioxide emission reduced	359,947.36 Kg.Co <sub>2</sub> e
Number of large trees equivalent (absorbing carbon dioxide gas)	39,995 trees

The bank has redesigned the electricity and lighting system for its branch offices, turning to use LED tubes since 2019.

- 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 the cost from energy loss.

The bank has sent staff to attend the following trainings from various institutions, both public and private so they gained knowledge and understanding on the above issues.

Training Courses	Organizer	Number of Participants
Trees Associate Existing Building Training	Thai Green Building Institute	1
Carbon Footprint for Organization	Thailand Greenhouse Gas Management Organization	1
Guidelines on Internal Carbon Footprint Pricing	Thailand Greenhouse Gas Management Organization	2
Thailand Electrical Installation Standard Program	Engineering Institute of Thailand Under H.M. The King's Patronage	2
Air Conditioning System, Water Pump System, Fire Hose System Training	Engineering Institute of Thailand Under H.M. The King's Patronage	1
Techniques for cost reduction and maintenance efficiency increase: Lean Maintenance	Engineering Institute of Thailand Under H.M. The King's Patronage	1

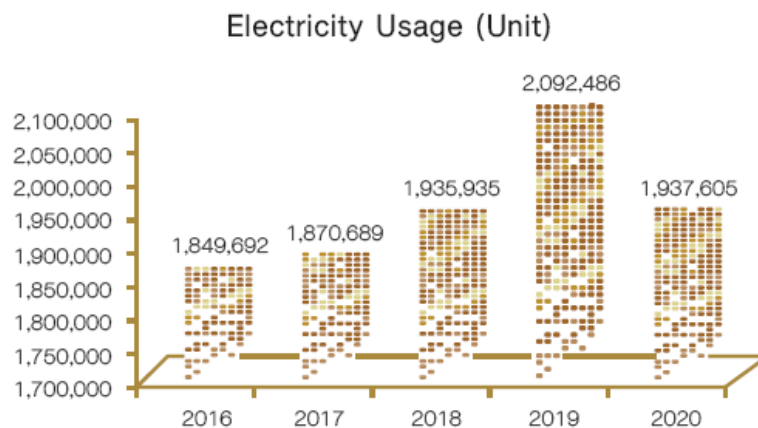
### Carbon Footprint Plan

The bank aims to offset at least 10 percent of its carbon footprint by 2021 and sets the long-term plan to achieve carbon neutrality.

## Electricity Management

The bank has focused on environment, economy, society, and effective cost management, especially energy cost. The financial business group, as a financial service provider, requires great amount of electrical energy including lighting system, air-conditioning system and computer system. The bank, therefore, monitors environmental impacts and measures energy efficiency constantly.

The bank campaigned to save energy by turning the lights off during breaks, switching to use LED tubes and adjusting the on and off period of air conditioners. As a result, in 2020, the bank had the total electricity usage of 1,937,605 kWh, a decrease of 7 percent from 2019 as planned. However, the electricity expense surged to Baht 11,061,020, rising by Baht 12,694 year-on-year as the landlord charged more electricity fee from Baht 4.70 per unit to Baht 5.50 per unit. If the calculation was still based on the original rate of Baht 4.7 per unit, the electricity bill was charged at Baht 10,236,048, a drop of Baht 824,972 from 2019.



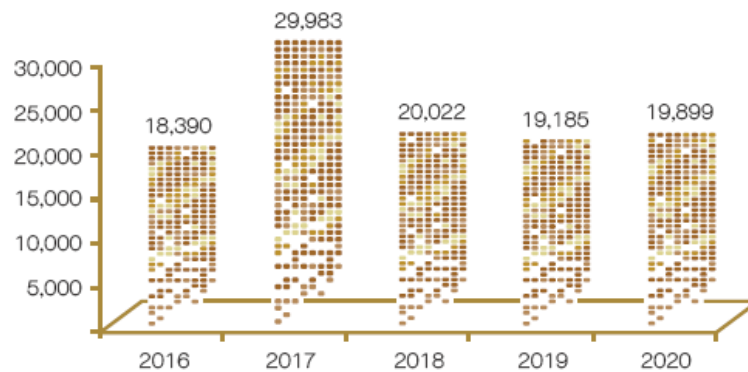
## Water Management

The bank has uses water from the Waterworks Authority of Thailand for business operation of which the most consumption is in an office, washing and tree watering. The bank has been trying to reduce water consumption so it regularly checks pipes, water meters and equipment and uses water saving sanitary wares, taps and bidet showers. It also focuses on raising employees' awareness of the need to conserve water.

In 2020, the tap water usage totaled 19,899 cubic meters, increasing by 4 percent when compared with 2019. This was partly due to the bank's necessity of implementing health and safety measures during the Covid-19 pandemic such as the practice of regular hand washing, increasing the cleaning frequency in the restrooms and on frequently touched areas as well as other reasons such as the increasing number of employees, overtime working and working on the weekend. The tap water expense in 2020 increased to Baht 425,839.



Tap Water Usage (Cubic Meter)



## Paper Management

The bank is well aware that paper is a main office consumable which is needed in different stages of operations in financial service business, such as printing reports, documents for customers, receipts, and contracts. Producing the paper needs natural resources which are trees while there are massive rubbishes from used papers. Therefore, campaigns and activities are conducted to raise awareness among employees to use paper economically and effectively as follows:

### Pool Printer Management Project

The bank has replaced the single-function printers with the multi-function printers and set them as a pool for which one printer is shared among different departments. This results in the lower consumption of electricity and space saving.

### Transforming Paper form of Invitation Letter into Electronic-based Platform

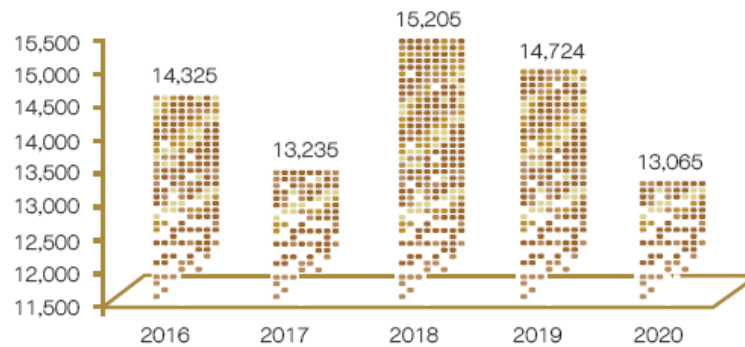
The bank has changed the process of preparing the meeting materials for different committees from papers to e-documents. As a result, this process can help reduce paper consumption by approximately 20,000 pieces a month.

**Developing Financial Services to Be More Digital :** This enables financial transactions to be performed every day, anytime and anywhere. Not only can it reduce the cost and the amount of paper used, it also helps reduce the use of ink, reduce the amount of waste caused by paper usage and enhance work efficiency due to time saving in preparing documents, putting them into envelopes and posting them via postal service.

### Paper Usage

The amount of papers used in operations for the year 2020 was 13,065 reams, decreasing by 11 percent when compared to 14,724 reams in 2019. In 2020, the bank urges the staff to reduce and avoid using papers for meeting materials and document printing by sharing files for meetings via electronic platform.

Paper Usage (Ream)



### Paperless Guidelines

The bank provides the paperless guidelines with the aim to ensure that saving the papers and reducing the paper usage are systematic and concrete by adhering to the following practical guidelines:

1. Survey and planning
2. Application of technologies by increasing electronic channels in operations instead of papers
3. Efficient use of paper
4. Monitoring and evaluation
5. Behavioral change among employees

#### 1. Survey and Planning

The bank has surveyed the data of paper usage in each year by taking into account the number of employees, departments and work supports as well as developing a clear plan for paper usage by reducing paper usage 5-10% of the total number of papers used each year.

#### 2. Application of Technology

The bank has supported and encouraged employees to adopt more information technologies in the operations such as disseminating information and knowledge through electronic channels. There are push-forward activities to ensure that the implementations are in line with paperless plan as follows:

- Meeting material folders for each committee have been changed from the paper pack of invitation letter to an electronic platform.
- The trainings with a lot of training materials are suggested to send them by email.
- Correspondence is made via email such as circulars.
- Keep the copies of documents from external agencies and internal documents as scanned files instead of photocopies.

#### 3. Efficient Use of Papers

To save the papers more effectively, it can be started from having one-side used papers separated before proceeding with the following steps:

- Set up common areas for everyone to use one-side used papers and advocate employees to reuse them
- Inform all employees of where the one-side used papers common areas are
- Reuse them to be the notes or notebooks
- Use the reused papers to note the informal messages or record internal messages or memos within the department

#### 4. Monitoring and Evaluation

To make paperless process more effective and concrete, the bank has monitored the paper usage statistics in each department. The information will then be analyzed and used for planning efficient paperless operations.

#### 5. Behavioral Change

The most important thing for the most effective paperless operations begins with behavioral change among employees in all departments to have responsible attitudes and collaborative practice as follows:

- Separate used papers and sort them into the 3 R principles as follows:
  1. Reduce (amount / size)
  2. Reuse
  3. Recycle / disposal
- Use one-side used papers for rough drafts instead of using new papers and print them in economy mode
- Review all processes and improve any part if needed and adjust paper usage criteria of each department in order to be more effective and relevant to real operations

#### Used Paper Management

On average, Thai people used papers 3.9 million tons or about 60 kilograms per person per year. Thus, to respond to this need, 66.3 million trees need to be cut per year or 126 trees must be cut down every minute.

One ton of used papers can substitute 15 trees to be cut down. If all Thai people use papers economically by using both sides of paper, up to 1.3 million trees will be saved. If all Thai people turn to use handkerchiefs instead of paper napkins, 3,315,000 trees will be saved.

In general, almost half of the pile of garbage has values, it can be recycled and sorted out to paper, plastic, glass and metal in the portion of 19%, 13%, 8% and 5% respectively. Paper is the largest portion which is considerably 2.47 million tons from all over the country. These used papers must be collected and shipped to the paper factories to be raw materials to produce recycled papers as the paper factories need 2.5 million tons of scrapped papers per year. Therefore, the good method to increase the recycled papers is to collect used papers from offices and households by separating them from other types of garbage so that it is convenient to be stored and recycled. This is to create the most benefits to the economy, environment and natural resources.

*Source: Green Science Project. Paperless Manual, Faculty of Science, Srinakharinwirot University.*

The bank realizes and pays attention to the reduction in paper trash. As a result, there is the recycle of used papers and the bank has imposed the operation manual on document storage and destruction by recycling expired documents as detailed in the table below:

	2020	2019	2018	2017
Amount of documents due to be destroyed (Box)	1,868	2,115	721	599
Weight of documents (Kilogram)	27,280	30,250	8,712	7,037
Trees that can substitute the cut down trees to produce papers per 1 ton/1 of used papers (Tree)	409	454	131	106

Note : <sup>1</sup> 1 ton of used papers can substitute up to 15 cut trees to produce papers.

Source: “Green Science project,” Paperless Manual, Faculty of Science, Srinakharinwirot University.

Calculation formula : Tree cutting replacement = 15 trees / 1 ton X weight of used papers.

### Measurement of Intensity of Light in Workplace

The bank pays attention to the dangers of light that may impact employees. In case of insufficient illumination, it can cause negative effects to eyes and may cause simple accidents such as failure to manipulate tools or equipment which may pose some dangers including mental health, decreased performance and low motivation to work. The bank has regularly measured the light intensity in all areas of the office to ensure the working area has a proper lighting level.

#### Lighting Measurement and Data Collection Process

1. Measure in the specific working area: focusing on the light intensity of particular areas where operators need to perform sight-specific work
2. Measure the average intensity of light in general areas: such as walkways and working spaces

**The results of measurement of light intensity in the workplace:** After conducting the actual measurement of the light intensity in Lux unit, it was found that illumination in the office was sufficient and compliant with the standard of not less than 400-500 Lux.

### 5S Activity

The 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 resources and costs. In addition, it contributes to high quality and efficient work performance. 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 spaces for other purposes
  - Having a more spacious, splendid and clean workplace resulting in a better mood of employees

2. Results of **Set in order**

- Settling the common and troublesome searches
- Increasing work efficiency
- Creating good image for organization

3. Results of **Shine**

- Having a pleasant working environment
- Cutting down the consumption of resources
- Increasing efficiency of tools and equipment while decreasing frequent breakdown of office

automations

4. Results of **Standardize**

- Having neat and tidy workplace
- Employees are both physically and mentally healthy

5. Results of **Sustain**

- All employees have a good habit and attitude towards work
- Customers receive quality and fast services

### LH BANK ATM Stops Global Warming

The bank has played part in helping slow down global warming constantly by providing customers with an option of no printing transaction slips from the ATM so we can reduce the consumption of natural resources and help stop global warming.

### Environmental Campaign

The 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 and reinforced the importance of their participation.

## 9. Innovation and Dissemination of Innovative Corporate Social Responsibilities



The bank is committed to creating innovations for the benefits of business and society. Financial products and services are being tailored continuously to facilitate and meet customers' needs and move to the new era of digital transformation and the government's policy to foster a digital economy. The bank is well aware of these significant trends and therefore enhances the innovation development for financial products and services in the form of digital banking, helping customers save their time, reduce costs and receive more convenient services.

**Mobile Banking (LH Bank M Choice)** is a service to facilitate financial transactions via mobile phones such as money transfer, balance checking and bill payment, available every day, anywhere and anytime, as mobile phones have become part of everyday life. With no limitations in terms of places and time, this service channel still maintains the same form and safety standard as transactions being processed at the bank branches.

**Online Savings Account Opening** is an online service to keep pace with the digital era, enabling customers to conveniently do financial transactions every day, anywhere any time. It is now easy to open a new savings account online by just downloading the bank's mobile application before visiting any 7-Eleven's counter service nationwide to verify their identities with e-KYC system that meets the IAL 2.3 security standard. Apart from using a national ID card in an online self-verification process with the Department of Provincial Administration, facial recognition technology for standardized digital verification is also adopted. The service is now under the regulatory sandbox of the Bank of Thailand.

**Internet Banking (LH Bank Speedy)** is a service available for more convenience in conducting financial transactions every day, anywhere and anytime. With double security system, customers can rest assured of financial transactions with the bank.

**LH Bank Debit Chip Card** is a card for processing financial transactions at ATMs of all banks. With securities by recording information into a chip card, safe from ATM skimming, customers can trust their financial transactions and use it to check the account balance and withdraw money at any UnionPay International (UPI) ATM and also pay for products and services at stores or online shopping conveniently with many privileges and special promotions from participating stores with UPI symbol.



**LH Bank Debit Premium Card** is a card with personal accident protection of up to Baht 300,000 insured by CHUBB Samaggi Insurance PLC. With no medical assessment required, customers just inform their health profiles in the application form and the coverage will be effective immediately. The service covers for medical expenses for any accidents, just show the LH Bank Premium card together with the ID card to a contract infirmary.

**LH Bank PromptPay Service** is a service to transfer and receive funds without carrying cash, just register the ID card or mobile phone numbers with LH Bank's account. Such transactions can be



made easily with only the ID card number or mobile phone number with no need of the bank account number. LH Bank PromptPay is available via 3 channels as follows:

1. Mobile Banking (LH Bank M Choice)
2. LH Bank's ATMs
3. Branches of the bank

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

**My Portfolio Service** is an online service to check your personal data via LH Bank M Choice, including safe box, deposit, loan, securities, mutual fund, debenture, private fund and insurance.

**Mobile Payment Service** is a service for retail stores that would like to add another channel by scanning a QR Code through leading E-Wallet agencies in Thailand such as Rabbit LINE Pay, AirPay, TrueMoney and in overseas such as WeChat and Alipay from China. The service helps boost up the stores' sales volume, reduces loose changes for their customers and provides more convenient and secure transfer because the bank will transfer the money to the store on the next day.

The bank has been publicizing the products and services to customers to ensure accuracy for their optimal benefits.

The bank is open and supports the creativity and development of new innovations which will result in continuity of creating quality innovations internally with social responsibility, and regularly surveys the business operation to avoid risks or negative impacts on society and environment. However, if such risks or negative impacts are identified, the bank will take actions immediately.

#### **Certification of IT Security Management System Standards (ISO/IEC 27001:2013)**

Land and Houses Bank Public Company Limited received the certificate for the IT security management system standards (ISO/IEC 27001:2013) to enhance the management of IT security of payment infrastructure to international standard, consisting of BAHTNET and ICAS system to prevent the cyber threats that may cause financial loss and reputational damage which may affect the people and economy in a wider scale.





### Raising Awareness on IT Security

The bank has organized a training course on IT security awareness for directors and executives of the Land and Houses financial business group to keep up with the changes occurred to data protection system and information system (Cyber Security) locally and internationally. This is to raise the level of cautions in preventing the threats caused by the changing trends in the digital world so that the bank will be able to cope and prevent risks quickly and efficiently as well as provide knowledge on the Cyber Security Act B.E. 2562, Personal Data Protection Act B.E. 2562, IT risks and updates of new IT threats in order for employees to apply knowledge to work effectively and aware of the safer use of computers which is the creation of awareness in the use of information technology within the organization.



## INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors and executives value the importance of good internal control and realize the importance of risk management and sufficiency of internal control for all dimensions of operations, especially, in market conduct, banking product and cross selling. The bank directs all units to adhere to good practices 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, staff 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 are 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 relevant rules.

The information system including financial information system has been developed. Operations are in compliance with the bank's information technology risk governance and other relevant 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 decision making. Quality communication channel is also provided to ensure that executives and all employees understand policies and operational practices related to their functions.

The Internal Audit Group is the independent unit 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, suitability of risk management, effectiveness of resources management and correctness and 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 principles of continuous audit and integrated audit have been applied.

The bank always comprehends that internal control is essential to banking operations 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 proper 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.

The Audit Committee is responsible for nominating the auditors by considering their qualifications and performances before submitting the proposal to the Board of Directors for approval on an annual basis. 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 2020, the auditor of the bank was EY Office Limited who audited the 2020 financial statements and provided the reports with unqualified opinions. In addition, the duties of the Audit Committee cover the consideration of qualifications and suitability of the head of Internal Audit Group which has been screened by the management. The appointment, removal and transfer of the head of Audit Group shall be consented by the Audit Committee as specified in the Audit Committee's charter.

Internal Audit Group is able to perform audit tasks and monitor the operations independently, and directly reports to the Audit Committee. The auditing and monitoring processes focus on the comprehensive risks and compliance with regulations, policies, guidelines, procedures and code of conduct that the Audit Department, the Branch Audit Department and the Information Technology Audit Office take responsibilities for internal control functions as follows:

- **Audit Department, Branch Audit Department and Information Technology Audit Office**

These units are responsible for auditing and evaluating the adequacy of internal control as well as monitoring the operations against the policies, regulations, 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, data storage as well as define the measures to control the information disclosure, guidelines to improve the operations, and regularly report the audit results to the Board of Directors and the Audit Committee.

#### **Duties and Responsibilities of the Head of Internal Audit Group**

1. General Audit
2. Branch Audit
3. Information Technology Audit

#### **Profile of the Head of Internal Audit Group**

<b>Name</b>	Mrs. Wilawan Sutthibutr
<b>Position</b>	Executive Vice President of Internal Audit Group
<b>Age (Years)</b>	54
<b>Education</b>	<ul style="list-style-type: none"> <li>- Master of Business Administration, Kasetsart University</li> <li>- Bachelor of Economics, Kasetsart University</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>- Governance and Law Enforcement in Money Market Program : Chula Unisearch, Chulalongkorn University</li> </ul>

- Fund Performance Optimization Workshop Program : The Securities and Exchange Commission
- Law enforcement of Anti-Money Laundering Office Program : Chula Unisearch, Chulalongkorn University
- Insurance Compliance Officer Program : Chula Unisearch, Chulalongkorn University
- Securities Business Oversight for the Most Responsible Persons in Regulatory Affairs Program : The Thai Bankers' Association
- Credit Risk Management for Financial Institutions Program
- Securitization and Interest Rate Risk Hedging Program
- Advanced Financial Institution Credit Risk Analysis Program
- Regulatory Guidelines of Basel II Program
- The 7 Habits of Highly Effective People Program
- Intermediate Credit Seminar Program
- Certified Professional Internal Audit of Thailand (CPIAT) : The Institute of Internal Auditors of Thailand
- Advanced Audit Committee Program (AAP) 37/2020 : IOD
- Company Secretary Program (CSP) 108/2020 : IOD

Shareholding (%) -None-

Relationship with executives -None-

#### Work experiences in the past 5 years

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

Period	Position	Organization/Company
Aug 2019 - Present	Executive Vice President, Internal Audit Group	LH Financial Group Public Company Limited
1999 - 2018	Senior Vice President	Bangkok Bank PLC

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

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 PLC
1991 – 1995	Assistant Manager	Thanachart Capital Fund Co., Ltd.

