



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

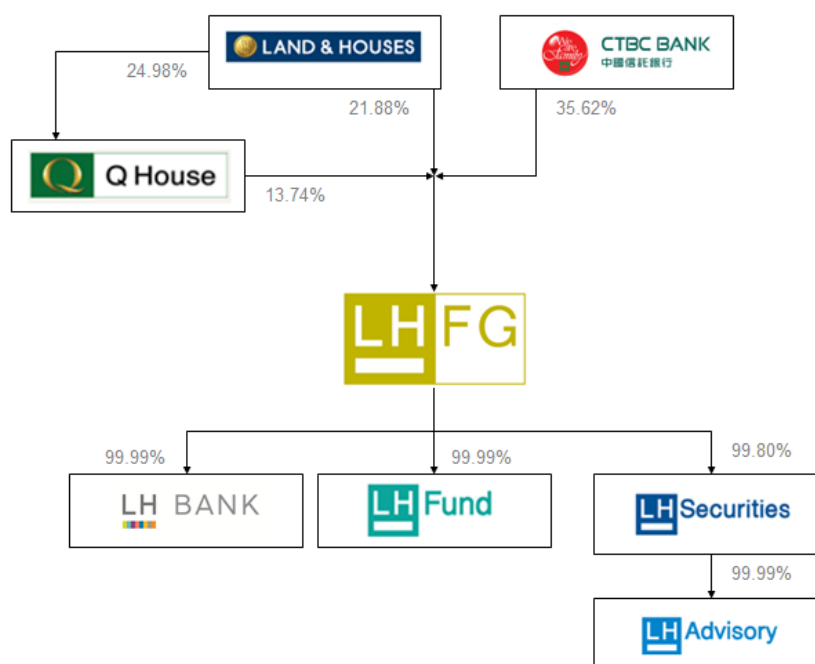
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENT)**

## 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 2018 Corporate Governance evaluation result of Thai Listed Companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars" for fourth consecutive year.

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

In 2018, the Thai economy expanded at a greater pace than the previous year. Growth is estimated at 4.2% the fastest pace since 2013. The expansion was supported by the speed up in private consumption expenditure, government consumption expenditure, and investment. In the meantime, the value of merchandise exports expanded at a slower rate as the result of the economic slowdown in major trading partners, and the effect of protectionist trade policies between the US and China. The tourism sector, which is a key driver of the Thai economy in recent period, grew moderately owing to the growth in the number of tourists of most nationalities; especially tourists from ASEAN countries.

For the banking sector in the year 2018, overall commercial bank loan expanded in line with the economic growth. Consumer loan expanded increasing, while corporate loan grew in several businesses, particularly from large corporate and SME. However, the commercial banks remained cautious in lending as the loan quality continued to deteriorate especially SME loan. Overall NPL ratio increased marginally from 2.91% at the end of 2017 to 2.94% at the end of the third quarter of 2018, while NPL ratio for SME loan edged up from 4.37% to 4.65% in the same period. Nevertheless, the Thai banking system remained resilient as banks continued to closely monitor credit quality and maintained high levels of loan-loss provisions, capital fund, and liquidity to facilitate further credit expansion.

## **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 end of 2018, Land and Houses Bank Public Company Limited has the total 128 branches, the number of branches is decreased 5 branches when compared to the year of 2017 at 133 branches.

## **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 each customer business types and provided the loans considering process quickly. 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. Financial 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 a 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 and insurance 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 instruments 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 general public 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 year of 2018 and the year of 2017:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Net interest income	1,149.2	1,218.7	(5.7)	1,284.6	(10.5)	4,805.2	4,979.1	(3.5)
Net non-interest income	513.2	467.1	9.9	418.4	22.7	2,254.8	1,514.3	48.9
Operating income	1,662.4	1,685.8	(1.4)	1,703.0	(2.4)	7,060.0	6,493.4	8.7
Other operating expenses	715.7	681.4	5.0	682.8	4.8	2,768.1	2,720.6	1.7
Bad debts, doubtful accounts and impairment loss	60.0	70.0	(14.3)	130.0	(53.8)	570.2	617.2	(7.6)
Income tax expenses	135.0	155.3	(13.1)	160.6	(15.9)	613.5	552.2	11.1
Profits before bad debts and doubtful accounts, and income tax expenses	946.6	1,004.4	(5.8)	1,020.2	(7.2)	4,291.9	3,772.8	13.8
Profits before income tax expenses	886.6	934.4	(5.1)	890.2	(0.4)	3,721.7	3,155.6	17.9
Net profits	751.6	779.1	(3.5)	729.6	3.0	3,108.2	2,603.4	19.4
Basic earnings per share (Baht)	0.036	0.037	(2.7)	0.034	5.9	0.147	0.154	(4.5)

