



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED 30 JUNE 2017

**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE REVIEWED AND AUDITED
CONSOLIDATED FINANCIAL STATEMENT)**

Overview of Business Operation

LH Financial Group Public Company Limited is a non-operating holding company and a parent company of the financial business group, the financial business group consists of the following companies;

- LH Financial Group Public Company Limited
- Land and Houses Bank Public Company Limited
- Land and Houses Fund Management Company Limited
- Land and Houses Securities Public Company Limited
- Land and Houses Advisory Company Limited

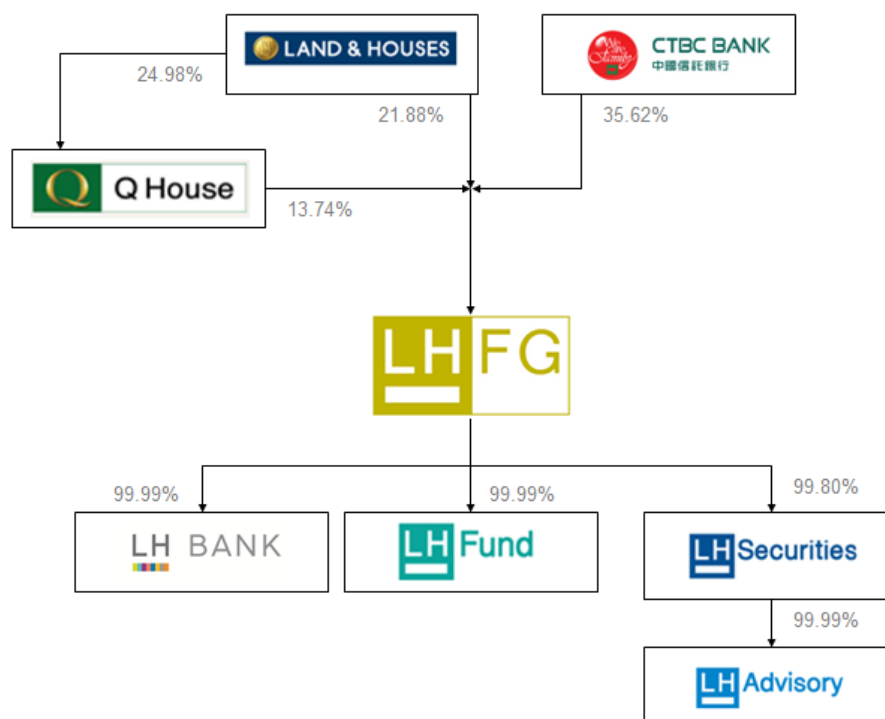
On June 8, 2016, the company has entered into a memorandum of understanding in relation to Share Subscription Agreement with CTBC Bank Company Limited in order to introduce a strategic investment partner to expand the business of Land and Houses financial business group. The company agrees in principle to issue 7,544,961,342 new ordinary shares or 35.6169 percent of the total paid-up capital.

On July 12, 2017, the 1/2017 Extraordinary General Meeting of Shareholders approved the issuance and allotment of 7,544,961,342 newly issued ordinary shares, each with a par value of Baht 1, to be allotted to CTBC Bank Co., Ltd., totaling Baht 16,598,914,952.40 and approved the requirement to make a tender offer for all of the Company's securities, by virtue of the resolution of the Company's shareholders meeting (Whitewash).

On July 27, 2017, the company has received the subscription of the newly issued ordinary shares from CTBC Bank, totaled Baht 16,598,914,952.40 and the company used proceeds from the capital increase to increased the capital in the Land and Houses Bank Public Company Limited. Consequently, the bank's capital base on July 31, 2017 more than double or equal Baht 39,475.17 million and the common equity Tier 1 ratio of 20.06 percent and the total capital ratio of 23.46 percent which as the solid capital. In addition, the investment partner with CTBC Bank to accommodate the growth and to enhance the financial services with expertise in wealth management, digital banking and trade finance of CTBC Bank through Land and Houses Financial Group which consists of;

- LH Financial Group Public Company Limited
- Land and Houses Bank Public Company Limited
- Land and Houses Securities Public Company Limited
- Land and Houses Fund Management Company Limited

At the present, CTBC Bank Company Limited is the major shareholder 35.62% of the total paid-up capital which the equal proportion of Land & Houses Public Company Limited and Quality Houses Public Company Limited as follows:



Certified Companies of Thailand's Private Sector Collective Action Coalition Against Corruption

LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited, have certified as a member of the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) by the Private Sector Collective Action Coalition Against Corruption Council in October 2014. Land and Houses Securities Public Company Limited has signed a declaration of intent in view of establishing the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) in 2014.

ESG100 Certificate of the Year 2017

LH Financial Group Public Company Limited is ranked among the top 100 for outstanding ESG performance in terms of environmental, social and governance (ESG 100) by Thaipat Institute which the company was voted for the third consecutive years.