#### Duties and Responsibilities of General Audit, Branch Audit and Information Technology Audit

- Determine objectives, goals, scope of audit program and plan for internal audit
- Prepare and update the audit manual in accordance with the Bank of Thailand's regulations and the international standards for internal audit profession
- Administrate the general audit function, branch audit function, information technology audit function and supervise the operation of internal audit officers
- Approve the audit program, evaluate the sufficiency and efficiency of internal control to mitigate risks and evaluate the quality of assigned tasks
- Evaluate the reliability and accuracy of financial and operational information

- Ensure that the operations comply with the policies, goals, objectives, plans, operating procedures, laws and regulations
- Set the performance standards, verify whether auditors comply with the audit standard, and control the audit plan
- Propose the audit reports to the top executives of audited departments, Chief Executive Officer and President, the Audit Committee and the Board of Directors as appropriate
- Sharpen the skills of auditors to be able to catch up with economic and social changes
- Conduct the performance assessments for all levels of auditors
- Give advice, opinion and suggestion about the operation guidelines in accordance with rules, orders and internal control
- Monitor high risk transactions
- Report the results of special audit to the Chief Executive Officer and President and the Audit Committee
- Propose the results of special audit to the top executives of audited departments so they can find accurate guidelines
- Follow up the improvements specified in audit reports
- Perform other tasks assigned by the Audit Committee

#### Number of Employees in Internal Audit Department as of December 31, 2020

There are 34 staff in the Internal Audit Department consisting of 10 in the General Audit Department, 16 in the Branch Audit Department and 8 in the Information Technology Audit Department.

#### Significant Penalty Charges Under Governing Laws

In 2016, there were no significant penalty charges under the governing laws.

In 2017, there were significant penalty charges under the governing laws as follows:

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 66 Financial Institutions Businesses Act B.E. 2551	Sale of debt instruments in HTM portfolio	187,500.00
		Section 71 Financial Institutions Businesses Act B.E. 2551	Reclassification of debt instruments	412,500.00
		Section 84 Financial Institutions Businesses Act B.E. 2551	Appointment of the Risk Management Committee does not comply with the Bank of Thailand's requirement	514,687.50

In 2018, there were no significant penalty charges under the governing laws.



In 2019, there were significant penalty charges under the governing laws as follows:

Item	Charger	Section	Issue	Charge (Baht)
1	Bank of Thailand	Section 37 Financial Institutions Businesses Act B.E. 2551	Operations: Offsite service	78,750.00
		Section 41 Financial Institutions Businesses Act B.E. 2551	No KYC checking (Know Your Customer : KYC)	246,250.00

In 2020, there were no significant penalty charges under the governing laws.



## RELATED PARTY TRANSACTIONS

Related party transactions 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 regulators. 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 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.

## Directors 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. 45 to the financial statements of the bank. The details are as follows:

### Outstanding Balances

As at 31 December 2020, the outstanding balances of transactions between the bank and its related parties were summarized as follows:

(Unit: Million Baht)

Relationship <sup>1</sup>	Interbank and money market items (assets)	Investments - Cost	Loans to customers	Accrued interest receivables on loans to customers	Other assets	Deposits	Interbank and money market items (liabilities)	Debts issued and borrowings	Accrued interest payables	Lease liabilities	Other liabilities	Contingent liabilities - bank guarantees
1. Parent company of the bank	-	-	745.00	0.04	0.30	10.75	-	84.10	0.48	4.12	32.00	-
2. Subsidiaries of the bank's parent company	3,589.57	-	-	-	19.41	4.37	66.33	-	0.01	-	-	-
3. Major shareholders of the bank's parent company	-	-	-	-	6.79	4,788.72	592.89	-	2.75	59.24	0.50	-
4. Related companies	-	357.71	3,511.31	2.42	30.47	6,237.22	-	-	3.07	400.54	0.86	21.19
5. Directors and executives	-	-	8.68	-	-	114.08	-	20.00	0.16	-	0.01	-
6. Related persons	-	-	59.45	0.10	-	3,021.96	-	18.40	1.75	-	-	-
<b>Total</b>	<b>3,589.57</b>	<b>357.71</b>	<b>4,324.44</b>	<b>2.56</b>	<b>56.97</b>	<b>14,177.10</b>	<b>659.22</b>	<b>122.50</b>	<b>8.22</b>	<b>463.90</b>	<b>33.37</b>	<b>21.19</b>

Notes <sup>1</sup> The nature of the relationships is described in the Note No. 45 to the financial statements "Related Party Transaction/Connected Person".



### Related Party Transactions in 2020

During the year 2020, 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 <sup>1</sup>	Interest income	Fees and service income	Dividend income	Other operating income	Dividends paid	Interest expenses	Other operating expenses
1. Parent company of the bank	27.62	0.11	-	1.07	500.00	4.69	289.90
2. Subsidiaries of parent company	79.00	107.93	-	-	-	5.33	-
3. Major shareholders of parent company	-	-	-	-	-	29.89	32.85
4. Related companies	106.60	-	10.63	-	-	41.41	107.90
5. Directors and executives	0.21	-	-	0.01	-	1.91	-
6. Related persons	1.17	-	-	-	-	17.52	-
<b>Total</b>	<b>214.60</b>	<b>108.04</b>	<b>10.63</b>	<b>1.08</b>	<b>500.00</b>	<b>100.75</b>	<b>430.65</b>

Notes <sup>1</sup> The nature of relationships is described in the Note No. 45 to the financial statements "Related Party Transaction/Connected Person".



## AUDIT COMMITTEE'S REPORT

The Audit Committee consists of 4 independent directors as follows:

1. Mr. Pradit	Sawattananond	Chairman
2. Mr. Somsak	Assavapokee	Member
3. Dr. Supriya	Kuandachakupt	Member
4. Mr. Pichai	Dusdeekulchai	Member

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's charter assigned by the Board of Directors.

During the year 2020, the Audit Committee had the 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 2020, the auditor of the bank was EY Office Limited who audited the financial statements for the year 2020 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.

## 7. Anti-corruption Measure

Consent to the renewal of the membership of the Thailand's Private Sector Collective Action Coalition Against Corruption

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. Pradit Sawattananond)  
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 |
| 2. Mr. Shih,  | Jiing-Fuh     | Member   |
| 3. Mr. Pradit | Sawattananond | Member   |

Mr. Ruangsak Vitavaskarnvej, Executive Vice President of 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 assigned by the Board of Directors.

During the year 2020, the Nomination and Remuneration Committee had a total of 5 meetings and reported the results of each meeting to the Board of Directors with the summary as follows:

1. Considered the nomination of executives
2. Considered the employment of the bank's consultants
3. Considered the 2020 payroll adjustment for President to propose to the Board of Directors
4. Considered the 2020 bonus for employees to propose to the Board of Directors
5. Considered the payroll adjustment for employees in case of promotion and special payroll adjustment to be compatible with market for the year 2021 to propose to the Board of Directors
6. Considered the 2020 performance and bonus for the President to propose to the Board of Directors
7. Consented to the directors' remuneration and meeting allowances for the year 2021 and directors' gratuity for the year 2020
8. Considered the nomination of directors to replace those retired by rotation
9. Conducted the 2020 self-assessment of the Nomination and Remuneration Committee according to the corporate governance principles



(Mr. Somsak Assavapokee)

Chairman of Nomination and Remuneration Committee

## BOARD OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENT'S REPORT

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 which comprises 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 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, 2020.



(Mr. Rutt Phanijphand)  
Chairman



(Ms. Chompoonoot Pathomporn)  
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 2020, and the related statements of comprehensive income, changes in shareholders' 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 2020, its financial performance and cash flows for the year then ended in accordance with the Bank of Thailand's regulations and Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the 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.

### Emphasis of Matter

I draw attention to Notes 1.2 and 3.2 to the financial statements. The Coronavirus 2019 outbreak has had an impact on businesses, especially on the value of loans to customers as a result of assistance provided and the value of investments, as a result of fluctuations in market prices. The Bank has provided assistance to its debtors in accordance with the Bank of Thailand's guidelines. The management has therefore prepared its financial statements for the year ended 31 December 2020, opting to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy issued by the Federation of Accounting Professions. My opinion is not modified in respect of this matter.

### Responsibilities of Management and Those in Charge of 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 deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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



### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

I am responsible for the audit resulting in this independent auditor's report.



Rachada Yongsawadvanich

Certified Public Accountant (Thailand) No. 4951

EY Office Limited

Bangkok: 25 February 2021



Land and Houses Bank Public Company Limited

Statements of financial position

As at 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
<b>Assets</b>			
Cash		801,380	1,635,451
Interbank and money market items - net	8	35,925,749	23,731,785
Derivative assets	9	412,457	241,376
Investments - net	10	43,982,974	51,646,774
Loans to customers and accrued interest receivables - net	11	155,838,424	151,783,035
Properties foreclosed - net	15	652,527	73,734
Premises and equipment - net	16	250,225	216,797
Right-of-use assets - net	17	732,066	-
Intangible assets - net	18	338,739	391,641
Deferred tax assets	19.1	607,909	223,820
Accrued interest receivables on investments		187,220	285,685
Other assets - net	20	355,169	318,212
<b>Total assets</b>		<b>240,084,839</b>	<b>230,548,310</b>

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





Land and Houses Bank Public Company Limited

Statements of financial position (continued)

As at 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
<b>Liabilities and shareholders' equity</b>			
Deposits	22	182,734,964	165,018,408
Interbank and money market items	23	12,203,111	10,503,646
Liabilities payable on demand		949,585	52,083
Derivative liabilities	9	228,458	35,634
Debts issued and borrowings - net	24	5,002,522	16,721,234
Interest payables		480,236	555,205
Accrued expenses		308,090	499,077
Lease liabilities - net	25	721,923	-
Provisions	26	258,875	163,786
Tax payable		386,336	330,930
Revenue received in advance		266,031	258,417
Other liabilities	28	178,304	130,303
<b>Total liabilities</b>		<b>203,718,435</b>	<b>194,268,723</b>
<b>Shareholders' equity</b>			
Share capital	29		
Registered, issued and paid-up			
2,000,000,000 ordinary shares of Baht 10 each		20,000,000	20,000,000
Share premium	29	10,598,915	10,598,915
Other components of shareholders' equity	32	(844,283)	(43,587)
Retained earnings			
Appropriated - statutory reserve	30	889,700	819,300
Unappropriated		5,722,072	4,904,959
<b>Total shareholders' equity</b>		<b>36,366,404</b>	<b>36,279,587</b>
<b>Total liabilities and shareholders' equity</b>		<b>240,084,839</b>	<b>230,548,310</b>

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





Land and Houses Bank Public Company Limited

Statements of comprehensive income

For the years ended 31 December 2020 and 2019

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

	Note	2020	2019
<b>Profit or loss:</b>			
Interest income	34	7,927,193	8,787,714
Interest expenses	35	(2,975,216)	(4,046,537)
<b>Net interest income</b>		4,951,977	4,741,177
Fees and service income	36	352,161	391,696
Fees and service expenses	36	(69,721)	(80,123)
<b>Net fees and service income</b>		282,440	311,573
Gains on financial instruments measured at fair value			
through profit or loss	37	44,253	1,472
Gains on investments	38	833,921	503,849
Dividend income		494,142	582,165
Other operating income		16,660	27,353
<b>Total operating income</b>		6,623,393	6,167,589
<b>Other operating expenses</b>			
Employee's expenses		1,110,334	1,191,976
Directors' remuneration	39	20,441	20,374
Premises and equipment expenses		653,944	659,172
Taxes and duties		213,584	225,651
Advertising and promotional expenses		65,633	86,768
Amortisation on intangible assets		115,188	104,352
Supporting services expenses		288,448	194,220
Other expenses		123,502	114,249
<b>Total other operating expenses</b>		2,591,074	2,596,762
<b>Expected credit losses</b>	40	2,298,242	-
<b>Bad debts, doubtful accounts and impairment losses</b>	41	-	1,090,000
<b>Profit from operating before income tax</b>		1,734,077	2,480,827
Income tax	19.2	(326,484)	(442,445)
<b>Net profit for the years</b>		1,407,593	2,038,382

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 2020 and 2019

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

	Note	2020	2019
<b>Other comprehensive income (loss):</b>			
Items that will be reclassified subsequently to profit or loss:			
Gains on investments in debt instruments measured at fair value			
through other comprehensive income		973,369	-
Gains on revaluation of available-for-sale investments		-	73,285
Income tax relating to components of other comprehensive income (loss)			
for items that will be reclassified subsequently to profit or loss		(194,722)	(14,657)
Total items that will be reclassified subsequently to profit or loss		778,647	58,628
Items that will not be reclassified subsequently to profit or loss:			
Losses on investments in equity instruments designated at fair value			
through other comprehensive income		(2,194,071)	-
Actuarial losses on defined benefit plans		-	(27,077)
Income tax relating to components of other comprehensive income (loss)			
for items that will not be reclassified subsequently to profit or loss		438,205	5,415
Total items that will not be reclassified subsequently to profit or loss		(1,755,866)	(21,662)
<b>Other comprehensive income (loss) for the years</b>		<b>(977,219)</b>	<b>36,966</b>
<b>Total comprehensive income for the years</b>		<b>430,374</b>	<b>2,075,348</b>
<b>Earnings per share:</b>	42		
Basic earnings per share			
Profit for the years (Baht per share)		0.70	1.02

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





Land and Houses Bank Public Company Limited  
Statements of changes in shareholders' equity  
For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	Other components of shareholders' equity					Retained earnings		Total
		Issued and paid-up share capital	Share premium	Revaluation surplus (deficit) on investments measured at fair value through other comprehensive income	Revaluation surplus (deficit) on available-for-sale investments	Revaluation surplus (deficit) on investments measured at fair value through other comprehensive income	Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2019</b>		20,000,000	10,598,915	(102,215)	-	-	717,200	4,390,339	35,604,239
Appropriated to statutory reserve	30	-	-	-	-	-	102,100	(102,100)	-
Dividend paid	31	-	-	-	-	-	-	(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
<b>Balance as at 31 December 2019</b>		20,000,000	10,598,915	(43,587)	-	-	819,300	4,904,959	36,279,587
<b>Balance as at 1 January 2020</b>		20,000,000	10,598,915	(43,587)	-	-	819,300	4,904,959	36,279,587
Cumulative effect of changes in accounting policy	4	-	-	41,413	43,587	41,413	-	71,443	156,443
<b>Balance as at 1 January 2020 - as restated</b>		20,000,000	10,598,915	-	-	41,413	819,300	4,976,402	36,436,030
Appropriated to statutory reserve	30	-	-	-	-	-	70,400	(70,400)	-
Dividend paid	31	-	-	-	-	-	-	(500,000)	(500,000)
Investments in equity instruments derecognised during the year	10.1	-	-	91,523	-	91,523	-	(91,523)	-
Profit for the year		-	-	-	-	-	-	1,407,593	1,407,593
Other comprehensive loss for the year		-	-	(977,219)	-	(977,219)	-	-	(977,219)
Total comprehensive income (loss) for the year		-	-	(977,219)	-	(977,219)	-	1,407,593	430,374
<b>Balance as at 31 December 2020</b>		20,000,000	10,598,915	(844,283)	-	(844,283)	889,700	5,722,072	36,366,404

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 2020 and 2019

(Unit: Thousand Baht)

	2020	2019
<b>Cash flows from operating activities</b>		
Profit before income tax	1,734,077	2,480,827
Adjustments to reconcile profit before income tax		
to net cash provided by (paid from) operating activities		
Depreciation and amortisation	464,869	182,275
Expected credit losses	2,298,242	-
Bad debts, doubtful accounts and impairment losses	-	1,090,000
Provisions for employee benefits	30,635	49,869
(Gains) losses on financial instruments measured at fair value		
through profit or loss	93,651	(17,134)
Losses on disposal/write-off of leasehold improvements and equipment	2,698	284
Gains on sales of investments	(833,921)	(503,849)
Net interest income	(4,951,977)	(4,741,177)
Dividend income	(494,142)	(582,165)
Cash received on interest income	6,070,529	7,267,891
Cash paid on interest expenses	(3,237,662)	(4,039,684)
Cash paid on income tax	(456,162)	(415,998)
<b>Profit from operation before changes in operating assets and liabilities</b>	<b>720,837</b>	<b>771,139</b>
(Increase) decrease in operating assets		
Interbank and money market items	(11,972,881)	(2,206,519)
Loans to customers	(5,860,915)	5,392,678
Properties foreclosed	(578,793)	14,215
Other assets	(77,265)	71,031
Increase (decrease) in operating liabilities		
Deposits	17,716,556	(3,152,595)
Interbank and money market items	1,699,465	1,226,222
Liabilities payable on demand	897,502	(120,739)
Short-term debts issued and borrowings	(10,716,559)	(3,565,033)
Accrued expenses	10,009	19,205
Provisions	(3,653)	(44,507)
Revenue received in advance	214,953	-
Other liabilities	65,322	(259,973)
<b>Net cash used in operating activities</b>	<b>(7,885,422)</b>	<b>(1,854,876)</b>

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







Land and Houses Bank Public Company Limited

Statements of cash flows (continued)

For the years ended 31 December 2020 and 2019

(Unit: Thousand Baht)

	Note	2020	2019
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments in debt instruments measured at amortised cost		9,623,416	-
Proceeds from sale of investments in debt instruments measured at fair value			
through other comprehensive income		13,314,255	-
Proceeds from sale of investments in equity instruments designated at fair value			
through other comprehensive income		1,437,526	-
Proceeds from sale of available-for-sale investments		-	3,867,562
Proceeds from held-to-maturity investments		-	3,360,730
Cash received on interest income on investments		1,362,402	1,555,376
Cash received on dividend income on investments		494,142	582,165
Invested in investments in debt instruments measured at amortised cost		(180,000)	-
Invested in investments in debt instruments measured at fair value			
through other comprehensive income		(14,844,995)	-
Invested in investments in equity instruments designated at fair value			
through other comprehensive income		(2,210,365)	-
Invested in available-for-sale investments		-	(805,650)
Invested in held-to-maturity investments		-	(2,285,886)
Invested in general investments		-	(1,647)
Proceeds from disposal of equipment		1,272	3,206
Cash paid for purchase of leasehold improvements and equipment		(110,475)	(80,331)
Cash paid for purchase of intangible assets		(73,106)	(140,572)
<b>Net cash provided by investing activities</b>		<b>8,814,072</b>	<b>6,054,953</b>
<b>Cash flows from financing activities</b>			
Cash paid for lease liabilities		(260,568)	-
Cash received on long-term debts issued and borrowings		-	1,000,000
Cash paid for long-term debts issued and borrowings		(1,002,153)	(4,004,196)
Dividend paid	31	(500,000)	(1,400,000)
<b>Net cash used in financing activities</b>		<b>(1,762,721)</b>	<b>(4,404,196)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(834,071)</b>	<b>(204,119)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>1,635,451</b>	<b>1,839,570</b>
<b>Cash and cash equivalents as at 31 December</b>		<b>801,380</b>	<b>1,635,451</b>
<b>Supplemental cash flows information</b>			
Non-cash items:			
Right-of-use assets		344,793	-
Purchase of assets on credit		16,538	27,267
Bad debts written-off		-	34,550

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 2020 and 2019

#### 1. General information

##### 1.1 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 Saton Road, Thungmahamek Sub-district, Saton District, Bangkok. As at 31 December 2020 and 2019, the Bank has 1 head office and 107 branches in Thailand.

##### 1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 (COVID-19) pandemic is directly and indirectly impacting various businesses and industry sectors, which results in an economic slowdown and a fluctuation in the money market and the capital market. This situation has impacted on the Bank's value of loans to customers, value of investments, operating results and cash flows at present, and is expected to do so in the future. However, the Bank's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

#### 2. Basis for preparation of financial statements

These financial statements were prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, Accounting Guidance announced by the Federation of Accounting Professions and accounting practices generally accepted in Thailand including the relevant regulations stipulated by the Bank of Thailand (BOT). The presentation of the financial statements has been made in compliance with the BOT's notification No. Sor Nor Sor. 21/2561 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 31 October 2018.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to the financial statements regarding the summary of significant accounting policies.

The financial statements in Thai language are the official statutory financial statements of the 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 has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. Those new standards that involve changes to key principles are summarised below:

##### Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments, consisting of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost taking into account the type of instrument, the characteristics of the contractual cash flows and the 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.

The adoption of these financial reporting standards results in changes in the Bank's significant accounting policies, which can be summarised as follows.

##### Classification and measurement of financial assets

The Bank classifies its financial assets and liabilities in accordance with the business model and management of the Bank's financial assets and liabilities based on the characteristics of the contractual cash flows of financial assets and the facts and circumstances as of the date these financial reporting standards were initially adopted. Classifications are as follows:

- The Bank classifies and measures its investments in non-listed equity instruments, which were previously classified as general investments and measured at cost, at fair value through other comprehensive income.
- Before 2020, the Bank had derivatives held for banking book recorded as off-balance sheet items and measured based on an accrual basis under the former accounting policies. However, since 1 January 2020 onwards, the Bank measures derivatives at fair value through profit or loss.