The company and its subsidiaries' operating results had net profits in the fourth quarter of 2018 amounted of Baht 751.6 million, increased by 3.0% when compared to the fourth quarter of 2017. The result from net non-interest income increased by 22.7%.

The company and its subsidiaries' operating results had net profits for the year of 2018 amounted of Baht 3,108.2 million, increased by 19.4% when compared to the year of 2017. The result from net non-interest income increased by 48.9%.

Basic earnings per share for the fourth quarter of 2018 and for the year 2018 were 0.036 Baht per share and 0.147 Baht per share, respectively, when compared to the fourth quarter of 2017 and for the year 2017 were 0.034 Baht per share and 0.154 Baht per share, respectively.

### Net Interest Income

In the fourth quarter of 2018, they had net interest income amounted of Baht 1,149.2 million or decreased by 10.5% when compared to the fourth 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 fourth quarter of 2018, net non-interest income amounted of Baht 513.2 million, increased by 22.7% when compared to the fourth quarter of 2017, mainly from the increasing of dividend income.

### Other Operating Expenses

In the fourth quarter of 2018, they had other operating expenses amounted of Baht 715.7 million, increased by 4.8% when compared to the fourth quarter of 2017, almost of the increase of employees' expenses that provide for business expansion. The ratio of operating expenses to total operating income is at 43.1%, which is increased when compared to the fourth quarter of 2017 was at 40.1%.

For the year of 2018, they had other operating expenses amounted of Baht 2,768.1 million, increased by 1.7% when compared to the year of 2017, increasing mainly from the employees' expenses, and the premises and equipment expenses.

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Employees' expenses	369.5	351.8	5.0	334.5	10.5	1,439.5	1,380.5	4.3
Premises and equipment expenses	191.3	190.0	0.7	185.9	2.9	750.1	739.0	1.5
Other expenses	154.9	139.6	11.0	162.4	(4.6)	578.5	601.1	(3.8)
<b>Total</b>	<b>715.7</b>	<b>681.4</b>	<b>5.0</b>	<b>682.8</b>	<b>4.8</b>	<b>2,768.1</b>	<b>2,720.6</b>	<b>1.7</b>

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

In the fourth quarter of 2018, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 946.6 million, decreased by 7.2% when compared to the fourth 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 31 December 2018 and 31 December 2017.

### Total Assets

As of 31 December 2018, the company and its subsidiaries had total assets amounted of Baht 245,933.2 million, increased by Baht 12,821.7 million or up to 5.5% when compared at the end of the year 2017. Core assets comprise of loans to customers - net at 63.3% of total assets, followed by investments - net at 27.4% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	December	December	Variance	
	2018	2017	Amount	(%YTD)
Interbank and money market items - net	18,996.9	19,084.6	(87.7)	(0.5)
Investments - net	67,360.4	59,622.7	7,737.7	13.0
Loans to customers - net	155,739.8	150,523.9	5,215.9	3.5
Loans to customers net of deferred revenue	159,314.0	153,684.4	5,629.6	3.7
Other assets - net	3,836.1	3,880.3	(44.2)	(1.1)
<b>Total assets</b>	<b>245,933.2</b>	<b>233,111.5</b>	<b>12,821.7</b>	<b>5.5</b>

### Total Liabilities

As of 31 December 2018, they had total liabilities amounted of Baht 206,224.1 million, increased by Baht 11,667.6 million or up to 6.0% when compared at the end of the year 2017. Almost of total liabilities were deposits, which were 81.5% of total liabilities.