However, the company's securities has selected in the SET High Dividend 30 Index or SETHD from the Stock Exchange of Thailand which the price index reference 30 shares group in the SET100 index that has value following the market capitalization and has the high and continuous yielding dividend 3 years ago.

Results of the Quality Assessment of the 2017 Annual General Meeting of Shareholders

Thai Investors Association had assessed the Annual General Meeting of Shareholders of LH Financial Group Public Company Limited and rated the company in "Excellent" level with the full assessment score of 100 for five consecutive years under quality assessment for the arrangement of its 2016 Annual General Meeting of the Shareholders. And also on July 27, 2016 the company has received award in "Investors' Choice Awards 2016" from Thai Investors Association.

Performance Evaluation of Corporate Governance of the Year 2016

Thai Institute of Directors Association (IOD) disclosed the result the 2016 Corporate Governance Report evaluation of Thai Listed Companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars".

Overview of Economy and Competition in Commercial Banking

In the second quarter of 2017, the Thai economy continued to expand. The main growth drivers were continued expansions in merchandise exports which expanded in various product categories and export destinations, and the swift recovery in tourism sector, supporting by the Chinese tourists reverted to the level of pre-illegitimate tour operator crackdown. Private consumption continually increased as supported by improved consumer confidence and income of farm households. These drivers combined to support growth momentum and helped offset the still lingered at a low level of private investment and contracted in public spending. As the momentum from the above mentions, the Thai economy was expected to improve further which the Bank of Thailand projected to record growth of 3.5 percent in 2017, and 3.7 percent in 2018 (as of June 2017). However, the economic growth in the period ahead still challenge with uncertainties on the US economic and foreign trade policies, China's economic structure reforms, as well as geopolitical risks that could undermine export recovery.

For the banking sector in the second quarter of 2017, overall commercial bank lending increased from the previous quarter and showed sign of improvement in line with the economic condition. However, commercial banks remained cautious in lending as their continue concern on loan portfolio quality. Although the deterioration in credit quality affected profitability, but Thai commercial banking system's remained sound as banks continued to closely monitor credit quality and maintained high levels of capital buffers and loan loss provisions to facilitate credit expansion going forward.

Credit Rating

Land and Houses Bank Public Company Limited is assigned the company rating of "A-" (Single A Minus), affirms the rating of LH BANK's hybrid Tier 2 capital securities at "BBB" and the results also affirmed the rating on credit alert with a "positive" by TRIS Rating.

Branch Networking

At present, the total branches of Land and Houses Bank Public Company Limited was 133 branches, number of branches has the same number when compared to the end of 2016. Most of provincial branches have been opened in HomePro. The bank allied with Home Product Center Public Company Limited to expand branches in all provinces where HomePro located. The bank's branch expansion strategy is to have nationwide service points for expanding its customer base.

Products and Services

Land and Houses Bank Public Company Limited has continuously developed for the financial products and services to meet the needs of the customer. The bank's products and services can be divided into 4 main categories as follows;

1. Deposit Service

The bank has continued to develop and design new financial products, which are suitable for occupations and financial positions of various customer groups by offered return of an investment incentives and various benefits for customers which is boost competitive advantage of the bank. In addition, the bank holds various recreational activities to reward customers for maintenance of deposit customers, which have well been accepted by customers.

The bank provides a deposit service for individuals, juristic persons, non-profit juristic persons, government agencies/state enterprise, funds, cooperative, and domestic financial institutions. There are various types of deposits, as follows Saving Super Shield, Saving Deposit, Non-Fixed Deposit, Current Deposit, Fixed Deposit, Fixed Deposit Receipt (FDR), and Tax Free Deposit.

2. Loan Service

The bank categorizes customers into different groups to continuously develop good relationship with all customer groups and to propose complete financial products and services to meet demand of each customer group. The bank shall consider loan type, interest rate, credit type, repayment period suitable for each customer, with fast process of loan approval. Moreover, the bank categorizes its loan services into 3 business sectors, i.e., loan service for big corporate & corporate, loan service for SMEs & SSME and retail loan.

3. Electronic Services

At present, Thailand is entering Digital Transformation and government policy in implementing plan to Digital Economy which the bank awareness to promote the product innovation development and digital financial service for helping customers' save traveling time, reduce their expenses and service convenience such as;

3.1 LH Bank M Choice Service is a financial transaction with security global standard on smartphone, iPad and tablet. This service provides an easy-to-use and response in various applications especially, convenient, faster and unlimited transaction in everywhere that it will help to ensure in transactions. The service offers a variety of facilities such as check balance, funds transfer, payment of goods and services, locate the nearest branch or ATM machine of the bank etc. under the slogan **“LH Bank M Choice is financial transaction in one application”**.