In addition, on 14 May 2020, the Board of Directors of the parent company considered and approved the reclassification of investments in investment units of Real Estate Investment Trust, Property Funds and Infrastructure Funds, which were previously classified as trading investments, measured at fair value through profit or loss, under the former accounting policies in prior year, to financial assets measured at fair value through other comprehensive income with the effective date back to 1 January 2020, being the first-date adoption of the set of TFRSs related to financial instruments. The reclassification of investments is in accordance with the interpretation of Federation of Accounting Profession relating to Interpretation of investments in investment units of Property Funds, Real Estate Investment Trusts, Infrastructure Funds and Infrastructure Trusts that are registered and established in Thailand. Hence, the cumulative effect from such reclassification resulted in the Bank having to transfer accumulated unrealised losses on revaluation of those investments as at 31 December 2019 amounting to Baht 3 million out of retained earnings and record such amounts against the “Revaluation deficit on investments measured at fair value through other comprehensive income” in the shareholders’ equity as at 1 January 2020.

#### Classification of financial liabilities

The adoption of these financial reporting standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure its financial liabilities at amortised cost.

#### Impairment of financial assets

TFRS 9 requires entities to estimate allowance for expected credit losses in place of the incurred losses recognised under the previous accounting policy. It requires entities to recognise impairment based on the Expected Credit Loss model for all financial assets that are debt instruments and not measured at fair value through profit or loss, including undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred. The Bank applies the General Approach to calculate expected credit losses of financial assets such as loans to customers, loans to financial institutions, investments in debt instruments and so on.

#### Practice during transitional period

The Bank recognised the cumulative effect of the adoption of these financial reporting standards as an adjustment to retained earnings or other components of shareholders’ equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of the 2019 figures cannot be compared with the financial statements for the year 2020.

The cumulative effect of the change is described in Note 4 to the financial statements.

#### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

The Bank recognised the cumulative effect of the initial adoption of this financial reporting standard using the modified retrospective method as an adjustment to retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 4 to the financial statements.

### 3.2 Accounting Guidance related to 2 Temporary Relief Measures

#### Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the Bank of Thailand No.BOT.RPD.(23)C.276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the Bank of Thailand No.BOT.RPD.(01)C.380/2563 “Measures to provide additional assistance to debtors during the COVID-19 pandemic” or any other measures announced by the Bank of Thailand. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the Bank of Thailand and certain entities not under the supervision of the Bank of Thailand, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the Bank of Thailand’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by situations that affect the Thai economy during the year from 1 January 2020 to 31 December 2021 or until the Bank of Thailand makes changes, with which the entities are to comply. The guidance applies to large debtors, small and medium-sized debtors and retail debtors who have the ability to run a business or to pay debts in the future and who have been impacted directly or indirectly by such situations, considering the following guidelines.

- (a) Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020.
- (b) Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions.

The Bank has entered into the scheme to provide assistance to affected debtors in accordance with the BOT's guidelines. The Accounting Guidance can be applied for the debtors who meet the conditions under the temporary relief measures.

- (a) In assisting a debtor that is not yet non-performing (Non-NPL), the Bank classifies it in the stage where there has not been a significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the BOT No.BOT.RPD.(01)C.380/2563, classification of the debtor remains at the same stage as before.
- (b) In assisting a debtor that is non-performing (NPL), the Bank can classify it as performing loan if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (c) In providing additional working capital loans to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring, the Bank can classify the debtor by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (d) The guideline specified in the appendix of circular of the Bank of Thailand relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- (e) Expected credit losses are determined based on the outstanding balance of the drawn down portion only.
- (f) If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the Bank can apply a newly calculated effective interest rate to determine the present value of loans that have been restructured in accordance with guidelines to assist debtors specified in the circulars of the Bank of Thailand. In addition, provided that the provision of assistance is in compliance with the circular of the Bank of Thailand No.BOT.RPD.(01)C.380/2563, the Bank recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the Bank of Thailand's guidelines if there are changes.
- (g) In determining the expected credit losses, the Bank can consider placing lighter weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

The BOT announced the temporary relief measures for entities providing assistance to debtors impacted by situations that affect the Thai economy such as economic conditions, trade wars, drought as well as COVID-19 pandemic. The Bank referred to such guidelines in providing assistance to affected debtors, as follows:

1. During the year from 1 January 2020 to 31 December 2021, the Bank considers provision of assistance to large, small and medium-sized debtors and retail debtors that have been directly or indirectly affected but still have the potential to continue operating their business or have the ability to settle debt in the future, at the first signs of issues with debt payment or as a pre-emptive

measure. The Bank can classify non-performing debtors (NPLs) as of 1 January 2020 as loans where there has not been a significant increase in credit risk or as Stage 1 immediately if the debtor is able to comply with the restructuring plan, and this is considered a pre-emptive debt restructuring, not a troubled-debt restructuring. In case that debtors are non-performing (NPL), the Bank can classify them as performing or Stage 1 immediately if the debtors are able to make debt payments in accordance with the restructuring plan for 3 consecutive months or periods, whichever is longer, and the Bank will continuously monitor and review whether these debtors are able to comply with the new terms and conditions. As at 31 December 2020, the Bank has eligible debtors under this measure amounting to Baht 50,378 million.

2. For housing loan facilities not exceeding Baht 3 million and corporate loan facilities not exceeding Baht 20 million, who are not classified as non-performing as at 1 March 2020, the Bank provides 3-month principal payment holidays and considers reducing interest rates as appropriate, commencing from April 2020 onwards. As at 31 December 2020, the temporary relief measure has ended.
3. The Bank provides additional soft loans of up to 20 percent of the outstanding loan balance as at 31 December 2019, with concessional interest rates of not more than 2 percent per annum for 2 years, in order to provide liquidity support to SMEs with loan facilities not exceeding Baht 500 million. The BOT will absorb some of the interest losses for the first 6 months. The Bank will then modify the interest rate after 2 years based on cost and risk considerations. As at 31 December 2020, the Bank has eligible debtors under this measure amounting to Baht 1,208 million.
4. The Bank grants 6-month principal and interest payment holidays to SMEs with loan facilities not exceeding Baht 100 million in order to provide financial assistance to SMEs impacted by the COVID-19 pandemic. As at 31 December 2020, the temporary relief measure has ended.

In addition, on 19 June 2020, the BOT issued the circular of the BOT No. BOT.RPD.(01) C.648/2563 “Measures to provide additional assistance to retail debtors during the COVID-19 pandemic - Phase 2”. As at 31 December 2020, the Bank has eligible debtors under this measure amounting to Baht 1,071 million.

#### **Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures on Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Bank elected to apply the following temporary relief measures on accounting alternatives:

- (a) To measure the fair value of investments in unquoted equity instruments using the fair value as at 1 January 2020.



- (b) To put a lighter weight on information relating to the COVID-19 situation in applying the valuation technique to measure the fair value of financial assets in the form of debt instruments using Level 2 or Level 3 inputs.
- (c) Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- (d) Not to use information relating to the COVID-19 situation in determining whether sufficient taxable profits will be available in future periods against which deferred tax assets can be utilised.
- (e) Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

In the fourth quarter of 2020, the Bank has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets. As a result, in preparing the financial statements for the year ended 31 December 2020, the Bank has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Bank's financial statements.

### **3.3 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021**

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Bank has evaluated that these revised financial reporting standards and interpretations do not have any significant impact on the Bank's financial statements when they are adopted.

### **4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards**

As described in Note 3.1 to the financial statements, during the current year, the Bank has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initial application of these standards is recognised as an adjustment to retained earnings as at 1 January 2020 and the comparative information was not restated.

The impacts on the beginning balance of retained earnings or other components of shareholders' equity of 2020 from changes in accounting policies due to the adoption of these financial reporting standards were presented as follows:

(Unit: Thousand Baht)

		The impacts of		
	31 December	Financial reporting standards related to financial instruments	TFRS 16	1 January
	2019			2020
Statements of financial position				
Assets				
Interbank and money market items - net	23,731,785	226,304	-	23,958,089
Derivative assets	241,376	68,166	-	309,542
Investments - net	51,646,774	103,986	-	51,750,760
Loans to customers and accrued interest receivables - net	151,783,035	(354,830)	-	151,428,205
Right-of-use assets - net	-	-	679,075	679,075
Deferred tax assets	223,820	(22,010)	-	201,810
Other assets - net	318,212	(27,231)	-	290,981
Liabilities and shareholders' equity				
Derivative liabilities	35,634	-	-	35,634
Debts issued and borrowings - net	16,721,234	-	-	16,721,234
Lease liabilities - net	-	-	638,793	638,793
Provisions	163,786	46,037	40,282	250,105
Revenue received in advance	258,417	(208,095)	-	50,322
Shareholders' equity				
Other components of shareholders' eq	(43,587)	85,000	-	41,413
Retained earnings - unappropriated	4,904,959	71,443	-	4,976,402



#### 4.1 Financial instruments

Details of the impact on retained earnings and other components of shareholders' equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

	(Unit: Thousand Baht)	
	Retained earnings	Other components of shareholders' equity
Recognition of derivatives at fair value through profit or loss	68,166	-
Cumulative effect from reclassification of investments	3,277	(3,277)
Recognition of revaluation deficit of available-for-sale investments	-	43,587
Recognition of revaluation surplus of investments measured at fair value through other comprehensive income	-	44,690
Impacts of the adoption of financial reporting standards related to financial instruments	71,443	85,000

As at 1 January 2020, the classification and measurement of financial assets and financial liabilities in accordance with TFRS 9 compared to the classification and measurement under the former basis, are as follows:

(Unit: Thousand Baht)

	Carrying amount under the former basis	Classification and measurement in accordance with TFRS 9				
		Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets as at 1 January 2020</b>						
Cash	1,635,451	-	-	-	1,635,451	1,635,451
Interbank and money market items - net	23,731,785	-	-	-	23,958,089	23,958,089
Derivative assets	241,376	309,542	-	-	-	309,542
Investments - net	51,646,774	-	1,055,563	8,516,417	42,178,780	51,750,760
Loans to customers and accrued interest receivables - net	151,783,035	-	-	-	151,428,205	151,428,205
<b>Total financial assets</b>	<b>229,038,421</b>	<b>309,542</b>	<b>1,055,563</b>	<b>8,516,417</b>	<b>219,200,525</b>	<b>229,082,047</b>
<b>Financial liabilities as at 1 January 2020</b>						
Deposits	165,018,408	-	-	-	165,018,408	165,018,408
Interbank and money market items	10,503,646	-	-	-	10,503,646	10,503,646
Liabilities payable on demand	52,083	-	-	-	52,083	52,083
Derivative liabilities	35,634	35,634	-	-	-	35,634
Debts issued and borrowings - net	16,721,234	-	-	-	16,721,234	16,721,234
Provisions	163,786	-	-	-	209,823	209,823
<b>Total financial liabilities</b>	<b>192,494,791</b>	<b>35,634</b>	<b>-</b>	<b>-</b>	<b>192,505,194</b>	<b>192,540,828</b>



The table below shows the impact of allowance for impairment as of 31 December 2019 which was recognised in accordance with the Bank of Thailand and TAS 105, Accounting for investments in debt and equity instruments, and provision for contingent obligation which was recognised in accordance with TAS 37, Provisions, Contingent liabilities and Contingent assets, and allowance for impairment as of 1 January 2020 which was recognised in accordance with TFRS 9. The changes are resulted from the valuation of allowance for expected credit losses which was initially incurred in accordance with TFRS 9.

	31 December 2019	Remeasurement	(Unit: Thousand Baht) 1 January 2020
Allowance for expected credit losses - interbank and money market items - net (assets)	231,880	(226,304)	5,576
Allowance for expected credit losses - investments in held-to-maturity debt instruments, reclassified to investments measured at amortised cost	-	6,060	6,060
Allowance for expected credit losses - available-for-sale debt instruments, reclassified to investments measured at fair value through other comprehensive income	-	240	240
Allowance for expected credit losses - loans to customers and accrued interest receivables	3,961,504	175,946	4,137,450
Allowance for expected credit losses - undrawn credit limit and financial guarantee contracts	-	46,037	46,037
Total	4,193,384	1,979 <sup>(1)</sup>	4,195,363

<sup>(1)</sup> The balance was fee received from financial guarantee contracts which was higher than its allowance for expected credit losses.

## 4.2 Leases

Upon initial application of TFRS 16, the Bank recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rates on 1 January 2020, at the rates between 1.65 percent to 2.90 percent per annum. For leases previously classified as finance leases, the Bank recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the leased assets and lease liabilities immediately before the date of initial application of TFRS 16.

(Unit: Thousand Baht)

Operating lease commitments as at 31 December 2019	594,453
Less: Short-term leases and leases of low-value assets	(6,377)
Add: Option to extend lease term	334,897
Less: Contracts reassessed as service agreements	(237,245)
Less: Others	(28,160)
Less: Deferred interest expenses	(18,775)
Increase in lease liabilities due to TFRS 16 initial adoption	638,793
Liabilities under finance lease agreements as at 31 December 2019	-
Lease liabilities as at 1 January 2020	638,793

The adjustments of right-of-use assets from TFRS 16 initial adoption as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

Buildings	631,537
Vehicles	47,538
Total right-of-use assets	679,075

## 5. Summary of significant accounting policies

### 5.1 Revenue recognition

#### (a) Interest and discount

##### *Accounting policy adopted since 1 January 2020*

The Bank recognises interest income on loans to customers on an accrual basis, using the effective interest method, over the term of the contract.

The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of financial assets. When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount net of allowance for expected credit losses) of the financial asset.

The effective interest rate is calculated based on the estimated contractual cash flows or on the expected life, with the cash flows including fees directly related to the loans to customers. The Bank recalculates the effective interest rate whenever there is a change in the cash flows, such as the loans being drawn down in installments or a change in a floating interest rate.

The Bank records the difference between interest income calculated using the effective interest method and interest income calculated using the contract rate as interest income in the statement of comprehensive income, and records undue interest receivables in the statement of financial position.

When subsequent changes to the terms and conditions of contracts mean loans to customers meet the criteria for derecognition (Modification with derecognition), the Bank recognises interest income based on the new effective interest rate over the remaining term of the contract. In addition, the Bank reverses undue interest receivables in the statement of financial position, and reverses any interest income remaining in the statement of comprehensive income on the derecognition date.

In cases where a discount is included in promissory notes or loans, the interest or the discount is recognised as deferred revenue and amortised under the effective interest method over the term of the note or loan.

##### *Accounting policy adopted before 1 January 2020*

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 contract, using the effective interest 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 financial instruments measured at fair value through profit or loss

Gains (losses) on securities trading and derivatives are recognised as revenues or expenses on the transaction dates. Gains (losses) on changes in fair value are recognised in profit or loss.

(d) Gains (losses) on investments

Gains (losses) on investments are recognised as revenues or expenses on the transaction dates.

(e) Dividend income

Dividend is recognised as revenues when the right to receive the dividend is established.

## 5.2 Expense recognition

(a) Interest expenses

*Accounting policy adopted since 1 January 2020*

Interest expenses are recognised on an accrual basis, using the effective interest rate. Interest on notes payable included in the face value is recorded as deferred interest expenses, which will be amortised as expenses evenly throughout the term of the notes.

*Accounting policy adopted before 1 January 2020*

Interest expenses are recognised on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expenses, which will be amortised as expenses evenly throughout the term of the notes.

(b) Commission and direct expenses charged on hire purchase

Commission and direct expenses incurred at the inception of a hire purchase contract such as commission expenses, are gradually amortised, using the effective interest method, and presented net of interest income on hire purchase.

(c) Fees and service expenses and other expenses

Fees and service expenses and other expenses are recognised as expenses on an accrual basis.

### 5.3 Cash and cash equivalents

Cash and cash equivalents are the amounts included in the statements of financial position under the caption of “Cash”, which consists of cash on hand and cheques in transit.

### 5.4 Securities purchased under reverse repurchase 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 reverse repurchase agreements are presented as assets under the caption of “Interbank and money market items” in the statements of financial position, and the underlying securities are treated as collateral to such receivables, while securities sold subject to repurchase agreements are presented as liabilities under the caption of “Interbank and money market items” in the statements of financial position at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The differences between the purchase price and the sale considerations are recognised as interest income or expenses, as the case maybe, over the transaction periods.

### 5.5 Derivatives

#### *Accounting policy adopted since 1 January 2020*

The Bank has entered into derivative financial instruments in order to manage risk of the Bank and in response to customer needs. These consist of financial derivative contracts which were originated for trading purposes and derivative contracts which were originated for risk management purposes (Banking book) and the Bank has not elected to adopt hedge accounting. Derivatives are initially recognised at fair value on trade date and subsequently remeasured at fair value.

After initial recognition, gains or losses on changes in fair value are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

The fair value of the contracts is based on the quoted market prices. If the fair value of a financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models in which the variables used are derived from observable market factors and adjusted to reflect counterparty credit risk.

#### *Accounting policy adopted before 1 January 2020*



The 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 sheet items. Gains or losses on changes in the fair value of the contracts are recognised to gains (losses) on financial instruments measured at fair value through profit or loss. 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.

Financial derivative contracts which were originated for the purpose of risk management (Banking book) are recorded as off-balance sheet items, which are presented on an accrual basis. The foreign exchange components of those derivatives are recognised based on exchange rates ruling at the end of the reporting period in the same manner as the hedged items. Unrealised gains or losses on exchange rates are recognised in profit or loss whereas the interest components of those derivatives are recognised on an accrual basis, in the same manner as the hedged assets and liabilities, as a part of interest income or expenses over the term of the contracts.

## 5.6 Investments

*Accounting policy adopted since 1 January 2020*

The Bank has classified investments in instruments as financial assets - debt or equity instruments as follows:

### Financial assets - debt instruments

The Bank classifies its investments in debt instruments as financial assets subsequently measured at amortised cost or fair value in accordance with the Bank's business model in managing the financial assets and according to the contractual cash flows characteristics of the financial assets as follows:

#### **(a) Financial assets measured at fair value through profit or loss**

Investments in debt instruments held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, gains and losses on changes in fair value are recognised in profit or loss.

#### **(b) Financial assets measured at fair value through other comprehensive income**

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, gains or losses on changes in fair value are presented as a separate item in other comprehensive income. The cumulative change in fair value recognised in other comprehensive income is recycled to profit or loss upon derecognition of these financial assets. Gains or losses on

foreign exchange, expected credit losses and interest income which is calculated using the effective interest method are recognised in profit or loss.

At the end of reporting period, investments in debt instruments measured at fair value through other comprehensive income are presented in the statement of financial position net of allowance for expected credit losses (if any).

**(c) Financial assets measured at amortised cost**

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows; and the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

The premium/discount on debt instruments is amortised using the effective interest rate with the amortised amount presented as an adjustment to interest income.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets - equity instruments

The Bank classifies its investments in equity instruments as equity instruments designated at fair value through other comprehensive income, which subsequent reclassification is not allowed. The classification is determined on an instrument-by-instrument basis. After initial recognition, gains or losses on changes in fair value of these investments are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are never recycled to profit or loss, instead, they are directly transferred to retained earnings upon disposal of the investments. Dividends on these investments are recognised in profit or loss except when the dividends clearly represent a recovery of part of the cost of the investments.

In addition, investments in equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Fair value

The fair value of marketable instruments is calculated based on the latest bid price of the last working day of the reporting period as quoted on the Stock Exchange of Thailand. The fair value of non-marketable instruments is calculated using discounted future cash flows techniques and/or determined by comparing with information of similar companies.

The fair value of debt instruments is determined based on the yield rates quoted by the Thai Bond Market Association.

Income from investments and disposals of investments

Gains or losses on disposals of investments are recognised in profit or loss on the transaction date by using weighted average method for computation of the cost of investments, except that those of investments in equity instruments classified as equity instruments designated at fair value through other comprehensive income are directly recognised in retained earnings.

#### Initial recognition

Purchases and sales of investments are initially recognised on trade date, which is the date that the Bank commits to purchase or sell the investments.

#### Changes in classification of investments in debt instruments

When there are changes in the Bank's business model for management of financial assets, the Bank has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income depending on the classification of the investments.

#### *Accounting policy adopted before 1 January 2020*

Trading investments are stated at fair value. Changes in the fair value of investments are recognised in profit or loss.

Available-for-sale investments are stated at fair value. Changes in the fair value of these investments are recognised in other comprehensive income (loss) and will be subsequently recognised in profit or loss when the investments are sold.

Held-to-maturity investments are presented at amortised cost less allowance for impairment (if any). The premium/discount on debt instruments is amortised by the effective interest rate with the amortised amount presented as an adjustment to interest income.

Investments in non-marketable equity instruments, which are classified as general investments, are stated at cost less allowance for impairment (if any).

