



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

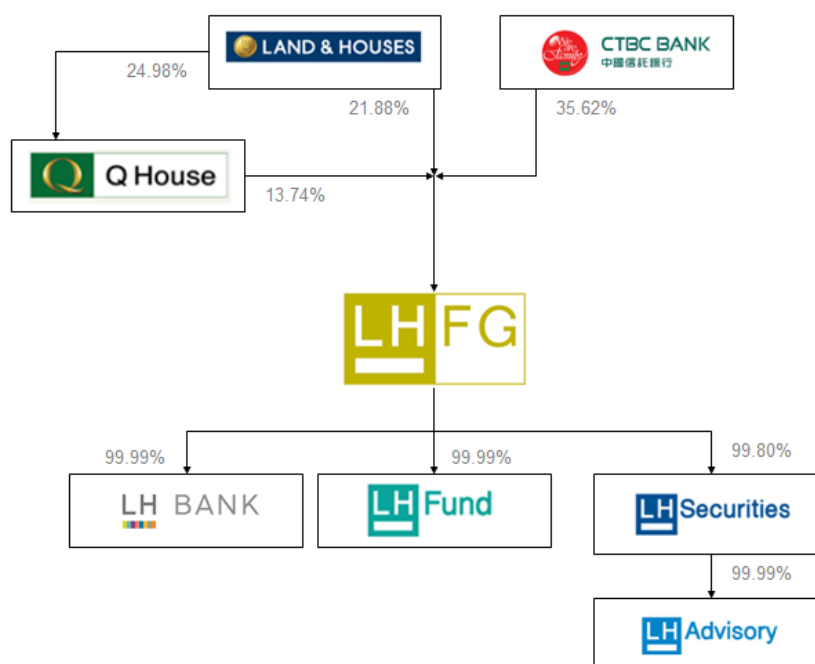
(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE UNREVIEWED CONSOLIDATED FINANCIAL STATEMENT)

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 has 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 sixth 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 third quarter of 2018, the Thai economy continued to expand from the previous quarter. The value of merchandise exports expanded in line with trading partners' growth, global trade and the impacts of trade protectionism measures by the US and China. Exports of services grew at a lower rate as the results of the number of Chinese tourists contracted, due to the Phuket tour boat sinking incident, and the number of Russian tourists declined, due partly to the impact of US sanction which led to the depreciation of Russian ruble. However, domestic demand continued to expand, private consumption expanded well in most spending categories thanks to the continuous improvement in consumer confidence and household income. Private investment expanded in line with private consumption and capital outlays arising from production relocation to Thailand of some export-oriented industries together with supports from the continuous progresses in public infrastructure investment. Meanwhile, public expenditure increased at a slower pace partly, partly because some investment projects were postponed to 2019. As the momentum from the above mentions, the Bank of Thailand maintained Thailand economic growth forecast for 2018 at 4.4% (as of September 2018). However, the growth outlook still challenge with uncertainties on the external front, especially US trade protectionism and the retaliatory measures of US trading partners, and the lower-than-expected growth of Thailand's trading partners that could arise if geopolitical conflicts and economic problems in emerging markets were to occur.

For the banking sector in the third quarter of 2018, commercial bank loan continued to increase in line with the expansion of domestic demand. Business loan growth accelerated, especially loans to SMEs, and was more broad-based across several sectors. Consumer loan expanded across all loan purposes, particularly auto loan which continued to accelerate in line with domestic car sales. However, commercial banks remained tighten credit standards on loans to SMEs as their concern on a deterioration in debt serviceability especially weak financial position SMEs. 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 categories 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, and fund purchasing 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, fund information checking, and fund purchasing.

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 UPI (UnionPay International) cards to provide service for foreign businessman and traveler.

