



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

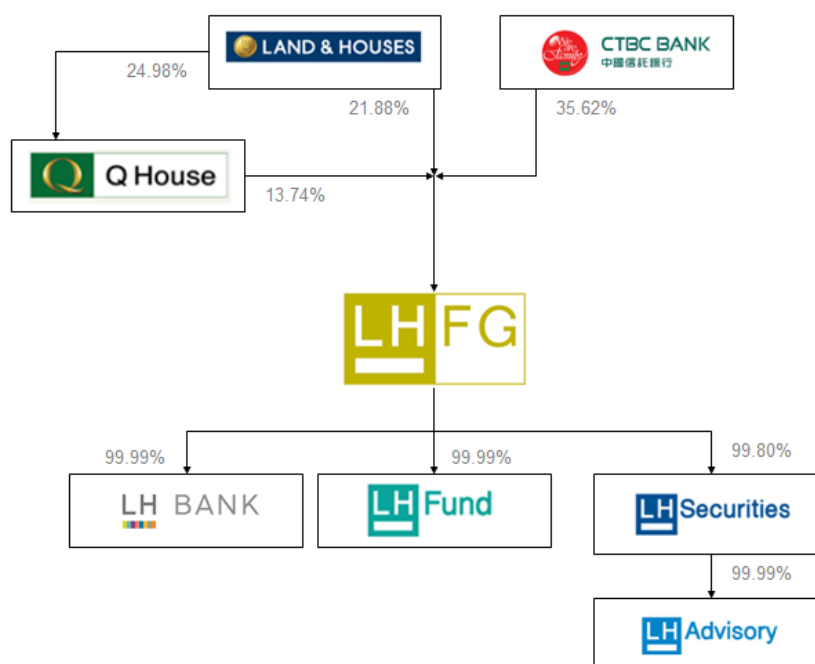
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE REVIEWED AND AUDITED  
CONSOLIDATED FINANCIAL STATEMENT)**

## 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 July 27, 2017, CTBC Bank Company Limited has entered into the shareholder of the company amount of 7,544,961,342 shares or 35.6169% of the paid-up capital. As a result the shareholders structure 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, are 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. And 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).

### **ESG100 Certificate**

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 for the fourth consecutive year and also the company's securities has selected in the Universe of ESG 100 securities group of 2018.

### **Results of the Quality Assessment of the 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 fifth consecutive year.

### **Performance Evaluation of Corporate Governance**

Thai Institute of Directors Association (IOD) disclosed the result of the 2017 Corporate Governance Report evaluation of Thai Listed Companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars" for third consecutive year.

### **Overview of Economy and Competition in Commercial Banking**

In the second quarter of 2018, the Thai economy continued to gain further traction driven by both growths in domestic and external demand. The value of merchandise exports expanded solidly on the back of the continual increase in export quantity and rising export prices along with global crude oil prices. Meanwhile, tourism sector and private consumption continued to expand especially on account of spending by medium and high income households, although household debt remained elevated, economic expansion had yet to benefit household income in a broad-based manner, and the low level of some agricultural price resulting in a gradual improvement. Private investment picked up in line with the improved economic outlook, and with additional support from the government investment project even in this quarter its growth was lower than the assessment as the delayed in budget disbursement. As the momentum from the above mentions, the Thai economy in 2018 was expected to continue expanding which the Bank of Thailand revised up the growth forecast to 4.4 percent (as of June 2018), up from 4.1 percent in the previous forecast. However, the growth outlook still challenge with uncertainties on the external front, especially US foreign trade policies and the retaliatory measures of US trading partners which could negatively affect global trade, trading partners' growth, and Thai exports.