3.2 LH Bank Speedy is an internet banking service which accommodates the financial transactions that can perform transactions on anywhere and anytime with a double security system with easy-to-use menu and to make sure for financial transactions. It provides services of money transfer within the bank and other bank, payment for goods and services, loan payment, cheque status checking, stop cheque, and account status checking.

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

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

3.4 Automatic Teller Machine Service (ATM) is a withdrawal services, money transfer within the bank, money transfer to the account of other bank, and payment for goods and services, including the bank's ATM support to withdraw Baht currency all of the bank in Thailand and accepts to JCB (Japan Credit Bureau) and UPI (UnionPay International) cards to provide service for foreign businessman and traveler.

As of the end of second quarter of 2017, there are 203 Automatic Teller Machines, number of branches has the same number when compared to the end of 2016.

3.5 ATM Chip Card Service and Debit Chip Card Service are ATM cards which enhance security of ATM service by using chip card to record customer's data and can provide more convenience for financial transactions 24 hours a day. The services provide customers to do the following transactions; withdrawal, money transfer, loan payment, and product and service payment including the bank partnered with UnionPay International to provide the convenience for financial transactions. The debit card can be used in overseas via ATM machines and UnionPay International shop members covered many countries around the world.

4. Other services

4.1 Cash Management Service is a financial service to support the financial management that is convenient and fast, reduces document work, reduce management costs and increase efficiency in business management, including salary payroll, bulk payment for retail fund transfer to another bank, bill payment for products and services via the bank and direct debit / direct credit and an automatic transfer system (ATS).

4.2 Insurances Service is a service to provide life insurance brokerage services and insurance against loss which the customer can choose the insurance on the needs of customers.

4.3 Mutual Fund Selling Agent Service is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types from debt instruments, equity instruments, equity to retirement mutual funds (RMF) and long-term equity funds (LTF).

4.4 LH Bank Privilege Banking Service is a new service to privileged financial service for high end customers with various benefits consists of financial consulting and planning services with effective management to achieve high returns. This service also provides transaction fee discount and various privileges.

4.5 Currency Exchange Service is the service of currency exchange, namely USD (US Dollar), EUR (Euro), GBP (British Pound), AUD (Australian Dollar), JPY (Yen), SGD (Singapore Dollar), HKD (Hong Kong Dollar), CNY (Chinese Yuan) and KRW (South Korean Won).

4.6 Credit Bureau Checking Service is a service with more convenient for customer and people who need to check their credit bureau which available in all branches nationwide.

4.7 Goods and Services Payment Service includes utility charges, credit card, insurance premiums, other expenses and automatic transfer system. The bank is also an agent of Counter Service and True Money, accepting payments for more than 500 items of goods and services.

4.8 Revenue Tax Payment Service provides convenience and offer available various channels to customers and the general public in tax payment via any channels such as the bank's counters at all branches across the country, LH Bank ATM, internet banking service (LH Bank Speedy) and banking service on smartphone (LH Bank M Choice). The service is respond to the customer and the general public in tax payment with convenient and faster.

Analysis of the Operating Results

The Management Discussion and Analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries performance are comparative performance of the second quarter of 2017 and the second quarter of 2016;

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2017	1/2017	(%QoQ)	2/2016	(%YoY)	2017	2016	(%YoY)
Net interest income	1,228.8	1,195.5	2.8	1,226.8	0.2	2,424.3	2,418.3	0.2
Net non-interest income	387.5	345.3	12.2	644.4	(39.9)	732.8	1,169.7	(37.4)
Operating income	1,616.3	1,540.8	4.9	1,871.2	(13.6)	3,157.1	3,588.0	(12.0)
Other operating expenses	689.0	673.2	2.3	655.7	5.1	1,362.2	1,278.0	6.6
Bad debts, doubtful accounts and impairment loss	192.1	155.0	23.9	225.0	(14.6)	347.1	605.0	(42.6)
Income tax expenses	118.7	126.0	(5.8)	188.4	(37.0)	244.7	331.4	(26.2)
Profits before bad debts and doubtful accounts, and income tax expenses	927.3	867.6	6.9	1,215.5	(23.7)	1,794.9	2,310.0	(22.3)
Profits before income tax expenses	735.2	712.6	3.2	990.5	(25.8)	1,447.8	1,705.0	(15.1)
Net profits	616.5	586.6	5.1	802.1	(23.1)	1,203.1	1,373.6	(12.4)
Earnings per share (Baht)	0.05	0.04	5.1	0.06	(23.1)	0.09	0.10	(12.4)

The company and its subsidiaries' the operation had net profits in the second quarter of 2017 amounted of Baht 616.5 million, decreased by 23.1% when compared to the second quarter of 2016. The result from net non-interest income decreased by 39.9%.

The company and its subsidiaries' the operation had net profits for the six-month period of 2017 amounted of Baht 1,203.1 million, decreased by 12.4% when compared to the six-month period of 2016 were Baht 1,373.6 million. The result from net non-interest income decreased by 37.4% and bad debt and doubtful accounts decreased by 42.6% due to the allowances for bad debt and doubtful accounts of the bank are adequate as seen from high proportion of loan loss reserves ratio is at 186.65%.