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's 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 the comparative performance of the third quarter of 2018 and the third quarter of 2017;

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---|---------|---------|----------|---------|----------|------------------------|---------|----------|
| | 3/2018 | 2/2018 | (%QoQ) | 3/2017 | (%YoY) | 2018 | 2017 | (%YoY) |
| Net interest income | 1,218.7 | 1,227.6 | (0.7) | 1,270.2 | (4.1) | 3,656.0 | 3,694.5 | (1.0) |
| Net non-interest income | 467.1 | 541.8 | (13.8) | 363.1 | 28.6 | 1,741.6 | 1,096.0 | 58.9 |
| Operating income | 1,685.8 | 1,769.4 | (4.7) | 1,633.3 | 3.2 | 5,397.6 | 4,790.5 | 12.7 |
| Other operating expenses | 681.4 | 684.5 | (0.5) | 675.7 | 0.8 | 2,052.4 | 2,037.9 | 0.7 |
| Bad debts, doubtful accounts and impairment loss | 70.0 | 110.1 | (36.4) | 140.0 | (50.0) | 510.1 | 487.2 | 4.7 |
| Income tax expenses | 155.3 | 168.4 | (7.8) | 146.9 | 5.7 | 478.5 | 391.6 | 22.2 |
| Profits before bad debts and doubtful accounts, and income tax expenses | 1,004.4 | 1,084.9 | (7.4) | 957.6 | 4.9 | 3,345.2 | 2,752.6 | 21.5 |
| Profits before income tax expenses | 934.4 | 974.8 | (4.1) | 817.6 | 14.3 | 2,835.1 | 2,265.4 | 25.1 |
| Net profits | 779.1 | 806.4 | (3.4) | 670.7 | 16.2 | 2,356.6 | 1,873.8 | 25.8 |
| Basic earnings per share (Baht) | 0.037 | 0.038 | (2.6) | 0.035 | 5.7 | 0.111 | 0.121 | (8.3) |

The company and its subsidiaries' the operation had net profits in the third quarter of 2018 amounted of Baht 779.1 million, increased by 16.2% when compared to the third quarter of 2017. The result from net non-interest income increased by 28.6%.

The company and its subsidiaries' the operation had net profits for the nine-month period of 2018 amounted of Baht 2,356.6 million, increased by 25.8% when compared to the nine-month period of 2017 were Baht 1,873.8 million. The result from net non-interest income increased by 58.9%.

Basic earnings per share for the third quarter and the nine-month period of 2018 were 0.037 Baht per share and 0.111 Baht per share, respectively. When compared to the third quarter and the nine-month period of 2017 were 0.035 Baht per share and 0.121 Baht per share, respectively.

Net Interest Income

In the third quarter of 2018, they had net interest income amounted of Baht 1,218.7 million or decreased by 4.1% when compared to the third 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 third quarter of 2018, net non-interest income amounted of Baht 467.1 million, increased by 28.6% when compared to the third quarter of 2017. Almost of net non-interest income are dividend income, which came from increasing investments - net by 2.6%.

Other Operating Expenses

In the third quarter of 2018, they had other operating expenses amounted of Baht 681.4 million, increased by 0.8% when compared to the third quarter of 2017, almost of the increase of employees' expenses and premises and equipment expenses that provide for business expansion. The ratio of operating expenses to total operating income is at 40.4%, which is decreased when compared to the third quarter of 2017 was at 41.4%.

For the nine-month period of 2018, they had other operating expenses amounted of Baht 2,052.4 million, increased by 0.7% when compared to the nine-month period of 2017, increasing mainly from the employees' expenses.

Table: Other Operating Expenses

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---------------------------------|--------------|--------------|--------------|--------------|------------|------------------------|----------------|------------|
| | 3/2018 | 2/2018 | (%QoQ) | 3/2017 | (%YoY) | 2018 | 2017 | (%YoY) |
| Employees' expenses | 351.8 | 357.6 | (1.6) | 344.8 | 2.0 | 1,070.0 | 1,046.0 | 2.3 |
| Premises and equipment expenses | 190.0 | 184.7 | 2.9 | 185.7 | 2.3 | 558.8 | 553.1 | 1.0 |
| Other expenses | 139.6 | 142.2 | (1.8) | 145.2 | (3.9) | 423.6 | 438.8 | (3.5) |
| Total | 681.4 | 684.5 | (0.5) | 675.7 | 0.8 | 2,052.4 | 2,037.9 | 0.7 |

Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the third quarter of 2018, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,004.4 million, increased by 4.9% when compared to the third 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 September 2018 and 31 December 2017.