For the banking sector in the second quarter of 2018, overall commercial bank loan growth accelerated, loans to SMEs and hire purchase improved. However, commercial banks remained tighten credit standards on loans to SMEs and household as their concern on a deterioration in debt serviceability especially weak financial position SMEs and high debt household. Although the deterioration in credit quality of commercial bank loans affected profitability, but Thai commercial banking system's remained strong as banks continued to closely monitor credit quality and maintained high levels of capital fund and loan-loss provisions to facilitate credit expansion going forward.

### **Credit Rating**

LH Financial Group Public Company Limited is assigned the company rating at “BBB+“ with “Positive” outlook by TRIS 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**

As of the second quarter of 2018, Land and Houses Bank Public Company Limited has the total 133 branches, the number of branches is equal to the year of 2017.

### **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 which the products and the services of the bank can be divided into 4 catagories as follows:

#### **1. Deposit Account Service**

The bank has designed the new deposit account services continuously which had the various products to meet the appropriate of the customers. The bank has provided the products by offering the incentives rate alongside the any benefits which increased the competitiveness. Including the bank has provided the reward for customers by organized the activities to maintain the customers base and well received by the customers.

The bank has provided the services in the various deposit accounts such as Saving Super Shield Account, Saving Deposit Account, Non-Fixed Deposit Account, Current Account, Fixed Deposits Account and Tax-Free deposit Account etc.

## **2. Loan Services**

The bank has divided the customers as the group to meet the needs of the customers, the bank pays attention the good relationship with all group customer and has offered the financial products and services completely for clearly respond the customers. The bank will consider provide the loan types, the interest rate, limit loan types and payment period to appropriate with the customer business types and provided the loans considering process fastly. The bank has divided the loan services into 3 business sectors consists of Big Corporate and Corporate Loan, SMEs and SME Loan, and Retail Loan.

## **3. Fianancial Electronic Services**

The bank has developed the innovation products and digital financial services for provide the time saving to the customers, expense saving and convenient service such as:

**3.1 LH Bank M Choice Service** is a financial transaction with security global standard on smartphone and iPad. 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, fund and insurance information checking under the slogan “LH Bank M Choice” is financial transaction in one application”.

**3.2 LH Bank Speedy** is an service for more convenience in 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 transfer money between bank account and transfer money from the bank to another bank, payment for commodities, services and loans, cheque status checking, stop cheque, account status checking, and fund information checking.

**3.3 LH Bank PromptPay Service** is a new transfer service for reduce the cash using and easy financial transferring which requires transferees to link their national ID or mobile phone number to Land and Houses Bank Public Company Limited’s accounts.

**3.4 Automatic Teller Machine Service (ATM)** provides withdrawal services, money transfer within the bank, money transfer to the account of other bank, and payment for commodities 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 first quarter of 2018, there are 204 Automatic Teller Machines.

**3.5 Debit Chip Card Service** is a security card with chip card in the information recording to increase the confidence and provided the convenient in the 24 hours financial transferring which the card can be withdrawal, fund transfer, loan payment, commodities and services payment including the bank has participated the UnionPay International, the customers can use the card at the ATM in aboard and UnionPay International member shop in various country.

#### **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 Insurance Services**, the bank has provided the life insurance and non-life insurance brokerage which had the various insurance products for respond the customer needs.

**4.3 Participating Dealer (PD)**, the bank was the PD for the fund management companies which had the various fund types consists of debt securities and equity instruments, retirement mutual fund and long term equity fund.

**4.4 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).

**4.5 Credit Bureau Checking Service** is a service with more convenient for customer and people who need to check their credit bureau and the customers can use this service all branches.