Earnings per share for the second quarter and the six-month period of 2017 were 0.05 Baht per share and 0.09 Baht per share, respectively. When compared to the second quarter and the six-month period of 2016 were 0.06 Baht per share and 0.10 Baht per share, respectively.

Net Interest Income

In the second quarter of 2017, they had net interest income amounted of Baht 1,228.8 million, increased by 0.2% when compared to the second quarter of 2016, following the growth of loans.

Net Non-interest Income

Net non-interest income are including net fees and service income, gains (losses) on trading and foreign exchange transactions, gains on investments, dividend income and other operating income.

In the second quarter of 2017, net non-interest income amounted of Baht 387.5 million, decreased by 39.9% when compared to the second quarter of 2016. Almost of net non-interest income are net fees and service income, gains on investments and dividend income.

Other Operating Expenses

In the second quarter of 2017, they had other operating expenses amounted of Baht 689.0 million, increased by 5.1% when compared to the second quarter of 2016, almost of the increase of employees' expenses that provide for business expansion. The ratio of operating expenses to total operating income is at 42.6%, which is increased when compared to the second quarter of 2016 was at 35.0%.

For the six-month period of 2017, they had other operating expenses amounted of Baht 1,362.2 million, increased by 6.6% when compared to the six-month period of 2016, almost of the increase of employees' expenses that provide for business expansion.

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2017	1/2017	(%QoQ)	2/2016	(%YoY)	2017	2016	(%YoY)
Employees' expenses	349.6	351.6	(0.6)	326.9	6.9	701.2	643.9	8.9
Premises and equipment expenses	185.1	182.3	1.5	176.8	4.7	367.4	348.3	5.5
Other expenses	154.3	139.3	10.8	152.0	1.5	293.6	285.8	2.7
Total	689.0	673.2	2.3	655.7	5.1	1,362.2	1,278.0	6.6

Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the second quarter of 2017, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 927.3 million, decreased by 23.7% when compared to the second quarter of 2016.

Analysis of the Financial Position

The Management Discussion and Analysis of the financial position of LH Financial Group Public Company Limited and its subsidiaries are comparative performance of the financial position as of 30 June 2017 and 31 December 2016.

Total Assets

As of 30 June 2017, the company and its subsidiaries had total assets amounted of Baht 216,789.5 million, increased by Baht 4,642.3 million when compared at the end of the year 2016 or up to 2.2%. Core assets comprise of loans to customers - net at 66.1% of total assets, followed by investments - net at 25.0% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2017	2016	Amount	(%YTD)
Interbank and money market items - net	15,673.3	17,326.4	(1,653.1)	(9.5)
Investments - net	54,145.7	52,675.8	1,469.9	2.8
Loans to customers - net	143,367.2	138,200.0	5,167.2	3.7
Loans to customers net of deferred revenue	146,617.0	141,070.3	5,546.7	3.9
Other assets - net	3,603.3	3,945.0	(341.7)	(8.7)
Total assets	216,789.5	212,147.2	4,642.3	2.2

Total Liabilities

As of 30 June 2017, they had total liabilities amounted of Baht 196,168.4 million, increased by Baht 4,336.8 million when compared at the end of the year 2016, or up to 2.3%. Almost of total liabilities were deposits, which were 75.2% of total liabilities.

Owners' Equity

As of 30 June 2017, owners' equity amounted of Baht 20,621.1 million, increased by Baht 305.5 million when compared at the end of the year 2016, or up to 1.5%.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2017	2016	Amount	(%YTD)
Deposits	147,565.4	149,097.1	(1,531.7)	(1.0)
Interbank and money market items	9,807.0	20,009.9	(10,202.9)	(51.0)
Debts issued and borrowings - net	36,408.1	20,327.5	16,080.6	79.1
Other liabilities	2,387.9	2,397.1	(9.2)	(0.4)
Total liabilities	196,168.4	191,831.6	4,336.8	2.3
Total owners' equity	20,621.1	20,315.6	305.5	1.5

Number of Employees

As of 30 June 2017, the company and its subsidiaries had 1,798 employees, decreased by 32 employees when compared to 31 December 2016.