Total Assets

As of 30 September 2018, the company and its subsidiaries had total assets amounted of Baht 234,262.8 million, increased by Baht 1,151.3 million or up to 0.5% when compared at the end of the year 2017. Core assets comprise of loans to customers - net at 64.7% of total assets, followed by investments - net at 26.1% of total assets.

Table: Total Assets

(Unit: Million Baht)

| Items | September | December | Variance | |
|--|------------------|------------------|----------------|------------|
| | 2018 | 2017 | Amount | (% YTD) |
| Interbank and money market items - net | 17,864.1 | 19,084.6 | (1,220.5) | (6.4) |
| Investments - net | 61,175.6 | 59,622.7 | 1,552.9 | 2.6 |
| Loans to customers - net | 151,631.6 | 150,523.9 | 1,107.7 | 0.7 |
| Loans to customers net of deferred revenue | 155,240.8 | 153,684.4 | 1,556.4 | 1.0 |
| Other assets - net | 3,591.5 | 3,880.3 | (288.8) | (7.4) |
| Total assets | 234,262.8 | 233,111.5 | 1,151.3 | 0.5 |

Total Liabilities

As of 30 September 2018, they had total liabilities amounted of Baht 193,798.4 million, decreased by Baht 758.1 million or down to 0.4% when compared at the end of the year 2017. Almost of total liabilities were deposits, which were 75.1% of total liabilities.

Owners' Equity

As of 30 September 2018, owners' equity amounted of Baht 40,464.4 million, increased by Baht 1,909.4 million or up to 5.0% when compared at the end of the year 2017.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

| Items | September | December | Variance | |
|-----------------------------------|------------------|------------------|----------------|--------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Deposits | 145,619.2 | 143,730.7 | 1,888.5 | 1.3 |
| Interbank and money market items | 15,974.9 | 15,346.1 | 628.8 | 4.1 |
| Debts issued and borrowings - net | 29,807.6 | 32,895.6 | (3,088.0) | (9.4) |
| Other liabilities | 2,396.7 | 2,584.1 | (187.4) | (7.3) |
| Total liabilities | 193,798.4 | 194,556.5 | (758.1) | (0.4) |
| Total owners' equity | 40,464.4 | 38,555.0 | 1,909.4 | 5.0 |

Number of Employees

As of 30 September 2018, the company and its subsidiaries had 1,666 employees, decreased by 83 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 third quarter of 2018 and the third quarter of 2017;

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---|---------|---------|----------|---------|----------|------------------------|---------|----------|
| | 3/2018 | 2/2018 | (%QoQ) | 3/2017 | (%YoY) | 2018 | 2017 | (%YoY) |
| Net interest income | 1,248.4 | 1,242.2 | 0.5 | 1,267.5 | (1.5) | 3,710.5 | 3,691.5 | 0.5 |
| Net non-interest income | 231.8 | 323.0 | (28.2) | 212.1 | 9.3 | 923.7 | 590.6 | 56.4 |
| Operating income | 1,480.2 | 1,565.2 | (5.4) | 1,479.6 | 0.0 | 4,634.2 | 4,282.1 | 8.2 |
| Other operating expenses | 584.2 | 577.6 | 1.1 | 579.9 | 0.7 | 1,744.3 | 1,762.9 | (1.1) |
| Bad debts, doubtful accounts and impairment loss | 70.0 | 110.1 | (36.4) | 140.0 | (50.0) | 510.1 | 487.1 | 4.7 |
| Income tax expenses | 150.6 | 160.6 | (6.2) | 139.4 | 8.0 | 425.1 | 369.9 | 14.9 |
| Profits before bad debts and doubtful accounts, and income tax expenses | 896.0 | 987.6 | (9.3) | 899.7 | (0.4) | 2,889.9 | 2,519.2 | 14.7 |
| Profits before income tax expenses | 826.0 | 877.5 | (5.9) | 759.7 | 8.7 | 2,379.8 | 2,032.1 | 17.1 |
| Net profits | 675.4 | 716.9 | (5.8) | 620.3 | 8.9 | 1,954.7 | 1,662.2 | 17.6 |
| Earnings per share (Baht) | 0.34 | 0.36 | (5.6) | 0.34 | - | 0.98 | 1.08 | (9.3) |