**4.6 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.

**4.7 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).

## 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 2018 and the second quarter of 2017;

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2018	1/2018	(%QoQ)	2/2017	(%YoY)	2018	2017	(%YoY)
Net interest income	1,227.6	1,209.7	1.5	1,228.8	(0.1)	2,437.3	2,424.3	0.5
Net non-interest income	541.8	732.6	(26.0)	387.5	39.8	1,274.4	732.8	73.9
Operating income	1,769.4	1,942.3	(8.9)	1,616.3	9.5	3,711.7	3,157.1	17.6
Other operating expenses	684.5	686.4	(0.3)	689.0	(0.7)	1,370.9	1,362.2	0.6
Bad debts, doubtful accounts and impairment loss	110.1	330.0	(66.6)	192.1	(42.7)	440.1	347.1	26.8
Income tax expenses	168.4	154.8	8.8	118.7	41.9	323.2	244.7	32.1
Profits before bad debts and doubtful accounts, and income tax expenses	1,084.9	1,255.9	(13.6)	927.3	17.0	2,340.8	1,794.9	30.4
Profits before income tax expenses	974.8	925.9	5.3	735.2	32.6	1,900.7	1,447.8	31.3
Net profits	806.4	771.1	4.6	616.5	30.8	1,577.5	1,203.1	31.1
Earnings per share (Baht)	0.038	0.036	5.6	0.045	(15.6)	0.075	0.088	(14.8)

The company and its subsidiaries' the operation had net profits in the second quarter of 2018 amounted of Baht 806.4 million, increased by 30.8% when compared to the second quarter of 2017. The result from net non-interest income increased by 39.8%.

The company and its subsidiaries' the operation had net profits for the six-month period of 2018 amounted of Baht 1,577.5 million, increased by 31.1% when compared to the six-month period of 2017 were Baht 1,203.1 million. The result from net non-interest income increased by 73.9%.

Earnings per share for the second quarter and the six-month period of 2018 were 0.038 Baht per share and 0.075 Baht per share, respectively. When compared to the second quarter and the six-month period of 2017 were 0.045 Baht per share and 0.088 Baht per share, respectively.

### Net Interest Income

In the second quarter of 2018, they had net interest income amounted of Baht 1,227.6 million or decreased by 0.1% when compared to the second quarter of 2017.

### 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 2018, net non-interest income amounted of Baht 541.8 million, increased by 39.8% when compared to the second quarter of 2017. 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 2018, they had other operating expenses amounted of Baht 684.5 million, decreased by 0.7% when compared to the second quarter of 2017, almost of the decrease of advertising and promotional expenses. The ratio of operating expenses to total operating income is at 38.7%, which is decreased when compared to the second quarter of 2017 was at 42.6%.

For the six-month period of 2018, they had other operating expenses amounted of Baht 1,370.9 million, increased by 0.6% when compared to the six-month period of 2017, increasing mainly from the employee expenses.

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter		For six-month periods		Variance
	2/2018	1/2018	(%QoQ)	2/2017	(%YoY)	2018	2017	(%YoY)
Employees' expenses	357.6	360.6	(0.8)	349.6	2.3	718.2	701.2	2.4
Premises and equipment expenses	184.7	184.0	0.4	185.1	(0.2)	368.7	367.4	0.4
Other expenses	142.2	141.8	0.3	154.3	(7.8)	284.0	293.6	(3.3)
<b>Total</b>	<b>684.5</b>	<b>686.4</b>	<b>(0.3)</b>	<b>689.0</b>	<b>(0.7)</b>	<b>1,370.9</b>	<b>1,362.2</b>	<b>0.6</b>

### Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the second quarter of 2018, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,084.9 million, increased by 17.0% when compared to the second quarter of 2017.

### 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 2018 and 31 December 2017.



### Total Assets

As of 30 June 2018, the company and its subsidiaries had total assets amounted of Baht 229,078.5 million , decreased by Baht 4,033.0 million or down to 1.7% when compared at the end of the year 2017. Core assets comprise of loans to customers - net at 64.8% of total assets, followed by investments - net at 26.4% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	June	December	Variance	
	2018	2017	Amount	(% YTD)
Interbank and money market items - net	16,358.5	19,084.6	(2,726.1)	(14.3)
Investments - net	60,590.7	59,622.7	968.0	1.6
Loans to customers - net	148,350.8	150,523.9	(2,173.1)	(1.4)
Loans to customers net of deferred revenue	151,966.4	153,684.4	(1,718.0)	(1.1)
Other assets - net	3,778.5	3,880.3	(101.8)	(2.6)
<b>Total assets</b>	<b>229,078.5</b>	<b>233,111.5</b>	<b>(4,033.0)</b>	<b>(1.7)</b>