The Subsidiaries Performance Analysis

1. COMMERCIAL BANKING BUSINESS

Land and Houses Bank Public Company Limited

Analysis of the Operating Results

The Management Discussion and Analysis of operating results of Land and Houses Bank Public Company Limited performance is comparative performance of the second quarter of 2017 and the second quarter of 2016;

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2017	1/2017	(%QoQ)	2/2016	(%YoY)	2017	2016	(%YoY)
Net interest income	1,228.1	1,196.0	2.7	1,227.7	0.0	2,424.1	2,416.3	0.3
Net non-interest income	173.0	205.4	(15.8)	493.3	(64.9)	378.4	950.4	(60.2)
Operating income	1,401.1	1,401.4	(0.0)	1,721.0	(18.6)	2,802.5	3,366.7	(16.8)
Other operating expenses	588.9	594.1	(0.9)	589.3	(0.1)	1,183.0	1,153.0	2.6
Bad debts, doubtful accounts and impairment loss	192.1	155.0	23.9	225.0	(14.6)	347.1	605.0	(42.6)
Income tax expenses	110.5	120.0	(7.9)	177.4	(37.7)	230.5	315.1	(26.8)
Profits before bad debts and doubtful accounts, and income tax expenses	812.2	807.3	0.6	1,131.7	(28.2)	1,619.5	2,213.7	(26.8)
Profits before income tax expenses	620.1	652.3	(4.9)	906.7	(31.6)	1,272.4	1,608.7	(20.9)
Net profits	509.6	532.3	(4.3)	729.3	(30.1)	1,041.9	1,293.6	(19.5)
Earnings per share (Baht)	0.36	0.38	(5.3)	0.52	(30.8)	0.74	0.92	(19.6)

Land and Houses Bank Public Company Limited's the operating results had net profits in the second quarter of 2017 amounted of Baht 509.6 million, decreased by 30.1% when compared to the second quarter of 2016. The decreases were the result of net non-interest income 64.9%.

The bank's the operating results had net profits for the six-month period of 2017 amounted of Baht 1,041.9 million, decreased by 19.5% when compared to the six-month period of 2016. The decreases were the result of net non-interest income 60.2% and allowances for bad debt and doubtful accounts decreased by 42.6%. due to the allowances for bad debt and doubtful accounts of the bank are adequate with the Bank of Thailand's guidelines.

Bad Debts, Doubtful Accounts and Impairment Loss

The bank had bad debts and doubtful accounts following the Bank of Thailand's guidelines and evaluate the position of debtors from experience. The bank has set aside of reserves for bad debts, doubtful accounts and impairment loss in the second quarter of 2017 amounted of Baht 192.1 million, decreased by 14.6% when compared to the second quarter of 2016, high proportion of loan loss reserves ratio at 186.65%.

Earnings per share for the second quarter of 2017 were Baht 0.36 per share, decreased by 30.8% when compared to the second quarter of 2016.

Analysis of the Financial Position

The Management Discussion and Analysis of the financial position of Land and Houses Bank Public Company Limited is comparative performance of the financial position as of 30 June 2017 and 31 December 2016.

Total Assets

As of 30 June 2017, the bank had total assets amounted of Baht 214,668.4 million, increased by Baht 4,973.4 million when compared at the end of the year 2016 or up to 2.4%. Core assets comprise of loans to customers - net at 66.7% of total assets, followed by investments - net at 24.1% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2017	2016	Amount	(%YTD)
Interbank and money market items - net	16,740.9	17,961.1	(1,220.2)	(6.8)
Investments - net	51,691.8	49,978.1	1,713.7	3.4
Loans to customers - net	143,187.5	138,280.2	4,907.3	3.5
Loans to customers net of deferred revenue	146,428.5	141,144.6	5,283.9	3.7
Other assets - net	3,048.2	3,475.6	(427.4)	(12.3)
Total assets	214,668.4	209,695.0	4,973.4	2.4

Loans to Customers

Loans to customers classified by business sector can be divided into Big Corporate & Corporate, SMEs & SSME and Retail.

As of 30 June 2017, the bank had loans to customers (excluding interbank and money market items) amounted of Baht 146,428.5 million, increased by Baht 5,283.9 million when compared at the end of the year 2016, or up to 3.7%. Almost of total loans to customers were Big Corporate & Corporate at 61.6%, followed by Retail at 21.1% and SMEs & SSME at 17.3% of total loans.

When classified by type of business loans, the most portion of them was public utilities and services at 26.2%, followed by manufacturing and commerce sector at 21.1% and housing loans sector at 19.6% of total loans.

Big Corporate & Corporate

As of 30 June 2017, the bank had total loans to customers of Big Corporate & Corporate amounted of Baht 90,251.0 million, increased by Baht 4,490.2 million when compared at the end of the year 2016, or up to 5.2%.

SMEs & SSME

As of 30 June 2017, the bank had total loans to customers of SMEs & SSME amounted of Baht 25,292.5 million, increased by Baht 1,041.1 million when compared at the end of the year 2016, or up to 4.3%.

Retail

As of 30 June 2017, the bank had total loans to customers of Retail amounted of Baht 30,885.0 million, decreased by Baht 247.4 million when compared at the end of the year 2016, or down 0.8%.