The fair value of marketable equity instruments is based on the last bid price of the last working day of the reporting periods on the Stock Exchange of Thailand. The fair value of debt instruments is based on the yield rates quoted by the Thai Bond Market Association.

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

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

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

### **5.7 Loans to customers**

#### *Accounting policy adopted since 1 January 2020*

Loans to customers are presented at the principal balances, excluding accrued interest receivables and undue interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue, unearned discount and fees related to loans to

customers and modification gains or losses are added or deducted from the balances of loans to customers.

Hire purchase receivables are stated at the outstanding balances under the agreements less the balances of deferred revenue, which are presented net of deferred initial direct costs.

*Accounting policy adopted before 1 January 2020*

Loans to customers are presented at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Deferred revenue and unearned discount on loans to customers are deducted from the balances of loans to customers.

Hire purchase receivables are stated at the outstanding balances under the agreements less the balances of deferred revenue, which are presented net of deferred initial direct costs.

## 5.8 Allowance for expected credit losses/allowance for doubtful accounts

*Accounting policy adopted since 1 January 2020*

The Bank recognises an allowance for expected credit losses on its financial assets that are debt instruments measured at fair value through other comprehensive income and debt instruments measured at amortised cost such as interbank and money market items (assets), investments in debt instruments, and loans to customers, including undrawn credit limit and financial guarantee contracts, without requiring a credit-impaired event to have occurred prior to the recognition. The Bank sets allowance for expected credit losses using the General Approach on the loan amount, which consists of the outstanding loan balance, accrued interest receivables, undue interest receivables and other related items or equivalent to the asset in the statement of financial position as the base for calculation.

The Bank classifies its financial assets into three stages based on changes in credit risk to measure the value of allowance for expected credit losses, with the classification of a financial asset determined on the basis of the changes in credit quality since initial recognition as follows:

Stage 1 (Performing): Financial assets where there has not been a significant increase in credit risk

For financial assets where there has not been a significant increase in credit risk since initial recognition, the Bank determines allowance for expected credit losses at an amount equivalent to the expected credit losses for the next 12 months.

Stage 2 (Under-performing): Financial assets where there has been a significant increase in credit risk

For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, the Bank determines allowance for expected credit losses at an amount equivalent to the expected credit losses over the expected lifetime of the financial assets.

Stage 3 (Non-performing): Financial assets that are credit-impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets. The Bank determines allowance for expected credit losses at an amount equivalent to the expected credit losses over the expected lifetime of the financial assets.

At the end of the reporting period, the Bank assesses whether there has been a significant increase in the credit risk of the financial assets since initial recognition by comparing the risk of default as at the reporting date with that as at the initial recognition date.

In assessing whether there has been a significant increase in credit risk since initial recognition, the Bank uses internal criteria and risk ratings derived from external sources to assess the decrease in credit quality of the financial assets.

The Bank assesses whether there has been a significant increase in credit risk since initial recognition on an individual or an asset group basis. In making estimates of expected credit losses on an asset group basis, the basis of the Bank's grouping of financial assets is the similarity of credit risk characteristics such as asset type, credit rating, remaining term to maturity, industry, status of the debtor and other relevant factors.

When the terms of a loan are modified because the debtor is having financial problem, it is considered to be a financial asset where there has been a significant increase in credit risk or that is credit-impaired, unless there is an evidence showing that the risk of inability to collect the contractual cash flows is significantly decreased and there are no other impairment indicators.

In making estimates of expected credit losses, the Bank considers historical loss experience and adjusts it on the basis of current observable data, as well as forward-looking information that is supportable and reasonable, provided that it is shown to be statistically related, as well as exercising appropriate judgement. Macroeconomic data is used, and both the current situation and economic forecasts are evaluated. The use of forward-looking data increases the degree of judgement required in evaluating how relevant current macroeconomic changes affect expected credit losses. However, the Bank has a review procedure, and the methods, assumptions and forecasts of future economic situations are regularly appraised. In addition, the allowance for expected credit losses also includes the Management Overlay for the factors, which are not captured by the ECL model and for the group of customers whose credit quality may be deteriorated.

In the case of investments in debt instruments measured at fair value through other comprehensive income, the Bank recognises impairment charge in profit or loss as expected credit losses and the allowance for expected credit losses with the corresponding amount in other comprehensive income, whereas the carrying amount of the investments in debt instruments in the statement of financial position still present at fair value.

Expected credit losses on undrawn credit limit is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The measurement of expected credit losses on financial guarantee contracts is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

An increase or decrease in the allowance for expected credit losses is recognised as expected credit losses in profit or loss for each year.

#### *Accounting policy adopted before 1 January 2020*

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 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 history and the value of the underlying collateral.

Allowance for doubtful accounts additionally set up or reversed is charged to increase or reduce bad debts and doubtful accounts expenses for each year.

Amounts written off as bad debts are deducted from allowance for doubtful accounts. Write-offs are only made for loans which the 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.

## 5.9 Financial assets with modifications of terms/Debt restructuring

### *Accounting policy adopted since 1 January 2020*

When a financial assets’ terms of repayment are renegotiated or modified, or debt is restructured, or an existing financial asset is replaced with a new financial asset because the debtor is having financial problem, the Bank assesses whether to derecognise the financial asset and measures the expected credit losses, as follows:

- If the modification of terms does not result in derecognition of the financial assets, the Bank calculates the gross carrying amount of the new financial assets based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial assets. The difference between the book value and the present value of expected future cash flow is recognised as modification gains or losses of terms in profit or loss and presented as a part of the expected credit losses.
- If the modification of terms results in derecognition of the financial assets, the fair value of the new financial assets is the latest cash flows of the original financial assets on the date of derecognition. The difference between the book value and the fair value of the financial assets is recognised in profit or loss.

In addition, the Bank has redefined debt restructuring in cases where the restructuring is due to an increase in the credit risk of the debtor, in compliance with the circular of Bank of Thailand No. BOT.RPD (23)C.276/2563 dated 28 February 2020, and has accordingly modified the classification of debtors as follows:

- Debt restructuring for debtors who are performing loans, which are pre-emptive debt restructurings, made when signs of debt payment problems become evident, with the debtors classified as financial

assets where there has been a significant increase in credit risk (Stage 2). If the debtors are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period, this demonstrates that the debtors do not meet the criteria of a significant increase in credit risk and the Bank will classify them as financial assets where there has not been a significant increase in credit risk (Stage 1).

- Debt restructuring for debtors who are non-performing loans (NPL) is a troubled debt restructuring (TDR) regardless of whether losses are incurred. If the debt restructuring does not result in derecognition, the debtors are classified as credit-impaired (Stage 3) until they are able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or 3 installments, whichever is the longer period. The Bank can then classify them as financial assets where there has been a significant increase in credit risk (Stage 2). Following this, the Bank will continue to monitor repayment by these debtors for 9 months, and if they have no overdue balances of either principal or interest at the end of this period, making the Bank confident that they do not meet the criteria of a significant increase in credit risk, the Bank will reclassify them as financial assets where there has not been a significant increase in credit risk (Stage 1).

In addition, modifications of contract terms in line with changes in expected future cash flows, made in order to maintain good relationships with debtors with no increase in credit risk, such as reductions of interest rates related to market conditions, are not considered to be debt restructuring.

*Accounting policy adopted before 1 January 2020*

The 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 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 accounts.

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 expenses). 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.



**5.10 Properties foreclosed**

Properties foreclosed are stated at the lower of cost or net realisable value. The cost is the carrying value of debt balance of the debtor on the date the Bank is entitled to such properties foreclosed to settle debt. Net realisable value is determined with reference to the latest appraisal value less estimated selling expenses.

Gains (losses) on disposal of properties foreclosed is recognised as revenue (expenses) in profit or loss upon disposal. Impairment loss is recognised as expenses in profit or loss.

**5.11 Premises and equipment and depreciation**

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

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

Depreciation is recognised in profit or loss.

No depreciation is provided on land and assets in progress.

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

**5.12 Leases**

*Accounting policy adopted since 1 January 2020*

At inception of contract, the Bank assesses whether a contract is, or contains, a lease component if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank recognises and measures all leases with a term of more than 12 months, unless the underlying asset is low value. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Bank recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

**Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses (if any), and adjusted for any remeasurement of lease liabilities.

Depreciation of right-of-use assets is calculated by reference to their costs on the straight-line basis over the shorter of the lease term and their estimated useful lives as follows:

Buildings	1 - 6 years
Vehicles	1 - 5 years

If ownership of the leased asset is transferred to the Bank at the end of the lease term or the cost of such asset reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### **Lease liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Bank's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

#### **Short-term leases and Leases of low-value assets**

Payments under a lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets are recognised as expenses on a straight-line basis over the lease term.

#### *Accounting policy adopted before 1 January 2020*

Leases that do not transfer substantially all the risks and rewards of ownership to the 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 period.

### **5.13 Intangible assets and amortisation**

Intangible assets are measured at cost upon initial recognition and subsequently measured at cost less any accumulated amortisation and allowance for impairment (if any).

Intangible assets with finite useful lives are amortised on a systematic basis over their economic useful lives and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and method for such intangible assets are reviewed at least at the end of year. The amortisation expenses and impairment losses are charged to expenses in profit or loss.

Intangible assets with finite useful lives are computer softwares and deferred membership and license fee, which have estimated useful lives of 5 and 10 years, respectively. No amortisation is provided on computer softwares under development.

### **5.14 Impairment of non-financial 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 or its value in use, is less than the carrying amount.

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

### 5.15 Provisions

Provisions 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.

### 5.16 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 its 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.

### 5.17 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 which are presented as gains (losses) on financial instruments measured at fair value through profit or loss.

### 5.18 Income tax

Income tax represents the sum of income tax currently payable and deferred income tax.

#### (a) Current income tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

#### (b) Deferred income tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

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

At each reporting date, the 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 tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### 5.19 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 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.

#### 5.20 Financial instruments

*Accounting policy adopted since 1 January 2020*

The Bank recognises financial assets or financial liabilities, at initial recognition, when the Bank becomes a party to the contractual provisions of the financial instruments.

##### **Classification and measurement of financial assets and financial liabilities**

###### Financial assets - debt instruments

The Bank classifies its financial assets - debt instruments as to be subsequently measured at amortised cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets as follows:

- Financial assets measured at amortised cost

Only if both following conditions are met: the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value on trade date and subsequently measured at amortised cost net of allowance for expected credit losses (if any).

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- Financial assets measured at fair value through other comprehensive income

Only if both following conditions are met: the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and subsequently measured at fair value. Gains or losses on changes in fair value are presented in shareholders' equity through other comprehensive income. The cumulative change in fair value recognised in other comprehensive income is recycled to profit or loss upon derecognition of these financial assets. Gains or losses on foreign exchange, expected credit losses and interest income which are calculated using the effective interest method are recognised in profit or loss.

- Financial assets measured at fair value through profit or loss

The financial assets are held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets give rise on specified dates to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value and are subsequently measured at fair value. Gains or losses on changes in fair value and gains or losses on disposal are recognised as gains (losses) on financial instruments measured at fair value through profit or loss.

#### Financial assets - equity instruments

The Bank classifies investments in equity instruments that are not held for trading but held for strategic purpose or they are instruments with high market volatility as equity instruments designated at fair value through other comprehensive income, where an irrevocable election has been made by the management. The classification is determined on an instrument-by-instrument basis. Gains or losses on changes in fair value are recognised in other comprehensive income. Gains and losses recognised in other comprehensive income are never recycled to profit or loss, instead, they are directly transferred to retained earnings upon disposal of the investments. Dividends on these investments are recognized in profit or loss except when the dividends clearly represent a recovery of part of the cost of the investments.

In addition, investments in equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### Financial liabilities

At initial recognition, the Bank's financial liabilities are recognised at fair value and classified as liabilities to be subsequently measured at amortised cost using the effective interest method. Gains and losses are

recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

#### **Modification of financial instruments not measured at fair value**

##### Financial assets

If the terms of a financial asset are modified and the Bank assesses that cash flows of the modified financial asset are significantly different from the original financial assets. The original financial asset is derecognised and a new financial asset is recognised at fair value. The difference between the carrying amount of the derecognised financial asset and the new financial asset is recognised in profit or loss as a part of the expected credit losses.

If cash flows of the modified financial asset are not substantially different, the Bank recalculates the gross carrying amount of the new financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss, which is presented as a part of the expected credit losses.

##### Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified financial liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability is recognised in profit or loss.

If the cash flows of the modified financial liability are not substantially different, the Bank adjusts the carrying amount of the financial liability to reflect the net present value of the revised cash flows discounted at the original effective interest rate and recognises the amount arising from adjusting the carrying amount as a modification gains or losses.

#### **Derecognition of financial instruments**

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### **Write-off**

Debts that are determined to be irrecoverable are written off (either partially or in full) in the year in which the decision is taken. This is generally the case when the Bank determines that the counterparties do not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. In case of bad debt recovery, the recovered amount is recognised as revenue in the year it is recovered.

The Bank has risk related to these financial instruments and the risk management policies as described in Note 48 to the financial statements.

#### 5.21 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.

#### 6. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures, and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### 6.1 Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statements of financial position or disclosed in note to financial statements that are not actively traded, and for which quoted market prices are not readily available, the management exercises judgement, using valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these variables could affect the fair value reported in the statements of financial position and disclosed in the disclosure notes of the fair value hierarchy.

##### 6.2 Allowance for impairment on investments

*Accounting policy adopted before 1 January 2020*

The 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 judgement in loss estimation of each item, based on analysis of current status or consideration of what is significant and prolonged to conclude that impairment is incurred.

##### 6.3 Allowance for expected credit losses/allowance for doubtful accounts

*Accounting policy adopted since 1 January 2020*

The Bank has developed a model for estimating expected credit losses of financial assets based on the Bank of Thailand's guidelines.

Judgement is used in estimating the allowance for expected credit losses of debtors who are having problems making principal and/or interest payments, with management taking into consideration analysis of debtor status performed on an individual and a group basis, the probability of default, estimated losses arising from the default, historical collection experience, collateral value, statistical data, economic factors and risk ratings derived from external sources. These are used in determining assumptions and



forward-looking scenarios, as well as probability weighted outcomes. The Bank also considers factors that would result in a significant increase in the credit risk of the financial assets compared with the risk as of the initial recognition date.

In addition, the management sets aside an additional allowance for expected credit losses to account for the uncertainties around future events that have not yet been reflected in the model (Management Overlay), based on the assessment and judgement of the management.

*Accounting policy adopted before 1 January 2020*

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 judgement to estimate losses expected to be incurred on loans and/or accrued interest receivables, taking into consideration an analysis of status of each individual debtor and group of debtors, probability of default, loss given default, debtors collection history, values of collateral, and economic conditions.

#### 6.4 Premises and equipment and depreciation

In determining depreciation of buildings and equipment, the management is required to make estimate of the useful lives and residual value of buildings and equipment and to review estimated useful lives and residual value when circumstances change.

In addition, the management is required to review impairment for premises and equipment for on a periodical basis and records impairment loss when it is determined that their recoverable amounts are lower than their carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### 6.5 Leases

*Accounting policy adopted since 1 January 2020*

***Determining the lease term with extension and termination options***

In determining the lease term, the management is required to exercise judgement in assessing whether the Bank is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Bank to exercise either the extension or termination option.

***Estimating the incremental borrowing rate***

The Bank cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

#### 6.6 Intangible assets

The initial recognition and measurement of intangible assets, including subsequent impairment testing, require management to make estimates of cash flows to be generated by the assets or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 6.7 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which those temporary differences and tax loss carried forward can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimated future taxable profits.

## 6.8 Provisions for employee benefits

Provisions for employee benefits are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangement.

## 6.9 Litigation

The Bank has contingent liabilities as a result of claim litigation. The management has used judgement to assess the outcome of the litigation cases and believe that loss will not be incurred. Therefore no contingent liabilities are recognised at the end of reporting periods.

## 6.10 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgement on whether risks and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

## 7. The classification of financial assets and financial liabilities

(Unit: Thousand Baht)

	31 December 2020				
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total
<u>Financial assets</u>					
Cash	-	-	-	801,380	801,380
Interbank and money market items - net	-	-	-	35,925,749	35,925,749
Derivative assets	412,457	-	-	-	412,457
Investment - net	-	36,887,789	7,095,185	-	43,982,974
Loans to customers and accrued interest receivables - net	-	-	-	155,838,424	155,838,424
<b>Total financial assets</b>	<b>412,457</b>	<b>36,887,789</b>	<b>7,095,185</b>	<b>192,565,553</b>	<b>236,960,984</b>
<u>Financial liabilities</u>					
Deposits	-	-	-	182,734,964	182,734,964
Interbank and money market items	-	-	-	12,203,111	12,203,111
Liabilities payable on demand	-	-	-	949,585	949,585
Derivative liabilities	228,458	-	-	-	228,458
Debts issued and borrowings - net	-	-	-	5,002,522	5,002,522
Lease liabilities - net	-	-	-	721,923	721,923
<b>Total financial liabilities</b>	<b>228,458</b>	<b>-</b>	<b>-</b>	<b>201,612,105</b>	<b>201,840,563</b>



(Unit: Thousand Baht)

	31 December 2019				
	Held for trading	Held as available-for-sale	Held to maturity	Cost / amortised cost	Total
<b>Financial assets</b>					
Cash	-	-	-	1,635,451	1,635,451
Interbank and money market items - net	-	-	-	23,731,785	23,731,785
Derivative assets	56,864	-	184,512	-	241,376
Investment - net	8,509,514	1,055,563	42,074,794	6,903	51,646,774
Loans to customers and accrued interest receivables - net	-	-	-	151,783,035	151,783,035
<b>Total financial assets</b>	<b>8,566,378</b>	<b>1,055,563</b>	<b>42,259,306</b>	<b>177,157,174</b>	<b>229,038,421</b>
<b>Financial liabilities</b>					
Deposits	-	-	-	165,018,408	165,018,408
Interbank and money market items	-	-	-	10,503,646	10,503,646
Liabilities payable on demand	-	-	-	52,083	52,083
Derivative liabilities	35,634	-	-	-	35,634
Debts issued and borrowings - net	-	-	-	16,721,234	16,721,234
<b>Total financial liabilities</b>	<b>35,634</b>	<b>-</b>	<b>-</b>	<b>192,295,371</b>	<b>192,331,005</b>

## 8. Interbank and money market items (assets)

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Bank of Thailand	2,452,043	-	2,452,043	325,746	-	325,746
Commercial banks	125,274	8,800,000	8,925,274	130,270	3,338,000	3,468,270
Specialised financial institutions	-	7,300,000	7,300,000	-	2,500,000	2,500,000
Other financial institutions	5,215,000	11,815,000	17,030,000	6,649,000	10,880,978	17,529,978
<b>Total</b>	<b>7,792,317</b>	<b>27,915,000</b>	<b>35,707,317</b>	<b>7,105,016</b>	<b>16,718,978</b>	<b>23,823,994</b>
Add: Accrued interest receivables and undue interest receivables	131	7,847	7,978	3,555	9,649	13,204
Less: Allowance for expected credit losses	(1,611)	(3,960)	(5,571)	-	-	-
Less: Allowance for doubtful accounts	-	-	-	(66,490)	(165,390)	(231,880)
<b>Total domestic items</b>	<b>7,790,837</b>	<b>27,918,887</b>	<b>35,709,724</b>	<b>7,042,081</b>	<b>16,563,237</b>	<b>23,605,318</b>
<b>Foreign:</b>						
US Dollar	205,371	-	205,371	119,239	-	119,239
Yen	624	-	624	-	-	-
Euro	490	-	490	35	-	35
Other currencies	9,540	-	9,540	7,193	-	7,193
<b>Total foreign items</b>	<b>216,025</b>	<b>-</b>	<b>216,025</b>	<b>126,467</b>	<b>-</b>	<b>126,467</b>
<b>Interbank and money market items - net</b>	<b>8,006,862</b>	<b>27,918,887</b>	<b>35,925,749</b>	<b>7,168,548</b>	<b>16,563,237</b>	<b>23,731,785</b>



## 9. Derivative assets/liabilities

The fair values/carrying values of derivative assets and liabilities consist of derivatives held for trading and derivatives held for banking book measured at fair value.

(Unit: Thousand Baht)

Types of derivatives	31 December 2020		31 December 2019	
	Fair value		Fair value / Carrying value	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	135,796	228,458	56,864	35,634
Derivatives held for banking book *	276,661	-	184,512	-
Total	412,457	228,458	241,376	35,634

\* The Bank has entered into derivatives contracts for the purpose of risk management (Banking book) without selecting an option to adopt hedge accounting.

Derivatives held for trading

As at 31 December 2020 and 2019, the fair values and the notional amounts of derivatives held for trading, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	31 December 2020			31 December 2019		
	Fair value		Notional amounts *	Fair value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate	135,796	228,458	21,700,033	56,864	35,634	18,336,461
Total	135,796	228,458	21,700,033	56,864	35,634	18,336,461

\* Disclosed only in case that the Bank has an obligation to pay.