### Total Liabilities

As of 30 June 2018, they had total liabilities amounted of Baht 190,082.3 million, decreased by Baht 4,474.2 million or down to 2.3% when compared at the end of the year 2017. Almost of total liabilities were deposits, which were 75.4% of total liabilities.

### Owners' Equity

As of 30 June 2018, owners' equity amounted of Baht 38,996.2 million, increased by Baht 441.2 million or up to 1.1% when compared at the end of the year 2017.

**Table: Total Liabilities and Owners' Equity**

(Unit: Million Baht)

Items	June	December	Variance	
	2018	2017	Amount	(% YTD)
Deposits	143,303.1	143,730.7	(427.6)	(0.3)
Interbank and money market items	12,942.0	15,346.1	(2,404.1)	(15.7)
Debts issued and borrowings - net	31,323.9	32,895.6	(1,571.7)	(4.8)
Other liabilities	2,513.3	2,584.1	(70.8)	(2.7)
<b>Total liabilities</b>	<b>190,082.3</b>	<b>194,556.5</b>	<b>(4,474.2)</b>	<b>(2.3)</b>
<b>Total owners' equity</b>	<b>38,996.2</b>	<b>38,555.0</b>	<b>441.2</b>	<b>1.1</b>

### Number of Employees

As of 30 June 2018, the company and its subsidiaries had 1,668 employees, decreased by 81 employees when compared to 31 December 2017.

## 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 2018 and the second quarter of 2017;

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2018	1/2018	(%QoQ)	2/2017	(%YoY)	2018	2017	(%YoY)
Net interest income	1,242.2	1,220.0	1.8	1,228.1	1.1	2,462.2	2,424.1	1.6
Net non-interest income	323.0	368.9	(12.4)	173.0	86.7	691.9	378.4	82.8
Operating income	1,565.2	1,588.9	(1.5)	1,401.1	11.7	3,154.1	2,802.5	12.5
Other operating expenses	577.6	582.5	(0.8)	588.9	(1.9)	1,160.1	1,183.0	(1.9)
Bad debts, doubtful accounts and impairment loss	110.1	330.0	(66.6)	192.1	(42.7)	440.1	347.1	26.8
Income tax expenses	160.6	114.0	40.9	110.5	45.3	274.5	230.5	19.1
Profits before bad debts and doubtful accounts, and income tax expenses	987.6	1,006.4	(1.9)	812.2	21.6	1,994.0	1,619.5	23.1
Profits before income tax expenses	877.5	676.4	29.7	620.1	41.5	1,553.9	1,272.4	22.1
Net profits	716.9	562.4	27.5	509.6	40.7	1,279.4	1,041.9	22.8
Earnings per share (Baht)	0.36	0.28	28.6	0.36	-	0.64	0.74	(13.5)

Land and Houses Bank Public Company Limited's the operating results had net profits in the second quarter of 2018 amounted of Baht 716.9 million, increased by 40.7% when compared to the second quarter of 2017. The increases were the result of net non-interest income 86.7%, almost of the increase of gains on investments and dividend income.

The bank's the operating results had net profits for the six-month period of 2018 amounted of Baht 1,279.4 million, increased by 22.8% when compared to the six-month period of 2017. The increases were the result of net non-interest income 82.8%, almost of the increase of gains on investments and dividend income.

### **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 2018 amounted of Baht 110.1 million, decreased by 42.7% when compared to the second quarter of 2017, high proportion of loan loss reserves ratio at 183.51%.

Earnings per share in the second quarter of 2018 and 2017 were Baht 0.36 per share.