Table: Loans to Customers Classified by Business Sector

(Unit: Million Baht)

Loans to customers classified by business sector	June	December	Variance	
	2017	2016	Amount	(%YTD)
Big Corporate & Corporate	90,251.0	85,760.8	4,490.2	5.2
SMEs & SSME	25,292.5	24,251.4	1,041.1	4.3
Retail	30,885.0	31,132.4	(247.4)	(0.8)
Total loans to customers net of deferred revenue *	146,428.5	141,144.6	5,283.9	3.7

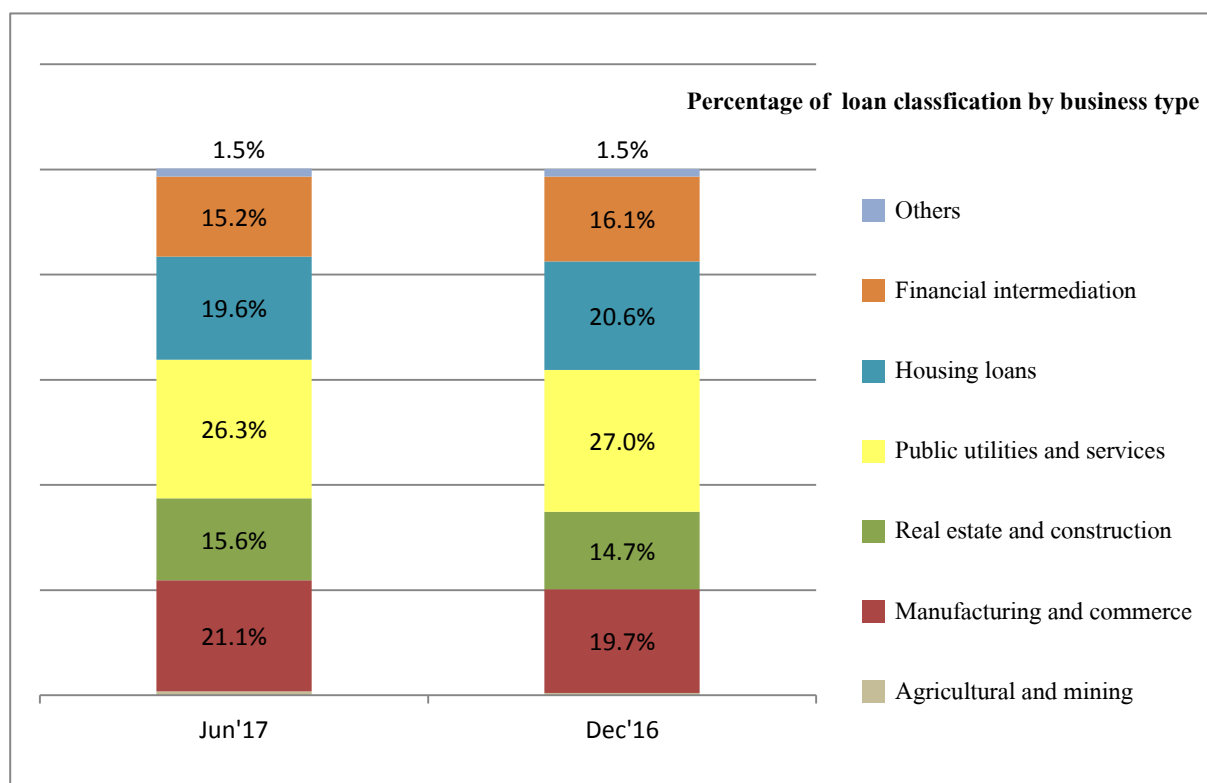
Note: * Total loans to customers net of deferred revenue excluding interbank and money market items

Table: Loans to Customers Classified by Type of Business

(Unit: Million Baht)

Loans to customers classified by type of business loans	June	December	Variance	
	2017	2016	Amount	(%YTD)
Agricultural and mining	944.0	488.4	455.6	93.3
Manufacturing and commerce	30,889.5	27,844.6	3,044.9	10.9
Real estate and construction	22,884.5	20,789.9	2,094.6	10.1
Public utilities and services	38,426.4	38,074.2	352.2	0.9
Housing loans	28,746.0	29,134.9	(388.9)	(1.3)
Financial intermediation	22,286.0	22,757.2	(471.2)	(2.1)
Others	2,252.1	2,055.4	196.7	9.6
Total loans to customers net of deferred revenue *	146,428.5	141,144.6	5,283.9	3.7

Note: * Total loans to customers net of deferred revenue excluding interbank and money market items



Non-Performing Loans

As of 30 June 2017, the bank had non-performing loans (Gross) amounted of Baht 3,244.6 million, increased by Baht 478.7 million when compared at the end of the year 2016 or up to 17.3%. The ratio of NPLs to total loans at 2.01% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,495.4 million, increased by Baht 307.0 million when compared at the end of the year 2016 or up to 14.0%. The ratio of NPLs (Net) at 1.55% of total loans after deducted allowance for doubtful debts of non-performing loans.