Derivatives held for banking book

As at 31 December 2020 and 2019, the fair values/carrying values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

(Unit: Thousand Baht)

Types of risk	31 December 2020			31 December 2019		
	Fair value		Notional amounts *	Carrying value		Notional amounts *
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate and interest rate	276,661	-	1,149,440	184,512	-	1,149,440
Total	276,661	-	1,149,440	184,512	-	1,149,440

\* Disclosed only in case that the Bank has an obligation to pay.

## 10. Investments

### 10.1 Type of investments

Investments as at 31 December 2020 consist of:

	(Unit: Thousand Baht)
	31 December 2020
	Fair value
<b>Investments in debt instruments measured at fair value through other comprehensive income</b>	
Government and state enterprise instruments	18,471,268
Private sector debt instruments	14,908,300
Other debt instruments	3,710,497
Total	37,090,065
Less: Allowance for expected credit losses	(202,276)
Total investments in debt instruments measured at fair value through other comprehensive income	36,887,789

	(Unit: Thousand Baht)	
	31 December 2020	
	Fair value	Dividend received
Investments in equity instruments designated at fair value through other comprehensive income		
Domestic marketable equity instruments - investment units	7,088,282	483,423
Domestic non-marketable equity instruments	6,903	364
Total investments in equity instruments designated at fair value through other comprehensive income	7,095,185	483,787
Total investments - net	43,982,974	

During the year ended 31 December 2020, the Bank sold investments in equity instruments designated at fair value through other comprehensive income. Accumulated gains or losses on derecognition were recognised in retained earnings as follows:

	(Unit: Thousand Baht)			
	For the year ended 31 December 2020			
	Fair value on derecognition date	Dividend received	Gains or losses on derecognition	Reason of derecognition
Derecognised investments in equity instruments				
Domestic marketable equity instruments -				
Investment units	461,823	10,355	(88,477)	Liquidity management
Investment units <sup>(1)</sup>	796,954	-	(3,046)	Liquidity management
Total	1,258,777	10,355	(91,523)	

<sup>(1)</sup> The Bank classifies and measures the investment units at fair value through other comprehensive income, which is in accordance with the BOT's notification No. Sor Nor Sor. 6/2563 regarding the investment in unit trust of fixed income fund to enhance the liquidity of the money market.

During the year 2020, the Bank sold investments in equity instruments designated at fair value through other comprehensive income to the subsidiary of the Bank's parent company and recognised losses in retained earnings totaling Baht 124 million.

Investments as at 31 December 2019 consist of:

	(Unit: Thousand Baht) 31 December 2019
<b>Trading investments - fair value</b>	
Domestic marketable equity instruments - investment units	8,509,514
Total trading investments	8,509,514
<b>Available-for-sale investments - fair value</b>	
Private sector debt instruments	1,055,563
Total available-for-sale investments	1,055,563
<b>Held-to-maturity investments - amortised cost</b>	
Government and state enterprise instruments	18,336,809
Private sector debt instruments	18,347,043
Other debt instruments	5,390,942
Total held-to-maturity investments	42,074,794
<b>General investments - cost</b>	
Domestic non-marketable equity instruments - stocks	6,928
Less: Allowance for impairment	(25)
Total general investments	6,903
Total investments - net	51,646,774

## 10.2 Investments in which the Bank holds more than 10 percent of the equity of the investees

As at 31 December 2020 and 2019, the investments in which the Bank holds more than 10 percent of the equity of the investees that were not treated as investments in subsidiaries and associates, were as follows:

	(Unit: Thousand Baht) 31 December	
	2020	2019
Infrastructure Fund (presented at fair value)	211,750	285,250
	211,750	285,250

## 10.3 Investments in companies having problems relating to financial position and operating results

	31 December 2020			31 December 2019			
	Number of companies	Cost	Fair value	Number of companies	Cost	Fair value	Allowance for impairment
Companies whose auditors' report indicating going concern issues	1	25	-	1	25	-	25
	1	25	-	1	25	-	25

#### 10.4 Reclassification

On 15 June 2020, the Board of Directors' Meeting No.6/2563 of the Bank approved the change of its business model of financial assets management with regard to investments in debt instruments, which were previously classified as an investments in debt instruments measured at amortised cost to be an investments in debt instruments measured fair value through other comprehensive income. The change was effective on 1 July 2020, whereby the fair value and the cost of the reclassified investments on the reclassification date amounted to Baht 33,963 million and Baht 32,864 million, respectively. The difference between the fair value and the cost of Baht 1,099 million was recognised as a part of "Gains (losses) on debt instruments measured at fair value through other comprehensive income" in the statements of comprehensive income.

During the year ended 31 December 2019, the 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 financial instruments measured at fair value through profit or loss" in profit or loss.

#### 11. Loans to customers and accrued interest receivables

##### 11.1 Classified by loan types

(Unit: Thousand Baht)

	31 December	
	2020	2019
Overdrafts	3,519,531	4,318,143
Loans	121,969,143	113,374,942
Bills	35,410,576	37,688,743
Hire purchase receivables	92,631	174,589
Total loans to customers	160,991,881	155,556,417
Less: Deferred revenue	(21,620)	(26,029)
Loans to customers net of deferred revenue	160,970,261	155,530,388
Add: Accrued interest receivables and undue interest receivables	872,130	214,151
Total loans to customers and accrued interest receivables	161,842,391	155,744,539
Less: Allowance for expected credit losses	(6,003,967)	-
Allowance for doubtful accounts	-	(3,947,519)
Revaluation allowance for debt restructuring	-	(13,985)
Loans to customers and accrued interest receivables - net	155,838,424	151,783,035



## 11.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	158,841,756	-	158,841,756	154,304,873	-	154,304,873
US Dollar	2,046,487	-	2,046,487	1,225,515	-	1,225,515
Other currencies	82,018	-	82,018	-	-	-
Total	160,970,261	-	160,970,261	155,530,388	-	155,530,388

## 11.3 Classified by loan classification

(Unit: Thousand Baht)

	31 December 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	151,561,757	944,581
Financial assets where there has been a significant increase in credit risk (Under-performing)	4,781,681	869,397
Financial assets that are credit-impaired (Non-performing)	5,498,953	2,762,044
Total	161,842,391	4,576,022
General provision		1,427,945
Total		6,003,967

(Unit: Thousand Baht)

	31 December 2019			
	Loans to customers and accrued interest receivables	Net amount used for setting allowance for doubtful accounts <sup>(1)</sup>	Minimum rates	Allowance for doubtful accounts
			(Percent)	
Provision at BOT's minimum required rates				
Pass	149,573,676	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

<sup>(1)</sup> For loans classified as pass and special-mention, net amount used for setting allowance for doubtful accounts means principal balance excluding accrued interest receivables and net of collateral. For loans classified as sub-standard, doubtful and doubtful of loss, it means the principal balance after deduction of the present value of future cash flows expected to be received from debt collection or from the disposal of collateral.

#### 11.4 Loans to customers that have repayment problems or default payments

As at 31 December 2020 and 2019, the Bank had loans to customers and accrued interest receivables due from companies and individuals, which had repayment problems or default payments, against which allowance for expected credit losses/allowance for doubtful accounts, were made as follows:

(Unit: Thousand Baht)

	31 December 2020		
	Number of debtors	Debt balances	Allowance for expected credit losses
Companies and individuals that have repayment problems or default payments	579	10,280,634	3,631,441

(Unit: Thousand Baht)

	31 December 2019			
	Number of debtors	Debt balances	Collateral value	Allowance for doubtful accounts/ Revaluation allowance
Companies and individuals that have repayment problems or default payments	439	6,170,863	5,557,513	463,443

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 already considered the loan classification and set allowance for expected credit losses of those debtors.

#### 11.5 Troubled debt restructuring

As at 31 December 2020 and 2019, 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 2020	9,969	161,842,391	268	4,160,494
31 December 2019	9,644	155,744,539	247	4,657,237

As at 31 December 2020 and 2019, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

#### 11.6 Hire purchase receivables

As at 31 December 2020 and 2019, the Bank had hire purchase receivables, on which the terms of the agreements were generally between 3 to 8 years and they carried interest at fixed rates as stipulated in the agreements.

(Unit: Thousand Baht)

	31 December 2020			
	Amounts due under the contracts			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Aggregate initial investments under the hire purchase agreements	74,726	17,905	-	92,631
Less: Deferred revenue	(2,898)	(1,811)	-	(4,709)
Present value of minimum lease payments	71,828	16,094	-	87,922
Less: Allowance for expected credit losses				(5,427)
Hire purchase receivables - net				82,495

(Unit: Thousand Baht)

	31 December 2019			
	Amounts due under the contracts			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Aggregate initial investments under the hire purchase agreements	99,040	72,658	2,891	174,589
Less: Deferred revenue	(6,637)	(4,097)	(54)	(10,788)
Present value of minimum lease payments	92,403	68,561	2,837	163,801
Less: Allowance for doubtful accounts				(16,649)
Hire purchase receivables - net				147,152

## 12. Allowance for expected credit losses/allowance for doubtful accounts

(Unit: Thousand Baht)

For the year ended 31 December 2020							
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit-impaired (Non-performing)	General provision	Allowance for doubtful accounts	Revaluation allowance for debt restructuring	Total
<b>Interbank and money market items (assets)</b>							
Balances - beginning of the year	-	-	-	-	231,880	-	231,880
Changes due to adoption of new accounting standards <sup>(1)</sup>	5,576	-	-	-	(231,880)	-	(226,304)
	5,576	-	-	-	-	-	5,576
Changes due to revaluation of loss allowance	(11,169)	-	-	-	-	-	(11,169)
New financial assets purchased or acquired	31,666	-	-	-	-	-	31,666
Financial assets derecognised	(20,502)	-	-	-	-	-	(20,502)
Balances - end of the year	5,571	-	-	-	-	-	5,571
<b>Investments in debt instruments measured at amortised cost</b>							
Balances - beginning of the year	-	-	-	-	-	-	-
Changes due to adoption of new accounting standards <sup>(1)</sup>	6,060	-	-	-	-	-	6,060
	6,060	-	-	-	-	-	6,060
Changes due to revaluation of loss allowance	(866)	-	-	-	-	-	(866)
New financial assets purchased or acquired	32	-	-	-	-	-	32
Financial assets derecognised	(412)	-	-	-	-	-	(412)
Reclassification	(4,814)	-	-	-	-	-	(4,814)
Balances - end of the year	-	-	-	-	-	-	-

- (1) The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.



(Unit: Thousand Baht)

For the year ended 31 December 2020

	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non- performing)	General provision	Allowance for doubtful accounts	Revaluation allowance for debt restructuring	Total
<b>Investments in debt instruments measured at fair value through other comprehensive income</b>							
Balances - beginning of the year	-	-	-	-	-	-	-
Changes due to adoption of new accounting standards <sup>(1)</sup>	240	-	-	-	-	-	240
	240	-	-	-	-	-	240
Changes due to transfers of loan classification	(2,764)	2,764	-	-	-	-	-
Changes due to revaluation of loss allowance	(753)	197,236	-	-	-	-	196,483
New financial assets purchased or acquired	928	-	-	-	-	-	928
Financial assets derecognised	(189)	-	-	-	-	-	(189)
Reclassification	4,814	-	-	-	-	-	4,814
Balances - end of the year	2,276	200,000	-	-	-	-	202,276
<b>Loans to customers and accrued interest receivables</b>							
Balances - beginning of the year	-	-	-	816,251	3,131,268	13,985	3,961,504
Changes due to adoption of new accounting standards <sup>(1)</sup>	433,905	972,271	1,414,149	500,874	(3,131,268)	(13,985)	175,946
	433,905	972,271	1,414,149	1,317,125	-	-	4,137,450
Changes due to transfers of loan classification	583,032	(1,105,760)	522,728	-	-	-	-
Changes due to revaluation of loss allowance	(187,093)	938,086	1,007,610	110,820	-	-	1,869,423
New financial assets purchased or acquired	444,239	364,732	90,265	-	-	-	899,236
Financial assets derecognised	(329,502)	(299,932)	(272,708)	-	-	-	(902,142)
Balances - end of the year	944,581	869,397	2,762,044	1,427,945	-	-	6,003,967
<b>Other assets</b>							
Balances - beginning of the year	-	-	-	-	27,145	-	27,145
Changes due to adoption of new accounting standards <sup>(1)</sup>	791	249	26,105	-	(27,145)	-	-
	791	249	26,105	-	-	-	27,145
Changes due to transfers of loan classification	(21)	38	(17)	-	-	-	-
Changes due to revaluation of loss allowance	33	26	11,132	-	-	-	11,191
New financial assets purchased or acquired	718	776	26,292	-	-	-	27,786
Financial assets derecognised	(775)	(771)	(27,436)	-	-	-	(28,982)
Balances - end of the year	746	318	36,076	-	-	-	37,140

<sup>(1)</sup> The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.





The amount of allowance for expected credit losses (ECL) as at 1 January 2020 as determined based on Expected Credit Loss model (ECL model) in accordance with TFRS 9: Financial Instruments was less than the amount of allowance for doubtful accounts as at 31 December 2019 as determined in accordance with the former accounting policy by Baht 1,317 million. On 15 May 2020, the Bank informed the Bank of Thailand that the Bank reserves such amount as Management Overlay for the cases where additional provision may be incurred from the instability of the ECL model due to the first-year adoption or for the group of customers whose credit quality may be deteriorated. During the year ended 31 December 2020, the Bank has set additional Management Overlay of Baht 111 million. Therefore, as at 31 December 2020, the balance of the allowance for expected credit losses in respect of the Management Overlay was Baht 1,428 million.

(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-off	-	-	-	-	(34,550)	-	-	(34,550)
Decrease as a result of disposals	(57,775)	(131,982)	(44,547)	(2,779)	(618,735)	-	-	(855,818)
Transfer to revaluation allowance for debt restructuring	-	-	-	-	-	-	(2,429)	(2,429)
Transfer to allowance for doubtful accounts for other assets	-	-	-	-	(17,138)	-	-	(17,138)
Balances - end of the year	844,425	3,092	21,330	5,392	420,512	1,836,517	816,251	3,947,519

During the year ended 31 December 2020, the Bank had significant changes in the book value of financial assets to the changes in allowances for expected credit losses as follows:

(Unit: Thousand Baht)

Financial instruments	For the year ended 31 December 2020			
	Increase (decrease) in allowance for expected credit losses			
	Description of significant change in book value	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under-performing)	Financial assets that are credit-impaired (Non-performing)
Corporate loans increased by				
Loans to customers	Baht 3,779 million	442,778	(112,404)	1,282,150



## 13. Revaluation allowance for debt restructuring

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Balances - beginning of the years	13,985	11,994
Changes due to adoption of new accounting standards	(13,985)	-
Increase during the years	-	4,430
Decrease during the years	-	(3,166)
Adjustment during the years	-	727
Balances - end of the years	-	13,985

## 14. Disposals of non-performing loans

For the years ended 31 December 2020 and 2019, the Bank has entered into the sale and purchase agreements, as a seller, to sell non-performing loans, which were summarised as follows:

(Unit: Million Baht)

For the year ended 31 December 2020				For the year ended 31 December 2019			
Batch	Month sold	Outstanding balances (including other relevant assets)		Batch	Month sold	Outstanding balances (including other relevant assets)	
			Selling price				Selling price
1	May	187	121	1	May	823	675
				2	May	269	158
				3	September	859	427
				4	October	882	700
		187	121			2,833	1,960

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 May 2021 (for the sale in May 2020). In the event that the rights over the debt and the collateral of the sold assets cannot be transferred to the buyer because the documentation with respect to the debt and collateral is absent or incomplete, the collateral is evicted, or the courts do not permit the buyer to assume the rights of litigant from the Bank, the transfer of any assets shall be cancelled. The buyer is to receive the money back equivalent to the purchase price as settled on the settlement date while the 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 2020, the buyer has yet to cancel any assets sold up to the authorisation date of these financial statements.



## 15. Properties foreclosed

(Unit: Thousand Baht)

	For the year ended 31 December 2020			
	31 December 2019	Increase	Disposal	Appraiser change
<b>Properties foreclosed - Immovable assets</b>				
Appraised by external appraisers:				
Cost	9,474	580,659	-	17,684
Allowance for impairment	-	-	-	-
Net book value	9,474	580,659	-	17,684
Appraised by internal appraisers:				
Cost	62,398	364	(2,230)	(17,684)
Allowance for impairment	-	-	-	-
Net book value	62,398	364	(2,230)	(17,684)
Properties foreclosed - Immovable assets	71,872	581,023	(2,230)	-
<b>Properties foreclosed - Movable assets</b>				
Appraised by external appraisers:				
Cost	3,560	-	-	-
Allowance for impairment	(1,698)	-	-	-
Net book value	1,862	-	-	-
Properties foreclosed - Movable assets	1,862	-	-	-
<b>Total properties foreclosed</b>	<b>73,734</b>	<b>581,023</b>	<b>(2,230)</b>	<b>-</b>

(Unit: Thousand Baht)

	For the year ended 31 December 2019			31 December 2019
	31 December 2018	Increase	Disposal	
<b>Properties foreclosed - Immovable assets</b>				
Appraised by external appraisers:				
Cost	9,461	13	-	9,474
Allowance for impairment	-	-	-	-
Net book value	9,461	13	-	9,474
Appraised by internal appraisers:				
Cost	76,626	2,713	(16,941)	62,398
Allowance for impairment	-	-	-	-
Net book value	76,626	2,713	(16,941)	62,398
Properties foreclosed - Immovable assets	86,087	2,726	(16,941)	71,872
<b>Properties foreclosed - Movable assets</b>				
Appraised by external appraisers:				
Cost	3,560	-	-	3,560
Allowance for impairment	(1,698)	-	-	(1,698)
Net book value	1,862	-	-	1,862
Properties foreclosed - Movable assets	1,862	-	-	1,862
<b>Total properties foreclosed</b>	<b>87,949</b>	<b>2,726</b>	<b>(16,941)</b>	<b>73,734</b>

As at 31 December 2020, the Bank's properties foreclosed totaling Baht 500 million were obligated under the agreements to sell to the former debtors as the first refusal rights within the specified periods.

As at 31 December 2019, the 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.

## 16. Premises and equipment

(Unit: Thousand Baht)

	Land	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Assets in progress	Total
<b>Cost</b>								
1 January 2019	40,589	10,211	427,032	153,917	586,614	18,542	4,428	1,241,333
Addition	-	-	8,529	4,873	49,593	9,016	10,259	82,270
Write-off/disposal	-	-	(46,108)	(12,925)	(283)	(7,050)	-	(66,366)
Transfer 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
Addition	-	-	5,161	3,798	91,175	-	8,652	108,786
Write-off/disposal	-	-	(7,922)	(5,584)	(92,896)	(4,818)	-	(111,220)
Transfer in (out)	-	-	3,138	-	7,616	-	(10,754)	-
31 December 2020	40,589	10,211	402,317	144,079	641,819	15,690	98	1,254,803
<b>Accumulated depreciation</b>								
1 January 2019	-	3,008	383,224	136,028	488,611	14,041	-	1,024,912
Accumulated depreciation on write-off/disposal	-	-	(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
Accumulated depreciation on write-off/disposal	-	-	(7,429)	(5,257)	(90,631)	(4,818)	-	(108,135)
Depreciation charged for the year	-	511	16,267	6,016	46,922	2,557	-	72,273
31 December 2020	-	4,029	367,699	131,870	491,320	9,660	-	1,004,578
<b>Net book value</b>								
31 December 2019	40,589	6,693	43,079	14,754	100,895	8,587	2,200	216,797
31 December 2020	40,589	6,182	34,618	12,209	150,499	6,030	98	250,225
<b>Depreciation for the years</b>								
2019								78,404
2020								72,273

As at 31 December 2020 and 2019, 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 843 million and Baht 844 million, respectively.



17. Right-of-use assets

(Unit: Thousand Baht)

	Buildings	Vehicles	Total
<b>Cost</b>			
1 January 2020 <sup>(1)</sup>	631,537	47,538	679,075
Addition	334,743	10,050	344,793
Contract termination	(38,267)	(3,706)	(41,973)
31 December 2020	928,013	53,882	981,895
<b>Accumulated depreciation</b>			
1 January 2020	-	-	-
Accumulated depreciation on contract termination	(34,247)	(2,862)	(37,109)
Depreciation charged for the year	266,078	20,860	286,938
31 December 2020	231,831	17,998	249,829
<b>Net book value</b>			
31 December 2020	696,182	35,884	732,066

<sup>(1)</sup> The amounts were the adjustments of right-of-use assets from TFRS 16 adoption as described in Note 4.2 to the financial statements.



