



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

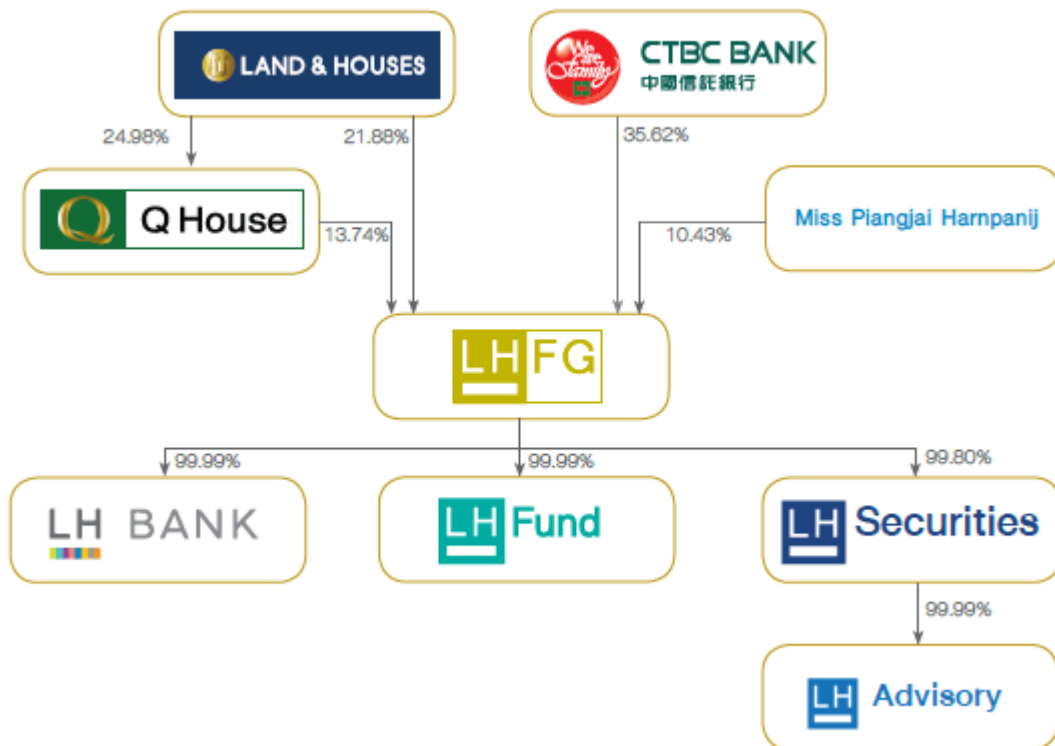
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE UNREVIEWED AND UNAUDITED  
CONSOLIDATED FINANCIAL STATEMENT)**

**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 (“CTBC Bank”) 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:



### **Thailand's Private Sector Collective Action Coalition Against Corruption Certificate**

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) of 2019 by Thaipat Institute for the fifth consecutive year and also the company's securities has selected in the Universe of ESG 100 securities group of 2019.

### **Social Outcome Investor in the concept of social outcome investment**

LH Financial Group Public Company Limited, Land and Houses Fund Management Company Limited, and Land and Houses Securities Public Company Limited have mutually accepted the acknowledgement of "Social Outcome Investor" from Thaipat Institute, as the organization providing cooperation to initiate the concept of social outcome investment. The company provided the policy regarding investment in the fund gives priority to environment, society and governance in order to bring the capital gains obtained from investment to be used in the Corporate Social Responsibility.

### **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 which 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 the second quarter of 2019, the Thai economy continued to expand due mainly to the expansion of domestic demand. Private consumption remained the main growth driver, while private investment expanded at a slower pace than previously assessed. The value of merchandise exports continuously decelerated from the previous quarter due to the economic slowdown in key trading partners, the tensions on trade protectionism policies. Tourism sector slowed down mainly from the decreased in Chinese and European tourist figures. However, the number of tourists from other major nationalities continued to expand.

The Bank of Thailand revised down Thailand economic growth forecast for 2019 to 3.3% (as of June 2019); compared to previous assessment at 3.8%. Moreover, the growth outlook still challenge with uncertainties especially from trade protectionist measures between US and China, global economy and trading partner economies would expand at a slower pace, domestic demand would be restrained by elevated household debt, some signs of moderation in earnings and employment in the export-related manufacturing sector, as well as public spending and public investment would grow at a slower pace than previously estimated.

For the banking sector in the second quarter of 2019, corporate loan expanded in line with the expansion of overall economy. Consumer loan grew moderately from the previous quarter in tandem with the housing loan growth after loan to value (LTV) measure. Auto loan and personal loan continued to expand consistent with increased domestic demand. However, commercial banks remained tighten credit standards as their concern on a deterioration in debt serviceability. Although the deterioration in credit quality affected profitability, but Thai commercial banking system's remained sound as banks continued to closely monitor credit quality and maintained high levels of loan-loss provision, capital fund and liquidity to facilitate further credit expansion.