Allowance for Doubtful Debts

As of 30 June 2017, the bank had allowance for doubtful debts amounted of Baht 3,424.1 million, increased by Baht 345.5 million when compared at the end of the year 2016, or up to 11.2%.

Investments in Securities

As of 30 June 2017, the bank had net investments in securities which had book value amounted of Baht 51,691.8 million, increased by Baht 1,713.7 million when compared at the end of the year 2016, or up to 3.4%.

Total Liabilities

As of 30 June 2017, the bank had total liabilities amounted of Baht 196,654.3 million, increased by Baht 4,457.2 million when compared at the end of the year 2016, or up to 2.3%, mainly from deposit at 75.3% of total liabilities.

Deposits

As of 30 June 2017, the bank had total deposits amounted of Baht 148,163.5 million, decreased by Baht 1,476.0 million when compared at the end of the year 2016, or down 1.0%.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Classified by type of deposits	June	December	Variance	
	2017	2016	Amount	(%YTD)
Demand deposits	3,020.5	5,061.1	(1,901.5)	(37.6)
Savings deposits	78,552.5	65,119.7	13,432.8	20.6
Time deposits	46,158.7	50,648.2	(4,489.4)	(8.9)
Fixed deposits receipt	20,431.8	28,810.5	(8,517.9)	(29.6)
Total deposits	148,163.5	149,639.5	(1,476.0)	(1.0)

Owners' Equity

As of 30 June 2017, owners' equity amounted of Baht 18,014.1 million, increased by Baht 516.2 million when compared at the end of the year 2016, or up to 3.0%.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2017	2016	Amount	(%YTD)
Deposits	148,163.5	149,639.5	(1,476.0)	(1.0)
Interbank and money market items	9,889.6	20,053.8	(10,164.2)	(50.7)
Debts issued and borrowings - net	36,530.2	20,464.7	16,065.5	78.5
Other liabilities	2,071.0	2,039.1	31.9	1.6
Total liabilities	196,654.3	192,197.1	4,457.2	2.3
Total owners' equity	18,014.1	17,497.9	516.2	3.0

Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 30 June 2017, the ratio of total capital fund to risk assets (BIS ratio) at 13.757%, higher than the 9.750% minimum rate required by the Bank of Thailand and increasing from 31 December 2016 at 13.706%.

The ratio of Tier I capital fund to risk assets was 10.277%, higher than the 7.250% minimum rate required by the Bank of Thailand.

Table: The Ratio of Capital Fund to Risk Assets

The ratio of capital fund to risk assets	As of 30 June 2017		As of 31 December 2016	
	Million Baht	%	Million Baht	%
Common Equity Tier-1 capital funds				
The Bank	17,110.6	10.277	16,557.5	10.195
Minimum rates required by law *		5.750		5.125
The Difference		4.527		5.070
Tier 1 capital funds				
The Bank	17,110.6	10.277	16,557.5	10.195
Minimum rates required by law *		7.250		6.625
The Difference		3.027		3.570
Total capital funds				
The Bank	22,903.2	13.757	22,259.3	13.706
Minimum rates required by law *		9.750		9.125
The Difference		4.007		4.581

Note: * The commercial bank add-ons the ratio of capital buffer 0.625% per annum, which has started from 1 January 2016.

2. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited was a “broker No.5” of the Stock Exchange of Thailand and the services were as follows;

- Securities brokerage service
- Securities underwriting service
- Investment advisory service
- Derivatives trading agent business
- Securities borrowing and lending service
- Sales and redemption representative

Overview of the Stock Exchange of Thailand

SET Index in second quarter of 2017 ended at 1,574.74 points, a 0.02 percent decrease compared to the first quarter of 2017, mainly due to a decline in the trading of SET Index . For the January - June period, the average daily trading of SET decreased by 1.05% when compared to the same period. However, like most stock exchanges in the region, the Thai stock market was still attractive to foreign investors, who were net buyers of shares totaled Baht 13.4 billion since the early year.

Analysis of the Operating Results

The operating results of Land and Houses Securities Public Company Limited and its subsidiary for the second quarter of 2017 had net profit amounted Baht 44.31 million, decreased by Baht 1.73 million when compared to the second quarter of 2016, or down 3.75%.

The operating result of Land and Houses Securities Public Company Limited and its subsidiary of the six-month period ended 30 June 2017 had net profit amounted Baht 57.99 million, decreased by Baht 6.79 million when compared to the six-month period of 2016, or down 10.48%.

Total Incomes

Total incomes in the second quarter of 2017 were Baht 114.88 million, increased by Baht 18.44 million when compared to the second quarter of 2016, or up 19.12%.

Total incomes of the six-month period of 2017 were Baht 187.31 million, increased by Baht 30.91 million when compared to the six-month period of 2016, or up 19.76%. Total incomes were included brokerage fees income from securities business and derivatives business, fees and services income, interest income on margin loan, gains (losses) and return on financial instrument, and other incomes.