Land and Houses Bank Public Company Limited's the operating results had net profits in the third quarter of 2018 amounted of Baht 675.4 million, increased by 8.9% when compared to the third quarter of 2017. The increases were the result of net non-interest income 9.3%, almost of the increase of dividend income.

The bank's the operating results had net profits for the nine-month period of 2018 amounted of Baht 1,954.7 million, increased by 17.6% when compared to the nine-month period of 2017. The increases were the result of net non-interest income 56.4%, 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 third quarter of 2018 amounted of Baht 70.0 million, decreased by 50.0% when compared to the third quarter of 2017, high proportion of loan loss reserves ratio at 183.12%.

Earnings per share in the third quarter of 2018 and 2017 were Baht 0.34 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 September 2018 and 31 December 2017.

Total Assets

As of 30 September 2018, the bank had total assets amounted of Baht 228,872.3 million, decreased by Baht 1,524.0 million or down to 0.7% when compared at the end of the year 2017. Core assets comprise of loans to customers - net at 67.2% of total assets, followed by investments - net at 22.5% of total assets.

Table: Total Assets

(Unit: Million Baht)

| Items | September | December | Variance | |
|--|------------------|------------------|------------------|--------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Interbank and money market items - net | 20,378.9 | 20,928.1 | (549.2) | (2.6) |
| Investments - net | 51,493.6 | 55,236.6 | (3,743.0) | (6.8) |
| Loans to customers net of deferred revenue | 157,438.0 | 154,020.3 | 3,417.7 | 2.2 |
| Add: Accrued interest receivables | 257.3 | 257.0 | 0.3 | 0.1 |
| Less: Allowance for doubtful accounts | (3,830.5) | (3,388.7) | (441.8) | (13.0) |
| Revaluation allowance for debt restructuring | (13.3) | (14.0) | 0.7 | 5.0 |
| Loans to customers - net | 153,851.5 | 150,874.6 | 2,976.9 | 2.0 |
| Other assets - net | 3,148.3 | 3,357.0 | (208.7) | (6.2) |
| Total assets | 228,872.3 | 230,396.3 | (1,524.0) | (0.7) |

Loans to Customers

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

As of 30 September 2018, the bank had loans to customers net of deferred revenue amounted of Baht 157,438.0 million, increased by Baht 3,417.7 million or up to 2.2% when compared at the end of the year 2017. Almost of total loans to customers were Big Corporate & Corporate at 71.5%, followed by Retail at 16.1% and SMEs & SSME at 12.4% of total loans. The most portion of them was manufacturing and commerce sector at 25.9%, followed by public utilities and services sector at 24.8% and financial intermediation sector at 17.1% of total loans.

Big Corporate & Corporate amounted of Baht 112,573.1 million, increased by Baht 11,752.8 million or up to 11.7% when compared at the end of the year 2017.

SMEs & SSME amounted of Baht 19,553.7 million, decreased by Baht 4,447.6 million or down to 18.5%. when compared at the end of the year 2017.