## 18. Intangible assets

	(Unit: Thousand Baht)			
	Computer softwares	Deferred membership and license fee	Computer softwares under development	Total
<b>Cost</b>				
1 January 2019	695,113	36,570	163,185	894,868
Addition	73,313	2,858	74,754	150,925
Write-off	(128)	-	-	(128)
Transfer in (out)	225,256	-	(225,256)	-
31 December 2019	993,554	39,428	12,683	1,045,665
Addition	39,951	-	24,115	64,066
Write-off	(2,253)	-	(682)	(2,935)
Adjustment	(1,679)	-	-	(1,679)
Transfer in (out)	26,377	-	(26,377)	-
31 December 2020	1,055,950	39,428	9,739	1,105,117
<b>Accumulated amortisation</b>				
1 January 2019	526,067	23,733	-	549,800
Accumulated amortisation on write-off	(128)	-	-	(128)
Amortisation charged for the year	100,535	3,817	-	104,352
31 December 2019	626,474	27,550	-	654,024
Accumulated amortisation on write-off	(2,216)	-	-	(2,216)
Accumulated amortisation on adjustment	(618)	-	-	(618)
Amortisation charged for the year	111,245	3,943	-	115,188
31 December 2020	734,885	31,493	-	766,378
<b>Net book value</b>				
31 December 2019	367,080	11,878	12,683	391,641
31 December 2020	321,065	7,935	9,739	338,739
<b>Amortisation for the years</b>				
2019				104,352
2020				115,188
<b>Remaining amortisation periods (years)</b>	0 - 5	1, 4, 5, 8, 9	-	

As at 31 December 2020 and 2019, 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 487 million and Baht 445 million, respectively.

## 19. Deferred tax assets/liabilities and income tax

### 19.1 Deferred tax assets/liabilities

The components of deferred tax assets/liabilities included deferred income tax arose from the following transactions:

	31 December		(Unit: Thousand Baht) Changes in deferred income tax for the years ended 31 December	
	2020	2019	2020	2019
Deferred tax assets (liabilities) arose from:				
Investments	251,526	11,716	239,810	(13,838)
Loans to customers and accrued interest receivables	295,151	173,759	121,392	(20,789)
Properties foreclosed	340	340	-	-
Right-of-use assets	5,940	-	5,940	-
Other assets	7,428	5,429	1,999	(8,523)
Provisions	42,257	31,632	10,625	6,488
Others	5,267	944	4,323	(291)
Deferred tax assets	<u>607,909</u>	<u>223,820</u>		
Total			<u>384,089</u>	<u>(36,953)</u>
Changes in deferred income tax:				
Recognised in retained earnings as at 1 January 2020 <sup>(1)</sup>			(22,010)	-
Recognised in retained earnings <sup>(2)</sup>			(22,119)	-
Recognised in profit or loss			184,735	(27,711)
Recognised in other comprehensive income (loss)			<u>243,483</u>	<u>(9,242)</u>
Total			<u>384,089</u>	<u>(36,953)</u>

<sup>(1)</sup> The effect of changes in accounting policies due to the adoption of new financial reporting standards as described in Note 4 to the financial statements.

<sup>(2)</sup> Transactions arise from disposals of equity instruments designated at fair value through other comprehensive income during the years.

## 19.2 Income tax

Income tax expenses reported in profit or loss for the years ended 31 December 2020 and 2019 were as follows:

		(Unit: Thousand Baht)	
		For the years ended 31 December	
		2020	2019
<b>Current income tax:</b>			
Corporate income tax for the years		(489,100)	(414,734)
<b>Deferred income tax:</b>			
Deferred income tax from temporary differences and reversal of temporary differences		184,735	(27,711)
Deferred income tax from disposals of equity instruments designated at fair value through other comprehensive income during the years		(22,119)	-
Income tax expenses reported in profit or loss		(326,484)	(442,445)

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2020 and 2019 multiplied by the applicable tax rate were as follows:

		(Unit: Thousand Baht)	
		For the years ended 31 December	
		2020	2019
Accounting profits before income tax expenses		1,734,077	2,480,827
Applicable tax rate		20%	20%
Income tax calculated based on accounting profits		(346,815)	(496,165)
Tax effects of:			
Tax-exempted revenues		42,238	49,447
Additional expense deductions allowed		4,324	6,646
Non-deductible expenses		(15,271)	(1,473)
Others		(10,960)	(900)
Income tax expenses reported in profit or loss		(326,484)	(442,445)

The weighted average income tax rates for the years ended 31 December 2020 and 2019 was 18.83% and 17.83%, respectively.



The amounts of income tax recognised in other comprehensive income (loss) for the years ended 31 December 2020 and 2019 were summarised below:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Deferred income tax relating to:		
Gains on revaluation of available-for-sale investments	-	(14,657)
Gains on revaluation of investments in debt instruments		
measured at fair value through other comprehensive income	(194,722)	-
Losses on revaluation of investments in equity instruments		
designated at fair value through other comprehensive income	438,205	-
Actuarial losses	-	5,415
Income tax reported in other comprehensive income (loss)	243,483	(9,242)

## 20. Other assets

(Unit: Thousand Baht)

	31 December	
	2020	2019
Deposits and guarantees	94,527	92,353
Suspense accounts - debtors	93,738	38,089
Receivables on disposals of properties foreclosed auctions	74,648	82,465
Prepaid expenses	43,638	36,179
Accrued income	32,982	20,711
Token money	30,810	30,790
Other receivable per Credit Support Annex	18,306	13,614
Deferred expenses	-	27,300
Others	3,660	3,856
Total	392,309	345,357
Less: Allowance for expected credit losses	(37,140)	-
Allowance for doubtful accounts/allowance for impairment	-	(27,145)
Other assets - net	355,169	318,212

## 21. Quality of assets

As at 31 December 2020 and 2019, the Bank had assets categorised in compliance with the regulations of the BOT as follows:

(Unit: Thousand Baht)

	31 December 2020				
	Interbank and money market items and accrued interest receivables	Investments	Loans to customers and accrued interest receivables	Other assets	Total
<u>Classification of assets</u>					
Financial assets where there has not been a significant increase in credit risk (Performing)	35,931,320	33,379,568	151,561,757	2,141	220,874,786
Financial assets where there has been a significant increase in credit risk (Under- performing)	-	3,710,497	4,781,681	360	8,492,538
Financial assets that are credit-impaired (Non-performing)	-	-	5,498,953	36,076	5,535,029
Total	35,931,320	37,090,065	161,842,391	38,577	234,902,353

(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
Total	23,381,182	558,091	155,744,539	27,145	179,710,957



## 22. Deposits

### 22.1 Classified by type of deposits

(Unit: Thousand Baht)

	31 December	
	2020	2019
Demand deposits	3,938,090	4,253,649
Savings deposits	87,765,526	62,044,948
Time deposits	60,726,266	65,147,694
Fixed deposit receipts	30,305,082	33,572,117
Total deposits	182,734,964	165,018,408

### 22.2 Classified by currency and residency of depositors

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	181,594,378	52	181,594,430	164,665,339	52	164,665,391
US Dollar	101,658	1,038,194	1,139,852	146,376	206,641	353,017
Other currency	682	-	682	-	-	-
Total	181,696,718	1,038,246	182,734,964	164,811,715	206,693	165,018,408

## 23. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<b>Domestic:</b>						
Bank of Thailand	-	1,208,340	1,208,340	-	-	-
Commercial banks	6,954	1,000	7,954	9	1,000	1,009
Specialised financial institutions	-	4,132,268	4,132,268	-	2,551,466	2,551,466
Other financial institutions	1,817,074	4,354,475	6,171,549	6,517,340	843,915	7,361,255
Total domestic items	1,824,028	9,696,083	11,520,111	6,517,349	3,396,381	9,913,730
<b>Foreign:</b>						
Baht	-	-	-	30	-	30
US Dollar	7,166	675,834	683,000	1,883	588,003	589,886
Total foreign items	7,166	675,834	683,000	1,913	588,003	589,916
Total interbank and money market items	1,831,194	10,371,917	12,203,111	6,519,262	3,984,384	10,503,646



## 24. Debts issued and borrowings

(Unit: Thousand Baht)

	31 December 2020					31 December 2019				
	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
Subordinated debentures <sup>(1)</sup>	5.125%	2025	4,000,000	-	4,000,000	5.125%	2025	4,000,000	-	4,000,000
Unsubordinated and unsecured debentures	1.99%	2021	1,000,000	-	1,000,000	1.75% - 1.99%	2020 - 2021	4,000,000	-	4,000,000
Borrowings from Department of Alternative Energy Development and Efficiency	0%	2021 - 2022	5,976	-	5,976	0%	2021 - 2022	8,129	-	8,129
Total			5,005,976	-	5,005,976			16,768,129	-	16,768,129
Less: Deferred expenses			(3,454)	-	(3,454)			(46,895)	-	(46,895)
Debts issued and borrowings - net			5,002,522	-	5,002,522			16,721,234	-	16,721,234

<sup>(1)</sup> Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BOT's notification.

### 24.1 Subordinated debentures

On 21 May 2015, the Bank issued 4 million units with a par value of Baht 1,000 each, totalling Baht 4,000 million of the subordinated debentures No.1/2558, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which mature in 2025 and carry interest at a fixed rate of 5.125% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

## 25. Lease liabilities

(Unit: Thousand Baht)

31 December 2020

Lease Liabilities	759,995
Less: Deferred interest	(38,072)
Total lease liabilities	721,923

The Bank has entered into the lease agreements for rental of buildings and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 1 to 6 years.

The maturity analysis of lease payments is disclosed in Note 48.3 to the financial statements under the liquidity risk.

Expenses relating to leases that were recognised in profit or loss for the year ended 31 December 2020 were as follows:

	(Unit: Thousand Baht) For the year ended 31 December 2020
Depreciation of right-of-use assets	276,728
Interest expenses on lease liabilities	12,837
Expenses relating to leases of low-value assets/short-term leases/ variable lease payments	28,315
Total	317,880

The Bank had total cash outflows for leases for the year ended 31 December 2020 of Baht 261 million.

## 26. Provisions

	(Unit: Thousand Baht) 31 December	
	2020	2019
Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts	26,821	-
Provisions for employee benefits	185,233	158,161
Provisions for decommissioning cost	46,821	5,625
Total	258,875	163,786

### 26.1 Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts

As at 31 December 2020, allowance for expected credit losses of undrawn credit limit and financial guarantee contracts classified by loan classification were as follows.

	(Unit: Thousand Baht) 31 December 2020	
	Undrawn credit limit and financial guarantee contracts	Allowance for expected credit losses
Financial assets where there has not been a significant increase in credit risk (Performing)	35,119,223	18,568
Financial assets where there has been a significant increase in credit risk (Under-performing)	67,495	55
Financial assets that are credit-impaired (Non-performing)	34,220	8,198
Total	35,220,938	26,821

Movements of allowance for expected credit losses of undrawn credit limit and financial guarantee contracts were as follows:

(Unit: Thousand Baht)

	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit-impaired (Non-performing)	Total
Balances - beginning of the year	-	-	-	-
Changes due to adoption of new accounting standards <sup>(1)</sup>	33,195	4,701	8,141	46,037
	33,195	4,701	8,141	46,037
Changes due to transfers of loan classification	494	(797)	303	-
Changes due to revaluation of loss allowance	(16,962)	(3,756)	580	(20,138)
New loan commitments/guarantee contracts issued	17,282	240	452	17,974
Financial assets derecognised	(15,441)	(333)	(1,278)	(17,052)
Balances - end of the year	18,568	55	8,198	26,821

<sup>(1)</sup> The beginning balance of allowance for doubtful accounts, which was previously recognised in accordance with the rules of the Bank of Thailand, is currently shown as 12-mth ECL and Lifetime ECL according to the principles of TFRS 9, without retrospective adjustment of the comparative information, as described in Note 4 to the financial statements.

## 26.2 Provisions for employee benefits

Movements of provisions for employee benefits were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Provisions for employee benefits at the beginning of the years	158,161	125,722
Current service costs	28,138	23,665
Interest costs	2,497	3,348
Past service costs	-	22,856
Employees transferred among the Group	-	(32,575)
Actuarial (gains) losses arose from:		
Demographic assumption changes	-	(2,127)
Financial assumption changes	-	20,192
Other changes	-	9,012
Benefits paid during the years	(3,563)	(11,932)
Provisions for employee benefits at the end of the years	185,233	158,161



Employee benefit expenses recognised in profit or loss are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Current service costs	28,138	23,665
Interest costs	2,497	3,348
Past service costs	-	22,856
Total employee benefit expenses	30,635	49,869

As at 31 December 2020 and 2019, the Bank expected to pay approximately Baht 6.2 million and Baht 2.8 million, respectively on employee benefits payable within the next 1-year period.

As at 31 December 2020 and 2019, the Bank's weighted average durations of employee benefit payments were estimated to be 10 years and 10 - 11 years, respectively.

The principal assumptions used in actuarial valuation as at the revaluation dates were summarised below.

	31 December	
	2020	2019
	(% per annum)	(% per annum)
Future salary incremental rates	5.50	5.50
Turnover rates	0 - 40	0 - 40
Discount rates	1.57	1.57, 2.54 and 2.62

The impacts from changes in significant assumptions on provisions for employee benefits as at 31 December 2020 and 2019 were summarised below.

	(Unit: Thousand Baht)			
	31 December 2020		31 December 2019	
	Increase (decrease) in provisions for employee benefits		Increase (decrease) in provisions for employee benefits	
Significant assumptions	+ 0.5%	- 0.5%	+ 0.5%	- 0.5%
Future salary incremental rates	11,065	(10,359)	8,726	(8,184)
Discount rates	(9,232)	9,926	(7,935)	8,542





## 27. Advances received from electronic transactions

The BOT's notification No. Sor Nor Chor 2/2562, dated 20 December 2019, regarding the "Regulations on Service Business Relating to Electronic Fund Transfer" requires the Bank to disclose advances received from electronic fund transfer transactions. These advances are to be presented under other liabilities. As at 31 December 2020, the Bank had advances received from electronic fund transfer transactions amounting to Baht 0.02 million (2019: None).

In addition, the Bank has deposits of Baht 10 million to support electronic transactions, which are presented under interbank and money market items (assets) in the statements of financial position as at 31 December 2020.

## 28. Other liabilities

(Unit: Thousand Baht)

	31 December	
	2020	2019
Suspense accounts - creditors	131,557	45,854
Accounts payable on acquisition of equipment and intangible assets	16,538	27,267
Deposits received	6,282	6,360
Other payable per Credit Support Annex	5,800	39,400
Account payable - Revenue Department	2,743	1,803
Others	15,384	9,619
Total other liabilities	178,304	130,303

## 29. Share capital/share premium

Reconciliation of issued and paid-up share capital and share premium during the years ended 31 December 2020 and 2019 was as follows:

	For the year ended 31 December 2020		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
<u>Issued and paid-up share capital</u>			
Ordinary share capital at beginning of the year	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 2019		
	Share capital		Share premium
	Number of shares	Thousand Baht	Thousand Baht
Issued and paid-up share capital			
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

### 30. Statutory reserve

Pursuant to Section 116 of the Public Company Limited Act B.E. 2535, the Bank is required to set aside a statutory reserve at least 5 percent of its net profits for the year, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. This statutory reserve is not available for dividend distribution.

### 31. Dividend paid

During the years ended 31 December 2020 and 2019, the Bank paid dividend as follows:

Dividend	Approved by	Dividend paid (Thousand Baht)	Dividend paid per share (Baht per share)
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 <sup>(1)</sup>	0.25 <sup>(1)</sup>
From its operating results for the three-month period ended 31 March 2019	The Board of Directors' Meeting 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 Directors' Meeting of the Bank held on 11 November 2019	400,000	0.20
Total dividend paid during the year 2019		1,400,000	0.70
From its operating results for the year ended 31 December 2019	The Annual General Meeting of the Bank's shareholders held on 23 March 2020	500,000 <sup>(2)</sup>	0.25 <sup>(2)</sup>
Total dividend paid during the year 2020		500,000	0.25

<sup>(1)</sup> Net of interim dividend payment during the year 2018

<sup>(2)</sup> Net of interim dividend payment during the year 2019



### 32. Other components of shareholders' equity

As at 31 December 2020 and 2019, revaluation surplus (deficit) on investments measured at fair value through other comprehensive income/revaluation surplus (deficit) on available-for-sale investments consisted of:

		(Unit: Thousand Baht)	
		31 December	
		2020	2019
<b>Revaluation surplus on the reclassified investments</b>			
Debt instruments		775,299	61,939
Total		775,299	61,939
<b>Revaluation deficit on the reclassified investments</b>			
Debt instruments		-	(110,079)
Total		-	(110,079)
<b>Revaluation surplus on investments</b>			
Debt instruments		390,352	-
Total		390,352	-
<b>Revaluation deficit on investments</b>			
Debt instruments		(136,480)	(6,344)
Equity instruments		(2,084,525)	-
Total		(2,221,005)	(6,344)
<b>Revaluation deficit on investments measured at fair value through other comprehensive income</b>			
		(1,055,354)	-
<b>Revaluation deficit on available-for-sale investments</b>			
		-	(54,484)
<b>Add: Income tax</b>			
		211,071	10,897
<b>Revaluation deficit on investments measured at fair value through other comprehensive income - net of income tax</b>			
		(844,283)	-
<b>Revaluation deficit on available-for-sale investments - net of income tax</b>			
		-	(43,587)

### 33. Capital fund and liquid assets

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 2020 and 2019, capital fund of the Bank calculated under Basel III consisted of the following:

(Unit: Thousand Baht)

	31 December 2020	31 December 2019
<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	889,700	819,300
Retained earnings after appropriation	4,473,125	3,890,338
Revaluation deficit on investments measured at fair value through other comprehensive income	(1,055,629)	-
Revaluation deficit on available-for-sale investments	-	(93,112)
Deduction items on Common Equity Tier 1 capital fund	(946,648)	(637,122)
Total Common Equity Tier 1 capital fund	33,959,463	34,578,319
Total Tier 1 capital fund	33,959,463	34,578,319
<u>Tier 2 capital fund</u>		
Subordinated debentures	3,173,000	3,950,200
General provision	2,265,711	1,892,556
Total Tier 2 capital fund	5,438,711	5,842,756
Total capital fund	39,398,174	40,421,075

(Unit: Percentage)

	31 December 2020		31 December 2019	
	The Bank	Minimum and additional rates required by law	The Bank	Minimum and additional rates required by law
(Revised)				
The ratio of Common Equity Tier 1 capital fund to risk assets	17.109	7.000	16.481	7.000
The ratio of Tier 1 capital fund to risk assets	17.109	8.500	16.481	8.500
The ratio of total capital fund to risk assets	19.849	11.000	19.265	11.000

The Bank disclosed its capital adequacy and capital risk exposure information as of 31 December 2019 through the Bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) on 30 April 2020 and will disclose its capital adequacy and capital risk exposure information as of 31 December 2020 by April 2021.

The Bank disclosed its Liquidity Coverage Ratio as of 31 December 2019 through the Bank's website at [www.lhbank.co.th](http://www.lhbank.co.th) on 30 April 2020 and will disclose its Liquidity Coverage Ratio as of 31 December 2020 by April 2021.

#### 34. Interest income

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Interbank and money market items	490,552	632,496
Investments in debt instruments	1,222,486	1,519,641
Loans to customers	6,207,921	6,623,252
Hire purchase	6,101	12,296
Others	133	29
Total interest income	<u>7,927,193</u>	<u>8,787,714</u>

#### 35. Interest expenses

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Deposits	2,119,305	2,514,932
Interbank and money market items	90,565	98,597
Contributions to the Deposit Protection Agency and the Bank of Thailand	447,916	877,057
Debts issued		
- Subordinated debentures	206,232	205,639
- Unsubordinated and unsecured debentures	49,798	90,758
- Others	47,344	259,370
Others	14,056	184
Total interest expenses	<u>2,975,216</u>	<u>4,046,537</u>

Moreover, the Bank of Thailand announced a reduction in the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per year, which is effective from 1 January 2020 to 31 December 2021.