Brokerage Fees Income

Brokerage fees income from securities business and derivatives business in the second quarter of 2017 were Baht 32.13 million, increased by Baht 12.99 million when compared to the second quarter of 2016, or up 67.88%.

Brokerage fees income from securities business and derivatives business of the six-month periods of 2017 were Baht 63.55 million, increased by Baht 21.00 million when compared to the six-month period of 2016, or up to 49.36%.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income of the six-month period ended 30 June 2017 were included fees and services income, interest income on margin loan, gains (losses) and return on financial instrument and other incomes amounted Baht 0.60, 11.42, 111.41 and 0.32 million, respectively.

Total Operating Expenses

Total operating expenses in the second quarter of 2017 were Baht 64.60 million, increased by Baht 22.41 million when compared to the second quarter of 2016, or up to 53.13%.

Total operating expenses of the six-month period of 2017 were Baht 122.89 million, increased by Baht 39.81 million when compared to the six-month period of 2016, or up to 47.92%. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs and other expenses.

3. FUND MANAGEMENT BUSINESS

Land and Houses Fund Management Company Limited

Land and Houses Fund Management Company Limited run a business to manage mutual fund, property fund, real estate investment trust, provident fund and private fund.

Overview of Fund Management Business

In the second quarter of 2017, the fund management business had a net worth of 4.8 trillion baht, growing by 3.67% from the end of 2016 and growing by 1.68% from the first quarter of 2017. For the overall in the old direction was that fixed income funds had the largest share in the industry. The proportion is 53%, followed by Equity funds accounted for 24% and mixed funds 6%, respectively. The number of fixed income funds decreased by more than 30 funds from the end of 2016, due to the maturity of the term fund. Investors are still concerned about the risk of investing in non-rated debt securities. Or have been rated below the investment grade. In addition, investors are more interested in investing in foreign investment through the Foreign Investment Fund (FIFs). It is found that the number of funds invested abroad in this country increased by 10 funds or grew by 1.84% from the end of 2016.

Analysis of the Operating Results

The operating results of Land and Houses Fund Management Company Limited is comparative performance of the second quarter of 2017 compared to the second quarter of 2016 as follows;

The second quarter of 2017, the operating result of the company had net profit amounted Baht 15.40 million, increased by Baht 2.34 million when compared to the second quarter of 2016, or up to 17.95% due to the result of fees income and service income under management increasing.

For the six-month period of 2017, the operating result of the company had net profit amounted Baht 40.65 million, increased by Baht 7.80 million when compared to the six-month period of 2016, or up to 23.74% due to the result of fees income and service income under management increasing.

Total Incomes

Total Incomes of the second quarter of 2017 amounted of Baht 68.43 million, increased by Baht 3.79 million when compared to the second quarter of 2016, or up to 5.87%, the fee mainly from fund management accounted for 74.44% of fee and service income.

Total incomes for the six-month period of 2017 were Baht 147.18 million, increased by Baht 16.62 million when compared to the six-month period of 2016, or up to 12.73%. Total incomes were included fees and services income and other incomes.

Fees and Service Income

Fees and service income for the second quarter of 2017 amounted of Baht 63.52 million, increased by Baht 4.06 million when compared to the second quarter of 2016, or increased by 6.84%.

Fees and service income for the six-months period of 2017 amounted of Baht 136.40 million or increased by Baht 24.42 million when compared to the the six-months period of 2016 ,or increased by 21.81%

Other Income apart from fees and service income

Other incomes apart from fee and service income were included for the six-months period of 2017 amounted of Baht 10.78 million

Total Expenses

Total expenses of the second quarter 2017 the amounted Baht 50.84 million, increased by Baht 2.03 million when compared to the second quater of 2017, or up to 4.16%.

Total expenses for the six-months period of 2017 amounted of Baht 98.77 million or increased by Baht 8.84 million when compared to the six-months period of 2016 ,or increased by 9.83%

Net Asset Value under Management

As of 30 June 2017, there were 53 funds under management which were increased 2 funds when compared to the same period of the previous year and the company had total net asset value Baht 49,242.2 million, decreased by Baht 8,454.4 million or down 14.6% when compared to the same period of the previous year. Therefore, the company had a market share of 1.02%, and has ranked of 12 from 22 companies. And they had the mutual funds under management consist of:

- Property fund and Real estate investment trust with a value of Baht 27,407.2 million
- General fixed income fund with a value of Baht 12,762.2 million
- Equity fund with a value of Baht 1,630.1 million
- Mixed fund with a value of Baht 2,963.6 million
- Fund of Propert fund with a value of Baht 4,479.1 million

In addition, in case included private fund and provident fund, the company had net asset value as af 30 June 2017 totaled Baht 56,615.7 million, which came from private fund totaled Baht 4,986.5 million and provident fund totaled Baht 2,387.0 million.