Retail amounted of Baht 25,311.2 million, decreased by Baht 3,887.5 million or down to 13.3% 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 | September | December | Variance | |
|---|------------------|------------------|----------------|------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Big Corporate & Corporate | 112,573.1 | 100,820.3 | 11,752.8 | 11.7 |
| SMEs & SSME | 19,553.7 | 24,001.3 | (4,447.6) | (18.5) |
| Retail | 25,311.2 | 29,198.7 | (3,887.5) | (13.3) |
| Total loans to customers net of deferred revenue * | 157,438.0 | 154,020.3 | 3,417.7 | 2.2 |

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

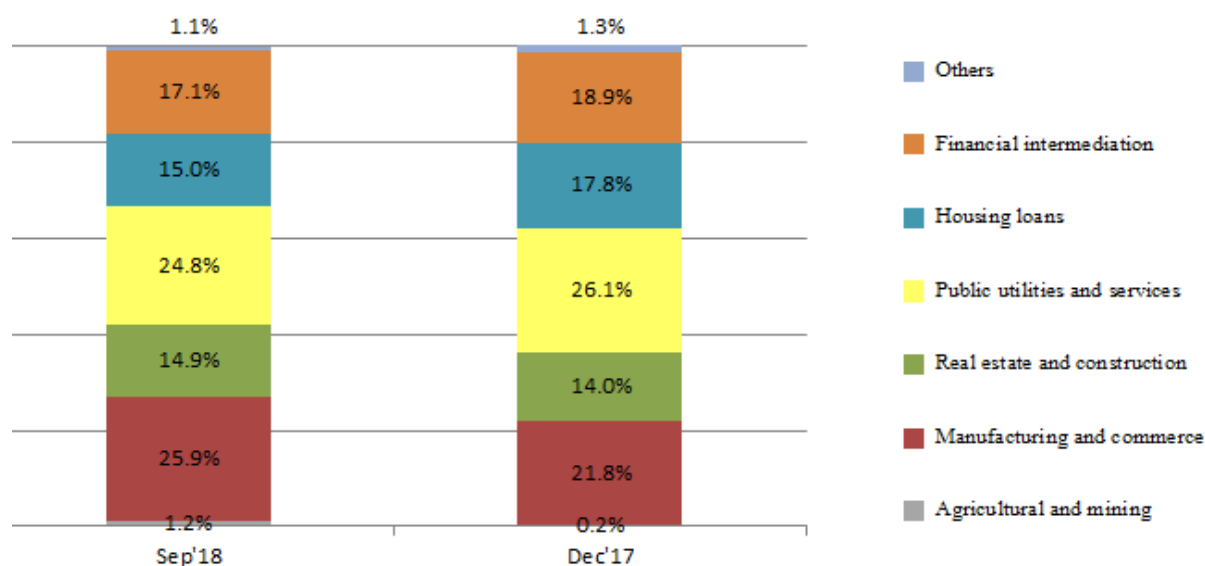
Table: Loans to Customers Classified by Type of Business

(Unit: Million Baht)

| Loans to customers classified by type of business loans | September | December | Variance | |
|--|------------------|------------------|----------------|------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Agricultural and mining | 1,965.4 | 183.3 | 1,782.1 | 972.2 |
| Manufacturing and commerce | 40,700.5 | 33,602.2 | 7,098.3 | 21.1 |
| Real estate and construction | 23,469.3 | 21,590.0 | 1,879.3 | 8.7 |
| Public utilities and services | 39,017.4 | 40,245.3 | (1,227.9) | (3.1) |
| Housing loans | 23,572.5 | 27,342.4 | (3,769.9) | (13.8) |
| Financial intermediation | 26,983.0 | 29,106.2 | (2,123.2) | (7.3) |
| Others | 1,729.9 | 1,950.9 | (221.0) | (11.3) |
| Total loans to customers net of deferred revenue * | 157,438.0 | 154,020.3 | 3,417.7 | 2.2 |

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

Percentage of loan classification by business type



Non-Performing Loans

As of 30 September 2018, the bank had non-performing loans (Gross) amounted of Baht 3,480.5 million, increased by Baht 216.7 million or up to 6.6% when compared at the end of the year 2017. The ratio of NPLs to total loans at 1.97% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,599.6 million, increased by Baht 127.8 million or up to 5.2% when compared at the end of the year 2017. The ratio of NPLs (Net) at 1.48% of total loans after deducted allowance for doubtful debts of non-performing loans.