### **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 2018 and 31 December 2017.

#### **Total Assets**

As of 30 June 2018, the bank had total assets amounted of Baht 226,258.7 million, decreased by Baht 4,137.6 million or down to 1.8% when compared at the end of the year 2017. Core assets comprise of loans to customers - net at 66.4% of total assets, followed by investments - net at 23.7% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	June	December	Variance	
	2018	2017	Amount	(%YTD)
Interbank and money market items - net	19,044.3	20,928.1	(1,883.8)	(9.0)
Investments - net	53,658.7	55,236.6	(1,577.9)	(2.9)
Loans to customers - net	150,323.4	150,874.6	(551.2)	(0.4)
Loans to customers net of deferred revenue	153,915.6	154,020.3	(104.7)	(0.1)
Other assets - net	3,232.3	3,357.0	(124.7)	(3.7)
<b>Total assets</b>	<b>226,258.7</b>	<b>230,396.3</b>	<b>(4,137.6)</b>	<b>(1.8)</b>

### 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 2018, the bank had loans to customers (excluding interbank and money market items) amounted of Baht 153,915.6 million, decreased by Baht 104.7 million or down to 0.1% when compared at the end of the year 2017. Almost of total loans to customers were Big Corporate & Corporate at 68.1%, followed by Retail at 17.1% and SMEs & SSME at 14.8% of total loans. The most portion of them was public utilities and services at 26.8%, followed by manufacturing and commerce sector at 23.2% and financial intermediation sector at 18.3% of total loans.

Big Corporate & Corporate amounted of Baht 104,809.1 million, increased by Baht 3,988.8 million or up to 4.0% when compared at the end of the year 2017.

SMEs & SSME amounted of Baht 22,765.1 million, decreased by Baht 1,236.2 million or down to 5.2%, when compared at the end of the year 2017.

Retail amounted of Baht 26,341.4 million, decreased by Baht 2,857.3 million or down to 9.8% when compared at the end of the year 2017.

**Table: Loans to Customers Classified by Business Sector**

(Unit: Million Baht)

Loans to customers classified by business sector	June	December	Variance	
	2018	2017	Amount	(%YTD)
Big Corporate & Corporate	104,809.1	100,820.3	3,988.8	4.0
SMEs & SSME	22,765.1	24,001.3	(1,236.2)	(5.2)
Retail	26,341.4	29,198.7	(2,857.3)	(9.8)
<b>Total loans to customers net of deferred revenue *</b>	<b>153,915.6</b>	<b>154,020.3</b>	<b>(104.7)</b>	<b>(0.1)</b>

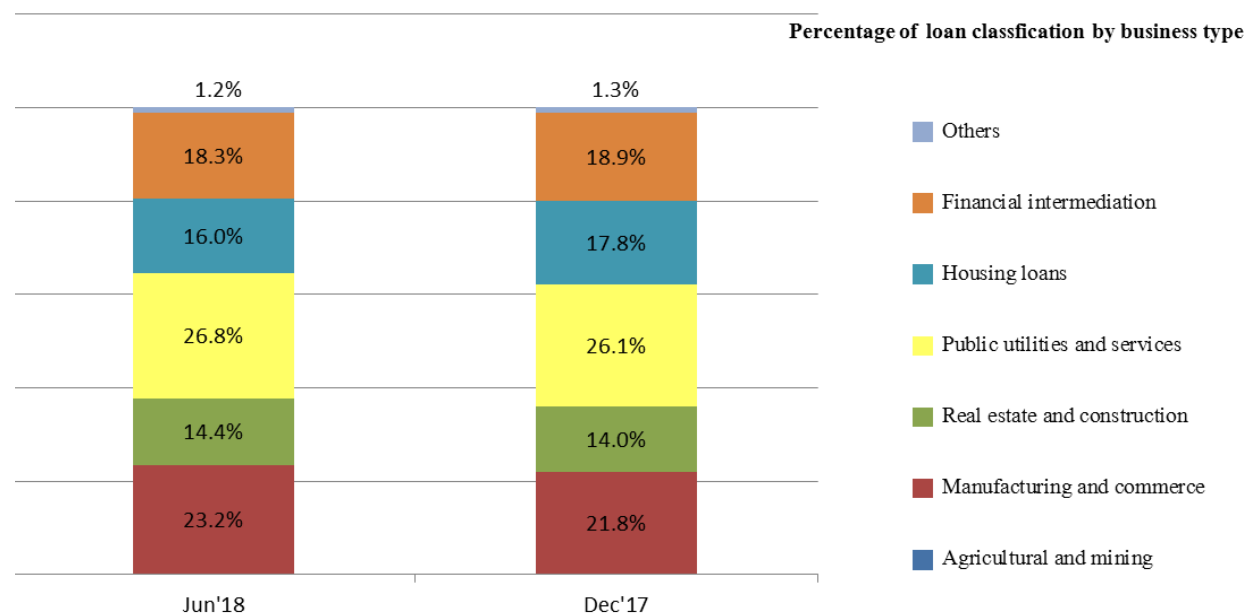
Note: \* Total loans to customers net of deferred revenue excluding interbank and money market items