### Owners' Equity

As of 31 December 2018, owners' equity amounted of Baht 39,709.1 million, increased by Baht 1,154.1 million or up to 3.0% when compared at the end of the year 2017.

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

(Unit: Million Baht)

Items	December	December	Variance	
	2018	2017	Amount	(%YTD)
Deposits	168,164.0	143,730.7	24,433.3	17.0
Interbank and money market items	9,231.5	15,346.1	(6,114.6)	(39.8)
Debts issued and borrowings - net	26,203.0	32,895.6	(6,692.6)	(20.3)
Other liabilities	2,625.6	2,584.1	41.5	1.6
<b>Total liabilities</b>	<b>206,224.1</b>	<b>194,556.5</b>	<b>11,667.6</b>	<b>6.0</b>
<b>Total owners' equity</b>	<b>39,709.1</b>	<b>38,555.0</b>	<b>1,154.1</b>	<b>3.0</b>

### Number of Employees

As of 31 December 2018, the company and its subsidiaries had 1,681 employees, decreased by 68 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 year 2018 and the year 2017:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Net interest income	1,193.1	1,248.4	(4.4)	1,288.6	(7.4)	4,903.6	4,980.2	(1.5)
Net non-interest income	230.7	231.8	(0.5)	223.4	3.3	1,154.5	814.0	41.8
Operating income	1,423.8	1,480.2	(3.8)	1,512.0	(5.8)	6,058.1	5,794.2	4.6
Other operating expenses	617.8	584.2	5.8	583.0	6.0	2,362.1	2,345.9	0.7
Bad debts, doubtful accounts and impairment loss	60.0	70.0	(14.3)	130.0	(53.8)	570.2	617.1	(7.6)
Income tax expenses	131.5	150.6	(12.7)	149.1	(11.8)	556.6	519.1	7.2

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Profits before bad debts and doubtful accounts, and income tax expenses	806.0	896.0	(10.0)	929.0	(13.2)	3,696.0	3,448.3	7.2
Profits before income tax expenses	746.0	826.0	(9.7)	799.0	(6.6)	3,125.8	2,831.2	10.4
Net profits	614.5	675.4	(9.0)	649.9	(5.4)	2,569.2	2,312.1	11.1
Basic earnings per share (Baht)	0.307	0.338	(9.2)	0.325	(5.5)	1.285	1.399	(8.1)

The bank's operating results had net profits in the fourth quarter of 2018 amounted of Baht 614.5 million, decreased by 5.4% when compared to the fourth quarter of 2017.

The bank's operating results had net profits for the year 2018 amounted of Baht 2,569.2 million, increased by 11.1% when compared to the year 2017. The increases were the result of net non-interest income 41.8%, 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 fourth quarter of 2018 amounted of Baht 60.0 million, decreased by 53.8% when compared to the fourth quarter of 2017, high proportion of loan loss reserves ratio at 201.52%.

Basic earnings per share for the fourth quarter of 2018 and for the year 2018 were 0.307 Baht per share and 1.285 Baht per share, respectively, when compared to the fourth quarter of 2017 and for the year 2017 were 0.325 Baht per share and 1.399 Baht per share, respectively.

#### **Analysis of the Financial Position**

The analysis of the financial position of Land and Houses Bank Public Company Limited is comparative performance of the financial position as of 31 December 2018 and 31 December 2017.