Allowance for Doubtful Debts

As of 30 September 2018, the bank had allowance for doubtful debts amounted of Baht 3,830.5 million, increased by Baht 441.8 million or up to 13.0% when compared at the end of the year 2017.

Investments in Securities

As of 30 September 2018, the bank had net investments in securities which had book value amounted of Baht 51,493.6 million, decreased by Baht 3,743.0 million or down to 6.8% when compared at the end of the year 2017.

Total Liabilities

As of 30 September 2018, the bank had total liabilities amounted of Baht 192,850.3 million, decreased by Baht 2,423.7 million or down to 1.2% when compared at the end of the year 2017, mainly from deposit at 76.1% of total liabilities.

Deposits

As of 30 September 2018, the bank had total deposits amounted of Baht 146,810.5 million, increased by Baht 3,068.6 million or up to 2.1% when compared at the end of the year 2017.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

| Classified by type of deposits | September | December | Variance | |
|--------------------------------|------------------|------------------|----------------|------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Demand deposits | 1,535.2 | 3,623.0 | (2,087.8) | (57.6) |
| Savings deposits | 74,355.6 | 72,563.3 | 1,792.3 | 2.5 |
| Time deposits | 51,055.3 | 49,775.1 | 1,280.2 | 2.6 |
| Fixed deposits receipt | 19,864.4 | 17,780.5 | 2,083.9 | 11.7 |
| Total deposits | 146,810.5 | 143,741.9 | 3,068.6 | 2.1 |

Owners' Equity

As of 30 September 2018, owners' equity amounted of Baht 36,022.0 million, increased by Baht 899.7 million or up to 2.6% when compared at the end of the year 2017.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

| Items | September | December | Variance | |
|-----------------------------------|------------------|------------------|------------------|--------------|
| | 2018 | 2017 | Amount | (%YTD) |
| Deposits | 146,810.5 | 143,741.9 | 3,068.6 | 2.1 |
| Interbank and money market items | 16,070.5 | 15,416.0 | 654.5 | 4.2 |
| Debts issued and borrowings - net | 27,894.2 | 32,979.1 | (5,084.9) | (15.4) |
| Other liabilities | 2,075.1 | 3,137.0 | (1,061.9) | (33.9) |
| Total liabilities | 192,850.3 | 195,274.0 | (2,423.7) | (1.2) |
| Total owners' equity | 36,022.0 | 35,122.3 | 899.7 | 2.6 |

Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 30 September 2018, the ratio of total capital fund to risk assets (BIS ratio) at 21.599%, higher than the 10.375% minimum rate required by the Bank of Thailand and decreasing from 31 December 2017 at 21.857%.

The ratio of Tier I capital fund to risk assets was 18.509%, 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 September 2018 | | As of 31 December 2017 | |
|---|-------------------------|--------|------------------------|--------|
| | Million Baht | % | Million Baht | % |
| Common Equity Tier-1 capital funds | | | | |
| The Bank | 34,849.2 | 18.509 | 34,101.4 | 18.673 |
| Minimum rates required by law * | | 6.375 | | 5.750 |
| The Difference | | 12.134 | | 12.923 |
| Tier 1 capital funds | | | | |
| The Bank | 34,849.2 | 18.509 | 34,101.4 | 18.673 |
| Minimum rates required by law * | | 7.875 | | 7.250 |
| The Difference | | 10.634 | | 11.423 |
| Total capital funds | | | | |
| The Bank | 40,668.4 | 21.599 | 39,915.6 | 21.857 |
| Minimum rates required by law * | | 10.375 | | 9.750 |
| The Difference | | 11.224 | | 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. 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

In the third quarter 2018, SET index swung up from the 1,584.68 points as of the end of second quarter, of which was also annual low, posting strong gain of 10.1% to 1,756.41 points. Foreign investors remained net sellers with more than 200 billion baht over the first nine months. Despite pressure on the US-China trade barrier coupled with the financial and political crisis in Turkey, the market was supported by the better-than-expected listed companies' performance and the psychological factors after the clarification of Election Day.