36. Fees and service income

(Unit: Thousand Baht)

For the years ended 31 December

	2020	2019
<b>Fees and service income</b>		
Acceptances, avals and guarantees	40,539	56,865
Commission income	209,728	220,447
Others	101,894	114,384
<b>Total fees and service income</b>	<b>352,161</b>	<b>391,696</b>
<b>Fees and service expenses</b>		
Fees and charges	58,765	67,568
Others	10,956	12,555
<b>Total fees and service expenses</b>	<b>69,721</b>	<b>80,123</b>
<b>Net fees and service income</b>	<b>282,440</b>	<b>311,573</b>

37. Gains on financial instruments measured at fair value through profit or loss

(Unit: Thousand Baht)

For the years ended 31 December

	2020	2019
<b>Gains (losses) on trading and foreign exchange transactions:</b>		
Foreign exchange and derivatives contract relating to foreign exchange	44,253	5,569
Equity instruments	-	(4,097)
<b>Total gains on financial instruments measured at fair value through profit or loss</b>	<b>44,253</b>	<b>1,472</b>

38. Gains on investments

(Unit: Thousand Baht)

For the years ended 31 December

	2020	2019
<b>Gains (losses) on derecognition:</b>		
Investments in debt instruments measured at amortised cost	418,567	-
Investments in debt instruments measured at fair value through other comprehensive income	415,354	-
Available-for-sale investments	-	503,849
<b>Total gains on investments</b>	<b>833,921</b>	<b>503,849</b>

### 39. 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.

### 40. Expected credit losses

Expected credit losses and modification gains or losses of financial assets for the years ended 31 December 2020 and 2019 were as follows:

(Unit: Thousand Baht)		
For the years ended 31 December		
	2020	2019
<b>Expected credit losses (reversal)</b>		
Interbank and money market items	(5)	-
Investments in debt instruments measured at amortised cost	(6,060)	-
Investments in debt instruments measured at fair value through other comprehensive income	202,036	-
Loans to customers and accrued interest receivables		
- Expected credit losses	1,932,848	-
- Modification losses	177,434	-
Other assets	9,995	-
Undrawn credit limit and financial guarantee contracts	(18,006)	-
Total expected credit losses	2,298,242	-

### 41. Bad debts, doubtful accounts and impairment losses

(Unit: Thousand Baht)		
For the years ended 31 December		
	2020	2019
<b>Bad debts and doubtful accounts (reversal)</b>		
Loans to customers	-	1,094,224
Interbank and money market items	-	38,390
Other assets	-	(42,614)
Total bad debts, doubtful accounts and impairment losses	-	1,090,000

### 42. 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.



#### 43. 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 2020 and 2019, the Bank contributed Baht 39.3 million and Baht 37.9 million, respectively to the provident fund.

#### 44. Commitments and contingent liabilities

##### 44.1 Contingent liabilities

(Unit: Thousand Baht)

	31 December 2020			31 December 2019		
	Baht	Foreign currency	Total	Baht	Foreign currency	Total
Avals to bills	106,303	-	106,303	1,330	-	1,330
Liabilities under						
unmatured import bills	-	141,047	141,047	-	130,543	130,543
Letters of credit	-	228,952	228,952	-	254,884	254,884
Other commitments						
- Undrawn bank						
overdrafts	4,737,470	-	4,737,470	4,838,061	-	4,838,061
- Others guarantees	5,215,523	-	5,215,523	5,120,817	-	5,120,817
- Others	30,357,558	-	30,357,558	36,041,126	-	36,041,126
Total	<u>40,416,854</u>	<u>369,999</u>	<u>40,786,853</u>	<u>46,001,334</u>	<u>385,427</u>	<u>46,386,761</u>

##### 44.2 Commitments under long-term lease agreements

- The Bank has entered into various service agreements which the remaining terms of the agreements were between 1 - 5 years. As at 31 December 2020 and 2019, the Bank is obligated to pay further Baht 165 million and Baht 223 million, respectively.
- The Bank has entered into various consultancy service agreements relating to software development and installation services. As at 31 December 2020 and 2019, the Bank is obligated to pay further Baht 16 million and Baht 14 million, respectively.
- As at 31 December 2020 and 2019, the Bank has entered into a 5-year service and support agreement with the parent company, under which the service fees are calculated based on a core service fee and administrative costs as stipulated in the agreement.

#### 44.3 Litigation

As at 31 December 2020 and 2019, the Bank has been sued in many litigation cases being claimed for compensations totalling Baht 1,161 million and Baht 1,008 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank has exercised judgement to assess the outcome of the cases and is confident that they will not incur any significant loss and therefore contingent liabilities on such litigation cases are not provided.

#### 45. Related party transactions

The Bank had significant business transactions with its related parties, including transactions with directors, executives or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the 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.

#### 45.1 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 or 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	
	2020	2019
<b>Interest income</b>		
Parent company	27,625	67,088
Subsidiaries of the Bank's parent company	79,001	118,849
Related companies	106,597	27,270
Directors and executives	207	249
Related persons	1,172	1,141
	<u>214,602</u>	<u>214,597</u>
<b>Fees and service income</b>		
Parent company	110	220
Subsidiaries of the Bank's parent company	107,931	89,527
	<u>108,041</u>	<u>89,747</u>
<b>Dividend income</b>		
Related companies	10,627	25,894
	<u>10,627</u>	<u>25,894</u>
<b>Other operating income</b>		
Subsidiaries of the Bank's parent company	1,073	1,113
Directors and executives	4	1,395
	<u>1,077</u>	<u>2,508</u>
<b>Dividend paid</b>		
Parent company	500,000	1,400,000
	<u>500,000</u>	<u>1,400,000</u>



(Unit: Thousand Baht)		
For the years ended 31 December		
	2020	2019
<b>Interest expenses</b>		
Parent company	4,690	4,741
Subsidiaries of the Bank's parent company	5,329	6,066
The major shareholders of the Bank's parent company	29,887	51,178
Related companies	41,411	92,683
Directors and executives	1,910	2,047
Related persons	17,518	14,600
	<u>100,745</u>	<u>171,315</u>
<b>Other operating expenses</b>		
Parent company	289,900	195,672
The major shareholders of the Bank's parent company	32,848	27,609
Related companies	107,899	112,981
	<u>430,647</u>	<u>336,262</u>

#### 45.2 The outstanding balances

As at 31 December 2020 and 2019, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

(Unit: Thousand Baht)		
31 December		
	2020	2019
<b>Interbank and money market items (assets)</b>		
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	3,589,569	5,240,000
	<u>3,589,569</u>	<u>5,240,000</u>
<b>Investments - cost</b>		
<u>Related companies/persons</u>		
Related companies	357,706	428,965
	<u>357,706</u>	<u>428,965</u>
<b>Loans to customers</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	745,000	360,002
<u>Related companies/persons</u>		
Related companies	3,511,312	3,520,000
Directors and executives	8,683	10,763
Related persons	59,448	15,541
	<u>4,324,443</u>	<u>3,906,306</u>



(Unit: Thousand Baht)

31 December

**Accrued interest receivables on loans to customers**

Parent company

LH Financial Group Public Company Limited	35	26
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Related companies/persons

Related companies	2,423	9,490
Directors and executives	3	3
Related persons	97	7

2,558

9,526

**Other assets**

Parent company

LH Financial Group Public Company Limited	300	300
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Subsidiaries of the Bank's parent company

Land and Houses Securities Public Company Limited	24	5
Land and Houses Fund Management Company Limited	19,379	5,636

The major shareholder of the Bank's parent company

Quality Houses Public Company Limited	6,793	6,121
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Related companies/persons

Related companies	30,470	33,533
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56,966

45,595

**Deposits**

Parent company

LH Financial Group Public Company Limited	10,755	28,977
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Subsidiary of the Bank's parent company

Land and Houses Advisory Company Limited	4,370	4,650
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The major shareholders of the Bank's parent company

Land and Houses Public Company Limited	4,111,526	2,013,552
Quality Houses Public Company Limited	660,710	830,839
Ms. Piengjai Harnpanich	16,480	13,243

Related companies/persons

Related companies	6,237,220	6,169,828
Directors and executives	114,078	87,328
Related persons	3,021,956	1,445,093

14,177,095

10,593,510



(Unit: Thousand Baht)		
31 December		
	2020	2019
<b>Interbank and money market items (liabilities)</b>		
<u>Subsidiaries of the Bank's parent company</u>		
Land and Houses Securities Public Company Limited	20,434	17,578
Land and Houses Fund Management Company Limited	45,901	19,076
<u>The major shareholder of the Bank's parent company</u>		
CTBC Bank Company Limited	592,889	589,886
	<u>659,224</u>	<u>626,540</u>
<b>Debts issued and borrowings</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	84,100	84,100
<u>Related companies/persons</u>		
Directors and executives	20,000	20,000
Related persons	18,400	41,200
	<u>122,500</u>	<u>145,300</u>
<b>Accrued interest payables</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	484	484
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Advisory Company Limited	6	-
<u>The major shareholders of the Bank's parent company</u>		
CTBC Bank Company Limited	404	1,486
Land and Houses Public Company Limited	2,313	308
Ms. Piengjai Harnpanich	30	43
<u>Related companies/persons</u>		
Related companies	3,071	8,012
Directors and executives	161	157
Related persons	1,748	1,463
	<u>8,217</u>	<u>11,953</u>
<b>Lease liabilities</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	4,114	-
<u>The major shareholder of the Bank's parent company</u>		
Quality Houses Public Company Limited	59,241	-
<u>Related companies/persons</u>		
Related companies	400,543	-
	<u>463,898</u>	<u>-</u>



(Unit: Thousand Baht)		
31 December		
	2020	2019
<b>Other liabilities</b>		
<u>Parent company</u>		
LH Financial Group Public Company Limited	32,000	28,320
<u>Subsidiary of the Bank's parent company</u>		
Land and Houses Fund Management Company Limited	3	3
<u>The major shareholder of the Bank's parent company</u>		
Quality Houses Public Company Limited	503	143
<u>Related companies/persons</u>		
Related companies	852	1,073
Directors and executives	10	1
	<u>33,368</u>	<u>29,540</u>
<b>Contingent liabilities - bank guarantees</b>		
<u>Related companies/persons</u>		
Related company	21,186	21,186
	<u>21,186</u>	<u>21,186</u>

The significant outstanding balances during the years ended 31 December 2020 and 2019 were presented at the average balance at the end of each month as follows:

(Unit: Thousand Baht)		
For the years ended 31 December		
	2020	2019
<u>Parent company</u>		
Loans to customers	1,251,334	2,519,546
Deposits	40,400	149,881
Debts issued and borrowings	84,100	84,100
<u>Subsidiaries of the Bank's parent company</u>		
Interbank and money market items (assets)	3,383,750	4,211,565
Deposits	4,483	4,718
Interbank and money market items (liabilities)	161,131	91,909
<u>The major shareholders of the Bank's parent company</u>		
Deposits	2,895,390	3,617,154
Interbank and money market items (liabilities)	1,670,110	111,875
<u>Related companies/persons</u>		
Loans to customers	3,551,667	1,011,536
Deposits	10,067,738	10,080,269
Debts issued and borrowings	49,800	61,533



#### 45.3 Directors' and executives' compensation

During the years ended 31 December 2020 and 2019, compensations payable to 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	
	2020	2019
Short-term employee benefits	124	131
Post-employment benefits	9	13
Total	133	144

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.

#### 46. 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. These loans are managed in the same way as all other loans. The outstanding loans to these structured entities including accrued interest as of 31 December 2020 and 2019 amounted to Baht 6,686 million and Baht 5,935 million, respectively.

#### 47. 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 in consistent with external customers.

Operating segment information of the Bank was as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2020			
	Lending		Other segments	Total
	Housing and retail	Commercial loans		
Interest income from external customers	1,107,144	5,596,943	1,223,106	7,927,193
Total operating income - net				6,623,393
Other operating expenses				(2,591,074)
Expected credit losses				(2,298,242)
Income tax				(326,484)
Profit for the year				1,407,593

(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 losses				(1,090,000)
Income tax				(442,445)
Profit for the year				2,038,382



(Unit: Thousand Baht)

		As at 31 December 2020			
		Lending			
		Housing and retail	Commercial loans	Other segments	Total
Loans to customers/interbank and money market items		23,880,244	170,220,017	-	194,100,261
Total assets					240,084,839
Total liabilities					203,718,435

(Unit: Thousand Baht)

		As at 31 December 2019			
		Lending			
		Housing and retail	Commercial loans	Other segments	Total
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

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 2020 and 2019, the Bank had no major customer with revenue of 10 percent or more of total revenues.

#### 48. Risk management

The Bank's risk management policies are principally focused on maintaining various risks within acceptable levels. The policies, which are annually reviewed so that they reflect any changes in the environment in which the Bank operates and in the risks arising from internal and external factors, are as follows:

##### 48.1 Credit risk

Credit risk is the risk that debtors or counterparties may not be able to meet their obligations, as well as the likelihood of the credit rating of counterparties being downgraded and the risk of investment or credit quality deteriorating while prices cannot be adjusted to compensate for the resulting increase in risk, which may affect the revenues and capital funds of the Bank.

Credit risk is recognised as highly significant to financial institutions, especially the risk associated with credit transactions, which are the core transactions of the Bank, both in terms of loans, investments and commitments and in terms of credit-like transactions. The Bank's maximum exposure to credit loss is the



carrying value of loans to customers, including commitments related to guarantees, avals or other similar items.

The Bank manages credit risk by setting guidelines for granting credit in order to control, prevent and mitigate the risks associated with credit transactions. Decisions on granting credit have to take into account a range of criteria such as the target market, type of business, type of loan and activity, the credit limits set for each debtor in order to mitigate credit concentration risk, the collateral obtained in order to reduce credit risk and persons or corporates that are not supported by the Bank. In addition, the Bank's key risk management processes are as follows:

(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 a picture of asset quality and credit risk. In addition, the Bank conducts reviews of borrower risk levels 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 judgement 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 also reported to executives on a regular basis.

(d) Risk control and mitigation

The Bank sets credit concentration limits at both 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 for the abnormality, in order to maintain risk exposure within acceptable parameters. The Bank also has internal controls and audit procedures in place to ensure that its risk management is in accordance with the frameworks and processes laid down by the 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 allowance for expected credit losses, so the Bank will be able to take timely action to mitigate the risk.

### The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown at the gross value before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statements of financial position, the maximum exposure to credit risk equals their carrying value.

For financial guarantee contracts, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon. For undrawn credit limits that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 31 December 2020, the maximum exposure to credit risk are as follows:

(Unit: Thousand Baht)

31 December 2020

Interbank and money market items (assets)	35,931,320
Investments in debt instruments measured at fair value through other comprehensive income	37,090,065
Loans to customers and accrued interest receivables	162,025,501
Accrued interest receivables not related to loans to customers	187,220
Total financial assets	<u>235,234,106</u>
Undrawn credit limit	35,095,028
Financial guarantee contracts	125,910
Total	<u>35,220,938</u>
Total maximum exposure to credit risk	<u>270,455,044</u>

### Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting that the return may not be as expected. The Bank has adopted a policy to mitigate this risk, whereby credit analysis is performed based on customer information and the status of customers is followed up consistently.

The table below shows the credit quality of financial assets exposed to credit risk. The amounts presented for financial assets are the gross carrying amount (before netting allowance for expected credit losses). The amounts presented for undrawn credit limits and financial guarantee contracts are the amounts committed or guaranteed, respectively.

Explanations of the 12-month expected credit losses, lifetime expected credit losses - not credit impaired, and lifetime expected credit losses - credit impaired are included in Notes 5 and 6 to the financial statements.

(Unit: Thousand Baht)

31 December 2020

	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non-performing)	Total
<b>Interbank and money market items (assets)</b>				
Investment grade*	18,633,770	-	-	18,633,770
No overdue	17,297,550	-	-	17,297,550
Total	35,931,320	-	-	35,931,320
Less: Allowance for expected credit losses	(5,571)	-	-	(5,571)
Net carrying value	35,925,749	-	-	35,925,749
<b>Investments in debt instruments measured fair value through other comprehensive income</b>				
Investment grade*	33,379,568	3,710,497	-	37,090,065
Total	33,379,568	3,710,497	-	37,090,065
Less: Allowance for expected credit losses	(2,276)	(200,000)	-	(202,276)
Net carrying value	33,377,292	3,510,497	-	36,887,789
<b>Loans to customers and accrued interest receivables - net</b>				
0 - 30 days overdue	151,561,757	4,356,312	380,440	156,298,509
31 - 90 days overdue	-	425,369	54,054	479,423
Over 90 days overdue	-	-	5,064,459	5,064,459
Total	151,561,757	4,781,681	5,498,953	161,842,391
Less: Allowance for expected credit losses	(944,581)	(869,397)	(2,762,044)	(4,576,022)
Net carrying value	150,617,176	3,912,284	2,736,909	157,266,369
<b>Other assets</b>				
0 - 30 days overdue	2,141	127	1,640	3,908
31 - 90 days overdue	-	233	18	251
Over 90 days overdue	-	-	34,418	34,418
Total	2,141	360	36,076	38,577
Less: Allowance for expected credit losses	(746)	(318)	(36,076)	(37,140)
Net carrying value	1,395	42	-	1,437

\* Rating of external credit risk rating agency

(Unit: Thousand Baht)

	31 December 2020			
	Financial assets where there has not been a significant increase in credit risk (Performing)	Financial assets where there has been a significant increase in credit risk (Under- performing)	Financial assets that are credit- impaired (Non-performing)	Total
<b>Undrawn credit limit</b>				
0 - 30 days overdue	34,993,672	66,388	16,042	35,076,102
31 - 90 days overdue	-	1,107	-	1,107
Over 90 days overdue	-	-	17,819	17,819
Total	34,993,672	67,495	33,861	35,095,028
Less: Allowance for expected credit losses	(17,796)	(55)	(8,194)	(26,045)
Net carrying value	34,975,876	67,440	25,667	35,068,983
<b>Financial guarantee contracts</b>				
0 - 30 days overdue	125,551	-	-	125,551
Over 90 days overdue	-	-	359	359
Total	125,551	-	359	125,910
Less: Allowance for expected credit losses	(772)	-	(4)	(776)
Net carrying value	124,779	-	355	125,134

### Collateral and any operations to increase creditability

The Bank holds collateral and any operations to increase the creditability of its exposure to credit risk. Details of the collateral held by the Bank for each type of financial asset are as follows:

(Unit: Thousand Baht)

	Exposure to risk with collateral	
	31 December 2020	Type of collateral
Interbank and money market items	8,800,239	Bonds
Loans to customers and accrued interest receivables	83,373,512	Lands and buildings, machinery and equipment deposits



## 48.2 Market risk

Market risk is the risk that changes in interest rate, foreign exchange rates and securities prices in money markets/equity markets may negatively affect the revenues and capital funds of the 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 asset, liability and equity items, and mismatches between the maturities and the repricing terms of assets and liabilities.

Most of the Bank's assets consist of deposits at financial institutions, loans to customers and investments in debt instruments measured at fair value through other comprehensive income, and its liabilities mainly consist of deposits from individuals. These key items may be affected by interest rate fluctuations, and whenever such fluctuations occur the Bank is exposed to the risk that its income, expenses and/or economic 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 the banking books is a risk that income or capital of the Bank may be negatively affected as fluctuations in interest rates impact rate-sensitive assets, liabilities and commitments. The main causes are maturity mismatches and repricing risks for assets and liabilities presented in the Bank's statement of financial position.

The nature of the Bank's exposures to interest rate risk in the banking books are as follows:

#### (1) Repricing Risk

This arises due to mismatches between the maturities or interest rate reset dates of assets and liabilities.

#### (2) Basis Risk

This arises because of mismatches between changes in the reference interest rates used for assets and liabilities.

#### (3) Option Risk

The Bank is exposed to risk as a result of options embedded in its financial contracts, whether as debtor or creditor, which grant the Bank's counterparties a right to change the original payment or redemption plans when market interest rates change. The option holders will often exercise these if the original payment plan puts them in an unfavorable position, whereby interest costs, returns or net interest income, as well as the structure of assets and liabilities in the statement of financial position, would change for the worse.

The Bank has developed interest rate risk measurement and assessment tools to evaluate the impact of interest rate risk in the banking books. The Bank sets risk ceilings in order to keep risk levels within stipulated parameters and reports risk levels to the Asset and Liability Committee on a monthly basis.



Moreover, the 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 2020 and 2019, financial assets and liabilities, classified by types of interest rate, were as follows:

(Unit: Thousand Baht)

Transactions	31 December 2020				
	Floating interest rates	Fixed interest rates	Non-interest bearing	Non-performing loans	Total
<b>Financial assets</b>					
Cash	-	-	801,380	-	801,380
Interbank and money market items	1,500,004	31,630,000	2,793,338	-	35,923,342
Derivative assets	-	-	412,457	-	412,457
Investments	1,071,098	36,018,967	7,095,185	-	44,185,250
Loans to customers <sup>(1)</sup>	108,773,956	46,849,290	-	5,368,635	160,991,881
<b>Financial liabilities</b>					
Deposits	91,066,208	91,485,161	183,595	-	182,734,964
Interbank and money market items	1,585,065	10,371,917	246,129	-	12,203,111
Liabilities payable on demand	-	-	949,585	-	949,585
Derivative liabilities	-	-	228,458	-	228,458
Debts issued and borrowings	-	5,000,000	5,976	-	5,005,976
Lease liabilities	-	759,995	-	-	759,995

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.

(Unit: Thousand Baht)

Transactions	31 December 2019				
	Floating interest rates	Fixed interest rates	Non-interest bearing	Non-performing loans	Total
<b>Financial assets</b>					
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 <sup>(1)</sup>	99,237,929	53,542,352	-	2,776,136	155,556,417
<b>Financial liabilities</b>					
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

<sup>(1)</sup> In case that the loan agreements indicate the charge of fixed interest rate over a certain period and the charge of floating interest rate over further periods, the whole outstanding balances under the loan agreements are classified at the rate enacted on the reporting dates.