#### **Total Assets**

As of 31 December 2018, the bank had total assets amounted of Baht 238,658.0 million, increased by Baht 8,261.7 million or up to 3.6% when compared to the year 2017. Core assets comprise of loans to customers - net at 66.3% of total assets, followed by investments - net at 23.2% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	December	December	Variance	
	2018	2017	Amount	(%YTD)
Interbank and money market items - net	21,566.9	20,928.1	638.8	3.1
Investments - net	55,312.9	55,236.6	76.3	0.1
Loans to customers net of deferred revenue	161,893.2	154,020.3	7,872.9	5.1
Add: Accrued interest receivables	224.2	257.0	(32.8)	(12.8)
Less: Allowance for doubtful accounts	(3,763.2)	(3,388.7)	(374.5)	(11.1)
Revaluation allowance for debt restructuring	(12.0)	(14.0)	2.0	14.3
Loans to customers - net	158,342.2	150,874.6	7,467.6	4.9
Other assets - net	3,436.0	3,357.0	79.0	2.4
<b>Total assets</b>	<b>238,658.0</b>	<b>230,396.3</b>	<b>8,261.7</b>	<b>3.6</b>

### **Loans to Customers**

Loans to customers (including interbank and money market items) classified by business sector can be divided into Big Corporate & Corporate, SMEs & SSME and Retail.

As of 31 December 2018, the bank had loans to customers net amounted of Baht 182,142.3 million, increased by Baht 8,902.8 million or up to 5.1% when compared to the year 2017. Almost of total loans to customers were Big Corporate & Corporate at 75.2%, followed by Retail at 13.5% and SMEs & SSME at 11.3% of total loans. The most portion of them was public utilities and services at 22.3%, followed by manufacturing and commerce sector at 21.9% and financial intermediation sector at 21.1% of total loans.

Big Corporate & Corporate amounted of Baht 136,881.7 million, increased by Baht 18,442.2 million or up to 15.6 % when compared to the year 2017.

SMEs & SSME amounted of Baht 20,671.3 million, decreased by Baht 4,930.0 million or down to 19.3% when compared to the year 2017.

Retail loan amounted of Baht 24,589.3 million, decreased by Baht 4,609.4 million or down to 15.8% when compared to the year 2017.

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

(Unit: Million Baht)

Loans to customers classified by business sector	December	December	Variance	
	2018	2017	Amount	(%YTD)
Big Corporate & Corporate	136,881.7	118,439.5	18,442.2	15.6
SMEs & SSME	20,671.3	25,601.3	(4,930.0)	(19.3)
Retail	24,589.3	29,198.7	(4,609.4)	(15.8)
<b>Total loans to customers net of deferred revenue *</b>	<b>182,142.3</b>	<b>173,239.5</b>	<b>8,902.8</b>	<b>5.1</b>

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

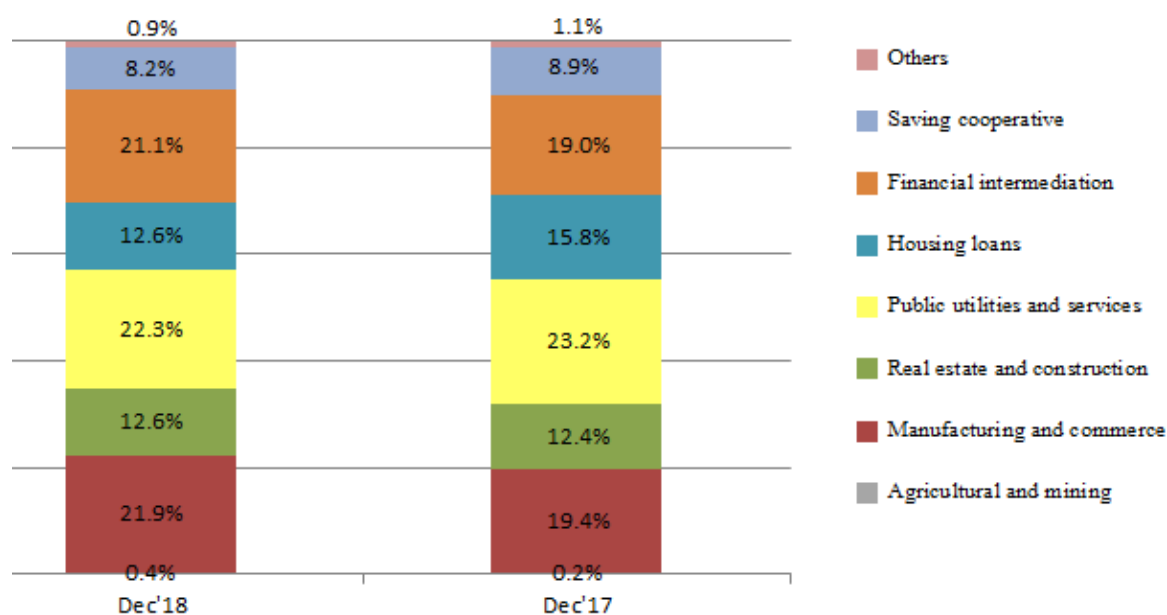
**Table: Loans to Customers Classified by Type of Business**