Going forward, Thailand stock market is expected to remain positive due to pre-election rally. With election that will take place as soon as February 2019, along with the accelerating Government disbursement, and the kick start of large Government and private investment projects. This various factors will help push SET index up to retest 1800 points again.

Analysis of the Operating Results

The analysis of the operating results of Land and Houses Securities Public Company Limited and its subsidiary were compared the performance between third quarter of 2018 with third quarter of 2017.

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | 9 month periods | | Variance |
|------------------------------------|---------|--------|----------|---------|----------|-----------------|--------|----------|
| | 3/2018 | 2/2018 | (%QoQ) | 3/2018 | (%YoY) | 2018 | 2017 | (%YoY) |
| Brokerage fees income | 40.40 | 40.09 | 0.77 | 36.94 | 9.37 | 131.39 | 100.25 | 31.06 |
| Other income | 54.09 | 70.58 | (23.36) | 61.67 | (12.29) | 337.24 | 185.66 | 81.64 |
| Total incomes | 94.49 | 110.67 | (14.62) | 98.61 | (4.18) | 468.63 | 285.91 | 63.91 |
| Total operating expenses | 79.40 | 83.08 | (4.43) | 66.44 | 19.51 | 244.07 | 189.33 | 28.91 |
| Profits before income tax expenses | 15.09 | 27.59 | (45.31) | 32.17 | (53.09) | 224.56 | 96.58 | 132.51 |
| Income tax expenses | (1.03) | 2.12 | (148.58) | 4.20 | (124.52) | 35.24 | 10.62 | 231.83 |
| Net profits | 16.12 | 25.47 | (36.71) | 27.97 | (42.37) | 189.32 | 85.96 | 120.24 |
| Earnings per share (Baht) | 0.03 | 0.04 | (25.00) | 0.04 | (25.00) | 0.30 | 0.13 | 130.77 |

The operating results of the company and its subsidiary for the third quarter of 2018 had net profit amounted Baht 16.12 million, decreased by 42.37% when compared to the third quarter of 2017.

The operating result of the company and its subsidiary for the nine-month period ended 30 September 2018 had net profit amounted Baht 189.32 million, increased by 120.24% when compared to the nine-month period of 2017.

Total Incomes

Total incomes in the third quarter of 2018 were Baht 94.49 million, decreased by 4.18% when compared to the third quarter of 2017.

Total incomes of the nine-month period ended 30 September 2018 were Baht 468.63 million, increased by 63.91% when compared to the nine-month period of 2017. Total incomes were included brokerage fees income, fee and service income, interest income on margin loan, gain and return on financial instrument and other incomes.

Brokerage Fees Income

Brokerage fees income in the third quarter of 2018 were Baht 40.40 million, increased by 9.37% when compared to the third quarter of 2017.

Brokerage fees income of the 9 month periods ended 30 September 2018 were Baht 131.39 million, increased by 31.06% when compared to the nine-month period of 2017.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income in the third quarter of 2018 were included fee and service income, interest income on margin loan, gains and returns on financial instruments and other incomes amounted Baht 0.36, 11.25, 42.30 and 0.18 million, respectively.

Other incomes apart from brokerage fees income of the nine-month period ended 30 September 2018 were included fee and service income, interest income on margin loan, gains and returns on financial instruments and other incomes amounted Baht 1.15, 36.53, 299.27 and 0.29 million, respectively.

Total Operating Expenses

Total operating expenses in the third quarter of 2018 were Baht 79.40 million, increased by 19.51% when compared to the third quarter of 2017.

Total operating expenses of the 9 month periods ended 30 September 2018 were Baht 244.07 million, increased by 28.91% when compared to the nine-month period of 2017. Total operating expenses were included employee benefit expenses, fees 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 runs a business to manage mutual fund, property fund, real estate investment trust, provident fund and private fund.

Overview of Fund Management Business

In third quarter of 2018, total net asset value of mutual funds decreased from Baht 4.93 trillion to Baht 5.03 trillion, increasing mainly from the equity funds due to in the previous, the Stock Exchange of Thailand declined to the level of investment interesting result in the investors invested in the funds, meanwhile, the fixed income fund and the balanced fund declined.