**Table: Loans to Customers Classified by Type of Business**

(Unit: Million Baht)

Loans to customers classified by type of business loans	June	December	Variance	
	2018	2017	Amount	(%YTD)
Agricultural and mining	170.0	183.3	(13.3)	(7.3)
Manufacturing and commerce	35,768.1	33,602.2	2,165.9	6.4
Real estate and construction	22,221.5	21,590.0	631.5	2.9
Public utilities and services	41,226.2	40,245.3	980.9	2.4
Housing loans	24,658.9	27,342.4	(2,683.5)	(9.8)
Financial intermediation	28,091.7	29,106.2	(1,014.5)	(3.5)
Others	1,779.2	1,950.9	(171.7)	(8.8)
<b>Total loans to customers net of deferred revenue *</b>	<b>153,915.6</b>	<b>154,020.3</b>	<b>(104.7)</b>	<b>(0.1)</b>

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



### Non-Performing Loans

As of 30 June 2018, the bank had non-performing loans (Gross) amounted of Baht 3,395.3 million, increased by Baht 131.5 million or up to 4.0% when compared at the end of the year 2017. The ratio of NPLs to total loans at 1.98% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,482.1 million, increased by Baht 10.3 million or up to 0.4% when compared at the end of the year 2017. The ratio of NPLs (Net) at 1.45% of total loans after deducted allowance for doubtful debts of non-performing loans.

### **Allowance for Doubtful Debts**

As of 30 June 2018, the bank had allowance for doubtful debts amounted of Baht 3,776.7 million, increased by Baht 388.0 million or up to 11.4% when compared at the end of the year 2017.

### **Investments in Securities**

As of 30 June 2018, the bank had net investments in securities which had book value amounted of Baht 53,658.7 million, decreased by Baht 1,577.9 million or down to 2.9% when compared at the end of the year 2017.

### **Total Liabilities**

As of 30 June 2018, the bank had total liabilities amounted of Baht 189,960.6 million, decreased by Baht 5,313.4 million or down to 2.7% when compared at the end of the year 2017, mainly from deposit at 75.4% of total liabilities.

### **Deposits**

As of 30 June 2018, the bank had total deposits amounted of Baht 143,318.4 million, decreased by Baht 423.5 million or down to 0.3% when compared at the end of the year 2017.