(Unit: Million Baht)

Loans to customers classified by type of business loans	December	December	Variance	
	2018	2017	Amount	(%YTD)
Agricultural and mining	867.9	183.3	684.6	373.5
Manufacturing and commerce	39,909.8	33,602.2	6,307.6	18.8
Real estate and construction	22,893.8	21,590.0	1,303.8	6.0
Public utilities and services	40,527.0	40,245.3	281.7	0.7
Housing loans	22,883.5	27,342.4	(4,458.9)	(16.3)
Financial intermediation	38,401.4	32,856.2	5,545.2	16.9
Saving cooperative	14,962.0	15,469.2	(507.2)	(3.3)
Others	1,696.9	1,950.9	(254.0)	(13.0)
<b>Total loans to customers net of deferred revenue *</b>	<b>182,142.3</b>	<b>173,239.5</b>	<b>8,902.8</b>	<b>5.1</b>

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

**Percentage of loan classification by business type**



### **Non-Performing Loans**

As of 31 December 2018, the bank had non-performing loans (Gross) amounted of Baht 3,520.2 million, increased by Baht 256.4 million or up to 7.9% when compared to the year 2017. The ratio of NPLs to total loans at 1.93% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,634.4 million, increased by Baht 162.6 million or up to 6.6% when compared to 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 31 December 2018, the bank had allowance for doubtful debts amounted of Baht 3,763.2 million, increased by Baht 374.5 million or up to 11.1% when compared to the year 2017.

### **Investments in Securities**

As of 31 December 2018, the bank had net investments in securities which had book value amounted of Baht 55,312.9 million, increased by Baht 76.3 million or up to 0.1% when compared to the year 2017.

### **Total Liabilities**

As of 31 December 2018, the bank had total liabilities amounted of Baht 203,053.8 million, increased by Baht 7,779.8 million or up to 4.0% when compared to the year 2017, mainly from deposit at 82.8% of total liabilities.

## Deposits

As of 31 December 2018, the bank had total deposits amounted of Baht 168,171.0 million, increased by Baht 24,429.1 million or up to 17.0% when compared to the year 2017.

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

(Unit: Million Baht)

Classified by type of deposits	December	December	Variance	
	2018	2017	Amount	(%YTD)
Demand deposits	6,072.8	3,623.0	2,449.8	67.6
Savings deposits	74,918.5	72,563.3	2,355.2	3.2
Time deposits	55,585.1	49,775.1	5,810.0	11.7
Fixed deposits receipt	31,594.6	17,780.5	13,814.1	77.7
<b>Total deposits</b>	<b>168,171.0</b>	<b>143,741.9</b>	<b>24,429.1</b>	<b>17.0</b>

## Owners' Equity

As of 31 December 2018, owners' equity amounted of Baht 35,604.2 million, increased by Baht 481.9 million or up to 1.4% when compared to the year 2017.

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

(Unit: Million Baht)

Items	December	December	Variance	
	2018	2017	Amount	(%YTD)
Deposits	168,171.0	143,741.9	24,429.1	17.0
Interbank and money market items	9,277.4	15,416.0	(6,138.6)	(39.8)
Debts issued and borrowings - net	23,290.5	32,979.1	(9,688.6)	(29.4)
Other liabilities	2,314.9	3,137.0	(822.1)	(26.2)
<b>Total liabilities</b>	<b>203,053.8</b>	<b>195,274.0</b>	<b>7,779.8</b>	<b>4.0</b>
<b>Total owners' equity</b>	<b>35,604.2</b>	<b>35,122.3</b>	<b>481.9</b>	<b>1.4</b>