Financial instruments which bear interest rate at fixed rates are classified below by the period from 31 December 2020 and 2019 to the repricing date or maturity date (whichever is sooner).

(Unit: Thousand Baht)

	31 December 2020						
	Repricing or maturity date						
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b>Financial assets</b>							
Interbank and money market items	5,215,000	26,415,000	-	-	-	31,630,000	0.42 - 3.65
Investments	-	1,473,815	7,269,939	15,603,423	11,671,790	36,018,967	1.585 - 5.00
Loans to customers	1,204,274	15,869,994	12,334,853	15,886,570	1,553,599	46,849,290	1.40 - 5.125
<b>Financial liabilities</b>							
Deposits	2,777,503	38,012,925	42,893,892	7,800,841	-	91,485,161	0.15 - 2.50
Interbank and money market items	-	5,857,821	2,799,908	1,714,188	-	10,371,917	0.01 <sup>(1)</sup> , 0.1 <sup>(2)</sup> , 0.22 - 1.35
Debts issued and borrowings	-	1,000,000	-	4,000,000	-	5,000,000	1.99, 5.125
Lease liabilities	-	1,668	249,942	465,294	43,091	759,995	1.65 - 2.90

<sup>(1)</sup> The interest rate of 0.01% is charged on the balance of Baht 3,003 million which the Bank obtained for financial assistance to debtors impacted by situations that affect the Thai economy.

<sup>(2)</sup> The interest rate of 0.1% is charged on the balance of Baht 2,337 million which the Bank obtained for financial assistance to SMEs that lack of liquidity.

(Unit: Thousand Baht)

	31 December 2019						
	Repricing or maturity date						
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (% p.a.)
<b>Financial assets</b>							
Interbank and money market items	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
<b>Financial liabilities</b>							
Deposits	2,756,595	38,007,078	51,600,096	6,718,655	-	99,082,424	0.85 - 2.30
Interbank and money market items	2,132,000	2,872,546	452,803	659,036	-	6,116,385	0.1 <sup>(1)</sup> , 0.70 - 1.60
Debts issued and borrowings	-	7,760,000	4,000,000	1,000,000	4,000,000	16,760,000	1.75 - 2.10, 5.125

<sup>(1)</sup> The interest rate of 0.1% is charged on the balance of Baht 2,551 million which the Bank obtained for financial assistance to SMEs 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 2020 and 2019 were as follows:

(Unit: Thousand Baht)

	For the years ended 31 December					
	2020			2019		
	Average balances	Interest income/expenses	Average rate (% per annum)	Average balances	Interest income/expenses	Average rate (% per annum)
<b>Performing financial assets</b>						
Interbank and money market items	30,675,753	490,685	1.60	20,464,486	632,525	3.09
Investments in debt instruments	39,372,674	1,222,486	3.10	44,630,291	1,519,641	3.40
Loans to customers	157,941,824	6,214,022	3.93	158,577,242	6,635,548	4.18
<b>Performing financial liabilities</b>						
Deposits	174,758,868	2,536,585	1.45	163,799,608	3,278,156	2.00
Interbank and money market items	14,612,538	109,049	0.75	9,914,142	127,920	1.29
Debts issued and borrowings	9,314,349	315,526	3.39	22,204,340	640,461	2.88

#### Interest rate sensitivity analysis

Analysis of sensitivity to changes in interest rates shows the impact of potential changes in interest rates on profit or loss and shareholders' equity of the Bank when other variables are set to constant values.

The sensitivity of profit or loss is the effect of changes in interest rates to profit or loss of the year. For financial assets and financial liabilities at the end of the reporting period, the sensitivity of shareholders' equity is calculated by measuring the fair value as at 31 December 2020 of financial assets measured at fair value through other comprehensive income using a new fixed interest rate, including the effect of hedging cash flow risk by assuming a 1 percent change in the interest rate. The methods used in sensitivity analysis are unchanged from the previous year.

The effect of change in interest rates on profit or loss and shareholders' equity as of 31 December 2020 can be summarised as follows:

	(Unit: Thousand Baht)	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 1 percent	83,429	83,429
Decreased by 1 percent	(230,046)	(230,046)

Note: The estimation of the effect of increase (decrease) in interest rates on profit or loss within the next 1 year.

#### (b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

The Bank provides trade finance services to support customers engaged in foreign trade and there are foreign currency positions as a result of these transactions. The Bank has, therefore, established a risk management framework to mitigate the risk, and also sets risk ceilings and closely monitors the operations in order to maintain risk at acceptable levels.

As at 31 December 2020 and 2019, foreign currency positions equivalent to Thai Baht of the Bank, were as follows:

(Unit: Thousand Baht)

	31 December 2020				
	USD	EUR	JPY	HKD	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
Interbank and money market items	205,371	490	624	-	9,540
Investments	1,071,098	-	-	-	-
Loans to customers and accrued interest receivables	2,047,228	19,922	-	-	62,366
<b>Total assets</b>	<b>3,323,697</b>	<b>20,412</b>	<b>624</b>	<b>-</b>	<b>71,906</b>
Deposits	1,139,852	-	-	-	682
Interbank and money market items	683,000	-	-	-	-
Accrued interest payables	4,912	-	-	-	-
<b>Total liabilities</b>	<b>1,827,764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>682</b>
<b>Items recognised in the statements of financial position - net</b>	<b>1,495,933</b>	<b>20,412</b>	<b>624</b>	<b>-</b>	<b>71,224</b>

**Foreign currency not recognised in the statements of financial position - net**

(Forward contracts, cross currency and interest rate swap contracts)	(1,475,021)	(20,282)	54,253	-	(63,457)
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(Unit: Thousand Baht)

	31 December 2019				
	USD	EUR	JPY	HKD	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
Cash	234	47	84	94	75
Interbank and money market items	119,239	35	-	-	7,193
Investments	964,928	-	-	-	-
Loans to customers and accrued interest receivables	1,226,079	-	-	-	-
<b>Total assets</b>	<b>2,310,480</b>	<b>82</b>	<b>84</b>	<b>94</b>	<b>7,268</b>
Deposits	353,017	-	-	-	-
Interbank and money market items	589,886	-	-	-	-
Accrued interest payables	2,463	-	-	-	-
<b>Total liabilities</b>	<b>945,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Items recognised in the statements of financial position - net</b>	<b>1,365,114</b>	<b>82</b>	<b>84</b>	<b>94</b>	<b>7,268</b>

**Foreign currency not recognised in the statements of financial position - net**

(Forward contracts, cross currency and interest rate swap contracts)	(1,373,487)	-	-	-	-
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#### Foreign exchange rate sensitivity analysis

Analysis of sensitivity to changes in foreign exchange rates shows the impact of potential changes in foreign exchange rates on profit or loss and the shareholders' equity of the Bank when other variables are set to constant values. The risks encountered, and methods used for sensitivity analysis are unchanged from the previous period.

The effect of change in exchange rate on profit or loss and shareholders' equity as of 31 December 2020 can be summarised as follows:

	(Unit: Thousand Baht)	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 5 percent	74,759	74,759
Decreased by 5 percent	(74,759)	(74,759)

Note: The effect of increase (decrease) in exchange rate is the appreciation (depreciation) of foreign currencies compared to US Dollar.

#### (c) Equity position risk

Equity position risk is the risk that changes in the market prices of equity instruments or stocks may result in changes in the value of investments, and fluctuations in revenue and the value of financial assets.

The Bank closely manages equity position risk, with a policy to invest in equity instruments with a lower risk than those in equity markets. Moreover, the Bank monitors risks related to investments in equity instruments to ensure that the risk is still lower than that of the market.

#### Equity security price sensitivity analysis

The following table demonstrates the sensitivity of a reasonably possible change in equity security price on the Bank's profit or loss and shareholders' equity as at 31 December 2020 when other variables are set to constant values.

	(Unit: Thousand Baht)	
	Sensitivity of	
	Profit or loss	Shareholders' equity
Increased by 10 percent	-	344,103
Decreased by 10 percent	-	(344,103)

Note: The estimation of increase (decrease) is a percentage change of SET Index.

#### (d) Commodity price risk

This is the risk that income or capital may be adversely affected by changes in commodity prices. The Bank has no policy to hold such positions.

### 48.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Bank incurring a financial loss.

The Bank manages its liquidity risk by preparing net liquidity status reports or liquidity gap reports. The Bank's analysis has two components, namely a Contractual Liquidity Gap report and a Behavior Liquidity Gap report, which analyse the net liquidity status at each point in time and consider the cash flow adequacy over the next year. Moreover, the Bank assesses liquidity risk based on accumulated outstanding net liquidity by maturity, adjusted to reflect depositor behavior, in order to maintain liquidity risk at the appropriate levels stipulated by the Bank.

The Bank conducts studies of the effect on liquidity of various factors, such as early deposit withdrawal and deposit rollover, by creating simulations incorporating normal scenarios and stress scenarios and these include the effects on liquidity management of the Bank. The Operational, Market and Information Technology Risk Management Department are responsible for carrying out the studies and reporting the results to the Asset and Liability Committee, for assessment of liquidity requirements under each scenario and to provide a framework for establishing contingency plans for liquidity crisis.

In addition, the Bank monitors its liquidity risk based on regulations relating to the maintenance of liquid assets to handle a severe liquidity crisis situation (Liquidity Coverage Ratio: LCR), which is based on the assumption that total cash inflows and outflows reflect the differing withdrawal behaviors of various counterparties and both on and off-balance sheet items, which are affected by different cash flow indicators. The assumptions also reflect the business group structure, which may require the group's commercial banks to provide liquidity assistance in the event of a severe and continuous cash outflow crisis. The Bank sets risk limits in order to monitor liquidity risk levels and maintain them within appropriate levels, and 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 2020 and 2019 were as follows:

(Unit: Thousand Baht)

	31 December 2020					
Transactions	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b><u>Financial assets</u></b>						
Cash	801,380	-	-	-	-	801,380
Interbank and money market items	8,008,342	27,915,000	-	-	-	35,923,342
Derivative assets	-	135,796	276,661	-	-	412,457
Investments	-	8,743,754	16,674,521	11,671,790	7,095,185	44,185,250
Loans to customers <sup>(1)</sup>	9,908,767	48,753,368	50,827,969	51,501,777	-	160,991,881
<b><u>Financial liabilities</u></b>						
Deposits	91,703,616	82,187,264	8,838,774	5,310	-	182,734,964
Interbank and money market items	1,831,194	8,657,729	1,714,188	-	-	12,203,111
Liabilities payable on demand	949,585	-	-	-	-	949,585
Derivative liabilities	-	228,458	-	-	-	228,458
Debts issued and borrowings	-	1,001,431	4,004,545	-	-	5,005,976
Lease liabilities	-	251,610	465,294	43,091	-	759,995

<sup>(1)</sup> Loans to customers due at call included default loans and non-performing loans.





(Unit: Thousand Baht)

	31 December 2019					
Transactions	At call	Less than 1 year	1 - 5 years	Over 5 years	No maturity	Total
<b><u>Financial assets</u></b>						
Cash	1,635,451	-	-	-	-	1,635,451
Interbank and money market items	7,231,483	16,718,978	-	-	-	23,950,461
Derivative assets	-	56,864	-	184,512	-	241,376
Investments	-	7,360,205	24,998,626	10,771,526	8,516,442	51,646,799
Loans to customers <sup>(1)</sup>	8,067,411	58,801,713	45,244,474	43,442,819	-	155,556,417
<b><u>Financial liabilities</u></b>						
Deposits	66,298,597	91,104,467	7,609,989	5,355	-	165,018,408
Interbank and money market items	6,519,262	3,325,348	659,036	-	-	10,503,646
Liabilities payable on demand	52,083	-	-	-	-	52,083
Derivative liabilities	-	35,634	-	-	-	35,634
Debts issued and borrowings	-	11,760,000	1,008,129	4,000,000	-	16,768,129

<sup>(1)</sup> Loans to customers due at call included default loans and non-performing loans.

In addition, as at 31 December 2020 and 2019, 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 2020			31 December 2019		
	Not over 1 year	Over 1 year	Total	Not over 1 year	Over 1 year	Total
Avals to bills	96,303	10,000	106,303	1,330	-	1,330
Liabilities under						
unmatured import bills	141,047	-	141,047	130,543	-	130,543
Letters of credit	228,952	-	228,952	254,884	-	254,884
Undrawn bank overdrafts	4,737,470	-	4,737,470	4,838,061	-	4,838,061
Guarantee - others	4,721,477 <sup>(1)</sup>	494,046	5,215,523	4,808,826 <sup>(1)</sup>	311,991	5,120,817
Other commitments	-	30,357,558	30,357,558	-	36,041,126	36,041,126

<sup>(1)</sup> As at 31 December 2020 and 2019, these amounts included contracts with no maturity date amounting to Baht 2,474 million and Baht 2,120 million, respectively.



#### 49. Fair value of financial instruments

##### 49.1 Financial assets and liabilities measured at fair value

As at 31 December 2020 and 2019, the Bank had financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2020				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Derivative assets	412,457	-	412,457	-	412,457
Investments in debt instruments measured at fair value through other comprehensive income	36,887,789	-	36,887,789	-	36,887,789
Investments in equity instruments designated at fair value through other comprehensive income	7,095,185	7,088,282	-	6,903	7,095,185
<u>Financial liabilities</u>					
Derivative liabilities	228,458	-	228,458	-	228,458

(Unit: Thousand Baht)

	31 December 2019				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Derivative assets	56,864	-	56,864	-	56,864
Trading investments	8,509,514	8,509,514	-	-	8,509,514
Available-for-sale investments	1,055,563	-	1,055,563	-	1,055,563
<u>Financial liabilities</u>					
Derivative liabilities	35,634	-	35,634	-	35,634

During the current year, there was no transfer within the fair value hierarchy.

## 49.2 Financial assets and liabilities for which fair values are disclosed

As at 31 December 2020 and 2019, 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 2020				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	801,380	801,380	-	-	801,380
Interbank and money market items - net	35,925,749	2,793,343	-	33,117,161	35,910,504
Loans to customers - net	155,838,424	-	-	155,993,270	155,993,270
<u>Financial liabilities</u>					
Deposits	182,734,964	91,249,803	91,514,768	-	182,764,571
Interbank and money market items	12,203,111	1,831,194	10,375,900	-	12,207,094
Liabilities payable on demand	949,585	949,585	-	-	949,585
Debts issued and borrowings	5,005,976	5,976	5,053,452	-	5,059,428
Lease liabilities	759,995	-	727,602	-	727,602

(Unit: Thousand Baht)

	31 December 2019				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
<u>Financial 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>Financial 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

The Bank estimates fair values for financial instruments as follows:

- The fair values of investments in debt instruments are determined based on the yield rates quoted by the Thai Bond Market Association.
- The fair values of investments in non-marketable equity instruments are determined based on generally accepted pricing models.

- (c) The fair values of loans to customers and interbank and money market items (assets) that bear floating interest rates are assumed to approximate their carrying values, net of allowance for expected credit losses. The fair values of loans to customers and interbank and money market items (assets) that bear fixed interest rates are the present value of the expected future cash flows, discounted by the interest rates the Bank offers on similar loans.
- (d) The fair values of deposits and interbank and money market items (liabilities) that are payable on demand or bear floating interest rates are assumed to approximate their carrying values. The fair values of deposits and interbank and money market items (liabilities) that bear fixed interest rates are determined by discounting the expected future cash flows at the 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's credit risk.
- (f) The fair values of debts issued and borrowings that are both subordinated and unsubordinated debentures are determined using yield rates quoted by Thai Bond Market Association. The fair values of debts issued and borrowings that bear fixed interest rates are determined by discounting the expected future cash flows by market interest rates on borrowings with similar conditions.
- (g) The fair values of lease liabilities are determined by discounting the expected future cash flows by the Bank's incremental borrowing rate with similar conditions.

## 50. Events after the reporting period

### 50.1 Dividend payments

On 25 February 2021, the Board of Directors' Meeting No.2/2564 of the Bank passed resolutions to propose to the Annual General Meeting of the Bank's shareholders for approval a 2020 cash dividend payment of Baht 0.35 per share, or a total of not more than Baht 700 million, from the Bank's operating results for the year ended 31 December 2020.

### 50.2 Issuance of debentures

On 25 February 2021, the Board of Directors' Meeting No.2/2564 of the Bank passed resolutions to propose to the Annual General Meeting of the Bank's shareholders for approval the Medium-Term Note Program (MTN) which is to run for a period of up to 2 years, with up to Baht 50,000 million of debentures issued under the scheme.

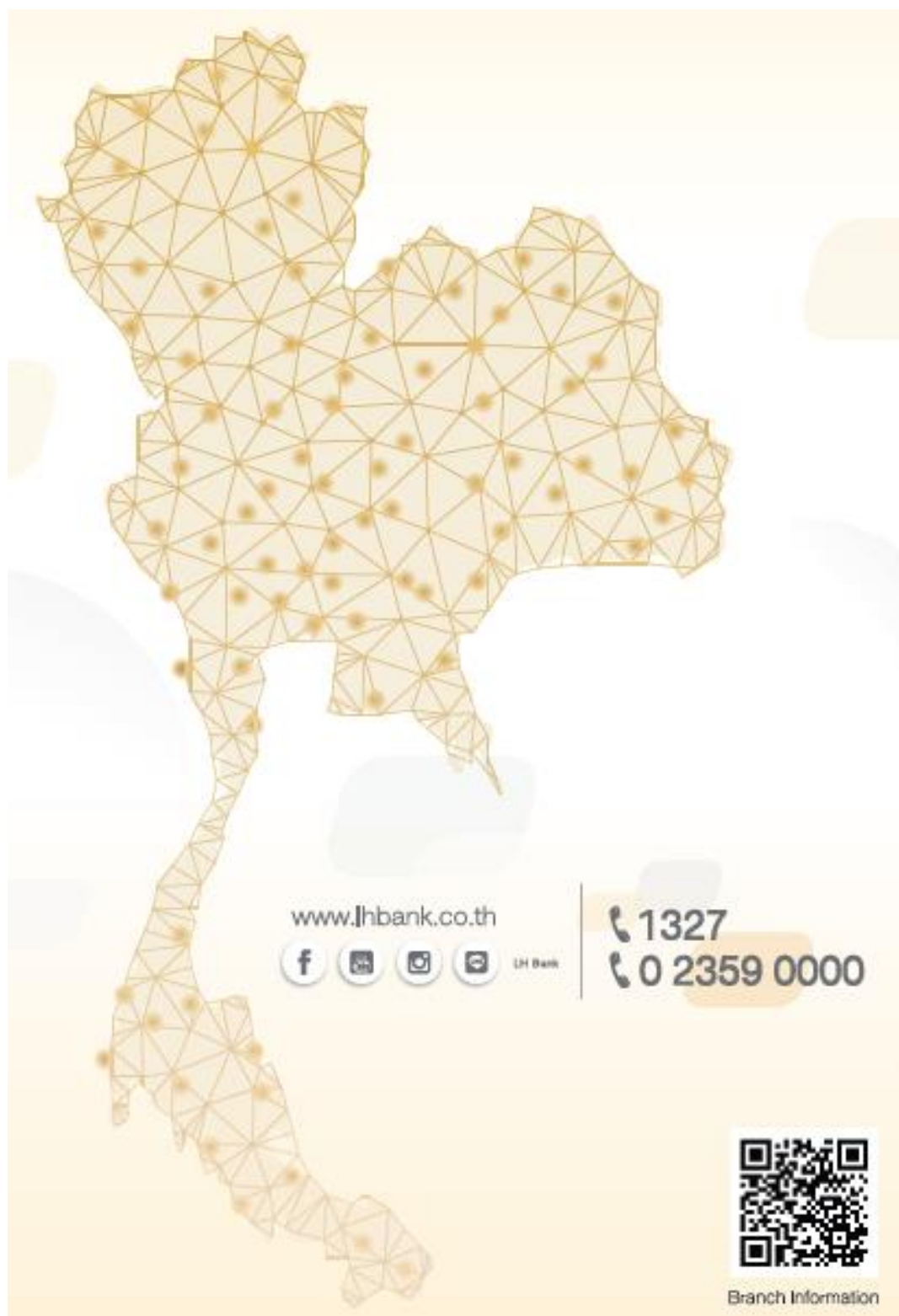
## 51. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 25 February 2021.

## REFERENCE INFORMATION

<b>Auditor</b>	:	<b>EY Office Limited</b>
<b>Auditors</b>		Miss Ratana Jala Certified Public Accountant (Thailand), Registration No. 3734 and/or Miss Somjai Khunapasut Certified Public Accountant (Thailand), Registration No. 4499 and/or Miss Rachada Yongsawadvanich Certified Public Accountant (Thailand), Registration No. 4951
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