**Table: Deposits Classified by Type of Deposits**

(Unit: Million Baht)

Classified by type of deposits	June	December	Variance	
	2018	2017	Amount	(%YTD)
Demand deposits	3,666.8	3,623.0	43.8	1.2
Savings deposits	71,652.4	72,563.3	(910.9)	(1.3)
Time deposits	49,324.1	49,775.1	(451.0)	(0.9)
Fixed deposits receipt	18,675.1	17,780.5	894.6	5.0
<b>Total deposits</b>	<b>143,318.4</b>	<b>143,741.9</b>	<b>(423.5)</b>	<b>(0.3)</b>

### **Owners' Equity**

As of 30 June 2018, owners' equity amounted of Baht 36,298.1 million, increased by Baht 1,175.8 million or up to 3.3% when compared at the end of the year 2017.

**Table: Total Liabilities and Owners' Equity**

(Unit: Million Baht)

Items	June	December	Variance	
	2018	2017	Amount	(% YTD)
Deposits	143,318.4	143,741.9	(423.5)	(0.3)
Interbank and money market items	12,996.4	15,416.0	(2,419.6)	(15.7)
Debts issued and borrowings - net	31,407.5	32,979.1	(1,571.6)	(4.8)
Other liabilities	2,238.3	3,137.0	(898.7)	(28.6)
<b>Total liabilities</b>	<b>189,960.6</b>	<b>195,274.0</b>	<b>(5,313.4)</b>	<b>(2.7)</b>
<b>Total owners' equity</b>	<b>36,298.1</b>	<b>35,122.3</b>	<b>1,175.8</b>	<b>3.3</b>

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

As of 30 June 2018, the ratio of total capital fund to risk assets (BIS ratio) at 21.914%, higher than the 10.375% minimum rate required by the Bank of Thailand and increasing from 31 December 2017 at 21.857%.

The ratio of Tier I capital fund to risk assets was 18.749%, higher than the 7.875% 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 2018		As of 31 December 2017	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	34,515.1	18.749	34,101.4	18.673
Minimum rates required by law *		6.375		5.750
The Difference		12.374		12.923
<b>Tier 1 capital funds</b>				
The Bank	34,515.1	18.749	34,101.4	18.673
Minimum rates required by law *		7.875		7.250
The Difference		10.874		11.423
<b>Total capital funds</b>				
The Bank	40,341.5	21.914	39,915.6	21.857
Minimum rates required by law *		10.375		9.750
The Difference		11.539		12.107

Note: \* The commercial bank are required to add-ons the ratio of capital buffer 0.625% per annum each year as from 1 January 2016 onwards until reaching 2.50% in 2019.

## 2. FUND MANAGEMENT BUSINESS

### **Land and Houses Fund Management Company Limited**

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

#### **Overview of Fund Management Business**

In second quarter of 2018, total net asset value of mutual funds declined from Baht 5.0 trillion to Baht 4.9 trillion. The decline was a result of unfavorable market conditions. However, based on fund types, it is found that the only type of mutual funds that increased in size was property funds (Type I), meanwhile, the other fund types declined.

#### **Analysis of the Operating Results**

The operating results of Land and Houses Fund Management Company Limited is comparative performance of the second quarter of 2018 and the second quarter of 2017 as follows ;

The operating result of the second quarter of 2018, had net profits amounted Baht 27.4 million, increased by 78.2% compared with the second quarter of 2017, caused by the fee income from the increasing numbers of funds and types of mutual funds under management.

The operating results for the six-month period of 2018 had net profits amounted Baht 58.5 million, increased by 44.0% compared with the six-month period of 2017, caused by the fee income from the increasing numbers of funds and types of mutual funds under management.

#### **Fees and Service Income**

Fees and service income of the second quarter of 2018 amounted Baht 86.4 million, increased by 36.0% compared with the second quarter of 2017. The fee was mostly from mutual fund management which was 77.3% of total fees and service income.

Fees and service income for the six-month period of 2018 amounted Baht 196.2 million, increased by 43.9% compared with the six-month period of 2017. The fee was mostly from mutual fund management which was 78.1% of total fees and service income.