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

As of 31 December 2018, the ratio of total capital fund to risk assets (BIS ratio) at 20.045%, 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 17.131%, 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 31 December 2018		As of 31 December 2017	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	34,344.2	17.131	34,101.4	18.673
Minimum rates required by law *		6.375		5.750
The Difference		10.756		12.923
<b>Tier 1 capital funds</b>				
The Bank	34,344.2	17.131	34,101.4	18.673
Minimum rates required by law *		7.875		7.250
The Difference		9.256		11.423
<b>Total capital funds</b>				
The Bank	40,185.5	20.045	39,915.6	21.857
Minimum rates required by law *		10.375		9.750
The Difference		9.670		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
- Fixed Income Business



## Overview of the Stock Exchange of Thailand

In line with global equities, Thai stocks saw another year of unusual volatility in 2018 of which investor confidence was affected considerably by US-China trade dispute. SET index that skyrocketed to make record high at 1,852.51 on 27 February 2018 subsequently nosedived to mark its annual low at 1,546.62 on 27 December 2018 before bouncing back slightly to end the year at 1,563.88, which was down by 10.8% from previous year.

However, the securities value trading of 2018 was Baht 57,673 million or up to 15.1% which was record high level in The Stock Exchange of Thailand's history from the daily trading value at Baht 47,755 million. In the year 2017, the institutional and retail investors were net buyers with net accumulation totaled Baht 181,549 million and Baht 120,800 million, respectively. Foreign investors was net seller with net distribution totaled Baht 287,696 million.

## 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 the year of 2018 and the year of 2017.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Brokerage fees income	33.9	40.4	(16.1)	43.1	(21.3)	165.3	143.3	15.4
Other incomes	62.8	54.1	16.1	55.4	13.4	400.1	241.1	65.9
Total incomes	96.7	94.5	2.3	98.5	(1.8)	565.4	384.4	47.1
Total operating expenses	78.3	79.4	(1.4)	73.6	6.4	322.4	262.9	22.6
Net profits before income tax expenses	18.4	15.1	21.9	24.9	(26.1)	243.0	121.5	100.0
Income tax expenses	1.4	1.0	40.0	6.0	(123.3)	33.9	16.7	103.0
Net profits	19.8	16.1	23.0	18.9	4.8	209.1	104.8	99.5
Basic earnings per share (Baht)	0.03	0.03	0.0	0.03	0.0	0.33	0.16	106.3

The operating results of the company and its subsidiary for the fourth quarter of 2018 had net profit amounted Baht 19.80 million, increased 4.8% when compared to the fourth quarter of 2017.

The operating result of the company and its subsidiary for the year of 2018 had net profit amounted Baht 209.1 million, increased 99.5% when compared to the year 2017.

### **Total Incomes**

Total incomes in the fourth quarter of 2018 were Baht 96.7 million, decreased 1.8% when compared to the fourth quarter of 2017.

Total incomes for the year of 2018 were Baht 565.4 million, increased 47.1% when compared to the year 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 in the fourth quarter of 2018 were Baht 33.9 million, decreased 21.3% when compared to the fourth quarter of 2017.

Brokerage fees income for the year of 2018 were Baht 165.3 million, increased 15.4% when compared to the year 2017.

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

Other incomes apart from brokerage fees income in the fourth quarter of 2018 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.1, 10.0, 52.4 and 0.3 million, respectively.

Other incomes apart from brokerage fees income for the year 2018 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 1.2, 46.6, 351.7 and 0.6 million, respectively.

### **Total Operating Expenses**

Total operating expenses in the fourth quarter of 2018 were Baht 78.3 million, increased 6.4% when compared to the fourth quarter of 2017.

Total operating expenses for the year of 2018 were Baht 322.4 million, increased 22.6% when compared to the year 2017. 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 runs a business to manage mutual fund, property fund, real estate investment trust, provident fund and private fund.