Analysis of the Operating Results

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

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---|---------|--------|----------|---------|----------|------------------------|-------|----------|
| | 3/2018 | 2/2018 | (%QoQ) | 3/2018 | (%YoY) | 2018 | 2017 | (%YoY) |
| Fees and service income | 89.1 | 86.4 | 3.1 | 68.5 | 30.0 | 285.3 | 204.9 | 39.2 |
| Gains and return on financial instruments | 5.4 | 6.4 | (15.6) | 6.1 | (11.5) | 16.9 | 16.4 | 3.0 |
| Other income | 0.3 | 0.6 | (50.0) | 0.1 | 200.0 | 1.3 | 0.6 | 116.7 |
| Total incomes | 94.8 | 93.4 | 1.5 | 74.8 | 26.8 | 303.5 | 221.9 | 36.8 |
| Total expenses | 62.7 | 60.3 | 4.0 | 53.6 | 17.0 | 200.5 | 152.4 | 31.6 |
| Profits for the periods | 26.4 | 27.4 | (3.6) | 17.8 | 47.7 | 84.9 | 58.5 | 45.1 |

The third quarter of 2018, the operating result of the company had net profit amounted to Baht 26.4 million, increased by 47.7% when compared to the third quarter of 2017 due to the result of fees income and service income under management increasing.

For the nine-month period of 2018, the operating result of the company had net profit amounted to Baht 84.9 million, increased by 45.1% when compared to the nine-month period of 2017 due to the result of fees income and service income under management increasing.

Total Incomes

Total Incomes of the third quarter of 2018 amounted to Baht 94.8 million, increased by 26.8% when compared to the third quarter of 2017. Mainly from fee income and management fee for 76.3% of fee and service income.

Total incomes for the nine-month period of 2018 were Baht 303.5 million, increased by 36.8% when compared to the nine-month period of 2017. Mainly from fee income and management fee for 77.5% of fee and service income.

Fees and Service Income

Fees and service income for the third quarter of 2018 amounted to Baht 89.1 million, increased by 30.0% when compared to the third quarter of 2017.

Fees and service income for the nine-months period of 2018 amounted to Baht 285.3 million, increased by 39.2% when compared to the the nine-months period of 2017.

Other Income apart from fees and service income

Other incomes apart from fee and service income were included for the third quarter of 2018 consists of gains and return on financial instruments and other income amounted to Baht 5.4 and 0.3 million, respectively.

Other incomes apart from fee and service income were included for the nine-months period of 2018 consists of gains and return on financial instruments and other income amounted to Baht 16.9 and 1.3 million, respectively.

Total Expenses

Total expenses of the third quarter 2018 the amounted Baht 62.7 million, increased by 17.0% when compared to the third quarter of 2017.

Total expenses for the nine-months period of 2018 amounted to Baht 200.5, increased by 31.6% when compared to the nine-months period of 2017.

Net Asset Value under Management

As of 30 September 2018, the company had 63 funds under management, decreased by 9 funds when compared to the same period of the previous year. The company had the total net asset value of Baht 57,843.4 million, increased by Baht 6,511.2 million or increased by 12.7% when compared to the same period of the previous year. Therefore, the company had the market share of 1.1%, ranked 12th from 24 companies. with the mutual funds under management consist of:

| | | |
|--|---------------|---------|
| - Property fund and real estate investment trust | Baht 31,847.8 | million |
| - General fixed income fund | Baht 11,839.5 | million |
| - Equity fund | Baht 1,561.5 | million |
| - Mixed fund | Baht 3,134.1 | million |
| - Foreign Investment Fund | Baht 5,032.2 | million |
| - Fund of property fund | Baht 4,282.3 | million |

In addition, in case included private fund and provident fund , the company had net asset value as of 30 September 2018 for Baht 67,696.4 million, which came from private fund for Baht 7,019.3 million and provident fund for Baht 2,833.7 million.