**Other incomes apart from Fees and Service Income**

Other incomes apart from fees and service income of the second quarter of 2018 including gains and return on financial instruments amounted Baht 6.4 million and other incomes amounted Baht 0.6 million.

Other incomes apart from fees and service income for the six-month period of 2018 including gains and return on financial instruments amounted Baht 11.6 million and other incomes amounted Baht 1.0 million.

**Total expenses**

Total expenses of the second quarter of 2018 amounted Baht 60.3 million, increased by 18.5% compared with the second quarter of 2017.

Total expenses for the six-month period of 2018 amounted Baht 137.8 million, increased by 39.5% compared with the six-month period of 2017.

**Net Asset Value under Management**

As of 30 June 2018, the company had 58 funds under management, 4 funds increased compared with the year-end of 2017 and had the total net asset value of Baht 55,840.1 million, increased by 8.5% compared with the end of 2017. The company had a market share of 1.13%, and was ranked of 12 from 22 companies. The company had the mutual funds under management consisting of:

- Property fund and Real estate investment trust with a value of Baht 31,797.9 million
- Fixed income fund with a value of Baht 10,633.5 million
- Equity fund with a value of Baht 5,871.4 million
- Mixed fund with a value of Baht 4,138.8 million
- Fund of property fund with a value of Baht 3,398.5 million

However, if private funds is added with provident fund, the company will have net asset value as of 30 June 2018 totaled Baht 65,281.1 million, which is from private fund totaled Baht 6,720.5 million and provident fund totaled Baht 2,720.5 million.

### 3. 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
- Derivatives trading agent business
- Securities borrowing and lending service
- Sales and redemption representative of investment units

#### **Overview of the Stock Exchange of Thailand**

SET index tumbled to the lowest level since August 2017, due to global equity markets continued declining, led by China as ongoing concerns over global trade frictions dampened sentiment. While unwinding position of investment in emerging market moved inversely to dollar index, which climbed to highest level since July 2017. The European Central Bank’s comment also regarded wider protectionist measures as a key risk to global growth momentum.

SET Index in the second quarter of 2018 increased by 158.1 points or up to 9.0% which closed at 1,595.6 points. In the past 6 months, foreign investors have net sold more than Baht 180 billion out of the SET and brought down foreign ownership of shares below 30%, we expects the decreased adjustment of SET Index will be limited.

#### **Analysis of the Operating Results**

The analysis of the operating results of Land and Houses Securities Public Company Limited and its subsidiary are comparative the performance of the second quarter of 2018 and the second quarter of 2017.

The operating results of the company and its subsidiary of the second quarter of 2018 had net profits amounted Baht 25.47 million, decreased by 42.52% compared with the second quarter of 2017.

The operating result of the company and its subsidiary for the six-month period of 2018 had net profits amounted Baht 173.20 million, increased by 198.67% compared with the six-month period of 2017.

### **Total Incomes**

Total incomes of the second quarter of 2018 were Baht 110.67 million, decreased by 3.66% compared with the second quarter of 2017.

Total incomes for the six-month period of 2018 were Baht 374.14 million, increased by 99.75% compared with the six-month period of 2017. Total incomes were included brokerage fees income, fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes.

### **Brokerage Fees Income**

Brokerage fees income of the second quarter of 2018 were Baht 40.19 million, increased by 25.59% compared with the second quarter of 2017.

Brokerage fees income of the six-month period of 2018 were Baht 91.43 million, increased by 43.87% compared with the six-month period of 2017.

### **Other Incomes apart from Brokerage Fees Income**

Other incomes apart from brokerage fees income for the six-month period of 2018 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.35, 25.28, 256.97 and 0.11 million, respectively.

### **Total Operating Expenses**

Total operating expenses of the second quarter of 2018 were Baht 83.08 million, increased by 28.59% when compared to the second quarter of 2017.

Total operating expenses for the six-month period of 2018 were Baht 164.67 million, increased by 34.00% compared with the six-month period of 2017. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs and other expenses.