#### Overview of Fund Management Business

The fourth quarter of 2018, total net asset value of mutual funds raise up from Baht 5.03 trillion to Baht 5.06 trillion, support from REITs and property funds. Due to the global stock markets were volatile, both from the Fed's policy rate hike And economic uncertainty that made overall stock market falling, while REITs still provide attractive returns, meanwhile, equity fund, fixed income fund and 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 year 2018 compared to the year 2017 as follows:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2018	3/2018	(%QoQ)	4/2017	(%YoY)	2018	2017	(%YoY)
Fees and service income	86.6	89.1	(2.8)	92.3	(6.2)	372.0	297.3	25.1
Gains and return on financial instruments	7.1	5.4	31.5	8.4	(15.5)	24.0	24.7	(2.8)
Other income	0.2	0.3	(33.3)	0.3	(33.3)	1.5	0.9	66.7
Total incomes	93.9	94.8	(0.9)	101.0	(7.0)	397.5	322.9	23.1
Total expenses	64.5	62.7	2.9	70.7	(8.8)	265.0	223.0	18.8
Profit before tax	29.4	32.1	(8.4)	30.3	(3.0)	132.5	99.9	32.6
Income tax expenses	4.9	5.7	(14.0)	5.4	(9.3)	23.1	16.5	40.0
Profits for the periods	24.5	26.4	(7.2)	24.9	(1.6)	109.4	83.4	31.2
Basic earnings per share (Baht)	8.16	8.79	(7.2)	8.29	(1.6)	36.47	27.79	31.2

The fourth quarter of 2018, the operating result of the company had net profit amounted to Baht 24.5 million, decreased by 1.6% when compared to the fourth quarter of 2017 due to the result of decreasing fees income and service income decreasing.

The operating result of the company in 2018 had net profit amounted to Baht 109.4 million, increased by 31.2% when compared to year 2017, due to the result of increasing fees income and service income.

#### **Total Incomes**

Total Incomes of the fourth quarter of 2018 amounted to Baht 93.9 million, decreased by 7.0% when compared to the fourth quarter of 2017 which decreased from fees and service income.

Total incomes in 2018 were Baht 397.5 million, increased by 23.1%. when compared to year 2017. The income was mainly from fees and service income from management - mutual funds for 77.1% of fees and service income.

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

Fees and service income for the fourth quarter of 2018 amounted to Baht 86.6 million, decreased by 6.2% when compared to the fourth quarter of 2017.

Fees and service income in 2018 amounted to Baht 372.0 million, increased by 25.1% when compared to year 2017.

#### **Other Incomes apart from fees and service income**

Other incomes apart from fee and service income for the fourth quarter of 2018 consisted of gains and return on financial instruments and other incomes amounted to Baht 7.1 million and Baht 0.2 million, respectively.

Other incomes apart from fee and service income in 2018 consisted of gains and return on financial instruments and other incomes amounted to Baht 24.0 million and Baht 1.5 million, respectively.

#### **Total Expenses**

Total expenses of the fourth quarter of 2018 amounted to Baht 64.5 million, decreased by 8.8% when compared to the fourth quarter of 2017.

Total expenses in 2018 amounted to Baht 265.0 million, increased by 18.8% when compared to year 2017.

#### **Net Asset Value under Management**

As of 31 December 2018, the company had 63 funds under management, increased by 9 funds when compared to the year 2017. The company had the total net asset value of Baht 56,283.9 million, increased by Baht 4,835.1 million or increased by 9.4% when compared to the year 2017.

The company had the market share of 1.1%, ranked 12<sup>th</sup> from 23 companies with the mutual funds under management consist of:

- Property fund and real estate investment trust	Baht 31,881.7	million
- General fixed income fund	Baht 10,697.6	million
- Equity fund	Baht 1,535.6	million
- Mixed fund	Baht 3,494.1	million
- Foreign Investment Fund	Baht 4,256.5	million
- Fund of property fund	Baht 4,418.4	million

In addition, in case included private fund and provident fund, the company had net asset value as of 31 December 2018 for Baht 66,183.5 million, which came from private fund for Baht 7,001.4 million and provident fund for Baht 2,898.2 million.