## **Credit Rating**

LH Financial Group Public Company Limited is assigned the credit rating at “BBB+” with “Stable” the rating outlook by TRIS Rating.

Land and Houses Bank Public Company Limited is assigned the credit rating at “A-” (Single A Minus), with “Stable” the rating outlook and affirms the rating of LH BANK's hybrid Tier 2 capital securities at “BBB” (Triple B Straight) by TRIS Rating.

## **Branch Networking**

As of the end of the second quarter of 2019, Land and Houses Bank Public Company Limited has the total 116 branches, decreased 12 branches when compared to the year of 2018 due to the bank planned for branch merging according to the digital society.

## **Information Security Management System Standards Certificate (ISO/IEC 27001:2013)**

Land and Houses Bank Public Company Limited received to certify the information security management system standards (ISO/IEC 27001:2013) for enhance the management of information security of payment infrastructure to international standard for prevent the cyber threats.

## **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 Deposit Account, Biz Saving, Saving Super Shield Account, Non-Fixed Deposit Account, Current Account, Fixed Deposits Account, Tax-Free Deposit Account and Foreign Currency Deposit 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 SSME Loan, and Retail Loan.

Furthermore, the bank has trade finance which is the service to support import and export business for increasing a business opportunity and enhancing a strengthen negotiation with business partners through bank network over the world with the national standard which have the various and the comprehensive services such as:

- Letter of Credit
- Bills for Collection
- Trust Receipt
- Shipping Guarantee
- Packing Credit
- Standby L/C

For supporting the import and export businesses, the bank signed a memorandum of understanding under the Relending credit program with the Export-Import Bank of the Republic of China. This project will help increase the capacity of importers and exporters by exchanging information to enhance competitiveness.

### **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 Internet Banking on Mobile (LH Bank M Choice)** 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 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 or e-Wallet number to Land and Houses Bank Public Company Limited’s accounts.

**3.3 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.

**3.4 Debit Chip Card Service** is a security card with chip card to increase the confidence for financial transactions 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 and convenience for commodities purchasing and services at the shop or online shopping.

**3.5 LH Bank Premium** is a personal accident protection card highest Baht 300,000 which guaranteed by CHUBB, the customers just inform their health profile in the application form without health checking, this service will be effective immediately by covered medical expenses from the accident. The customers must to show the LH Bank Premium card together with the identification card and infirmity following the contract

**3.6 Mobile Payment Service** is a service for unlimit payment under the concept “Digital Payment Cross Border Service”. And this service for stores that would like to service for bill payment by using QR Code via e-Wallet in nationwide.

**3.7 Deposit, Withdrawal and Loan Payment through 7 – Eleven at all branches** is a service under the concept “LH Bank with the good interest rate and convenience for deposit, withdrawal and payment at 7 – Eleven in 24 hours”. The bank appointed Counter Service Company Limited to be the banking agent for providing the cash deposit in saving account and current account and also withdrawal and loan payment through Land and Houses Bank account in 24 hours which the customers can apply this services at the Counter Service in 7 – Eleven, 11,000 branches. For deposit service, the customers can deposit cash highest at Baht 30,000 per a transaction and highest per day at Baht 100,000 per an account with the service rate at Baht 15 per a transaction, this service, the customers just apply the ID card for verify your identity, specify account number and telephone number, which the customers will receive the transaction confirmation document and your transaction will move in your account immediately.

#### **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 (RMF) and long term equity fund (LTF).

**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 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 internet banking on mobile (LH Bank M Choice).

**4.7 Financial services with financial management expertise from global fund manager**

Land and Houses Fund Management Company Limited, and Land and Houses Bank Public Company Limited, and INVESCO Asset Management, the global fund manager signed the memorandum of understanding for investment as the business partner in potential enhancing and unlimit worldwide investment opportunities with the strong expertise in multi-asset management.

**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 2019 and the second quarter of 2018;

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2019	1/2019	(%QoQ)	2/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,123.8	1,157.6	(2.9)	1,227.6	(8.5)	2,281.4	2,437.3	(6.4)
Net non-interest income	982.8	619.1	58.7	541.8	81.4	1,601.9	1,274.4	25.7
Operating income	2,106.6	1,776.7	18.6	1,769.4	19.1	3,883.3	3,711.7	4.6
Other operating expenses	759.1	731.4	3.8	684.5	10.9	1,490.5	1,370.9	8.7
Bad debts, doubtful accounts and impairment loss	470.0	100.0	370.0	110.1	326.9	570.0	440.1	29.5
Income tax expenses	116.4	138.6	(16.0)	168.4	(30.9)	255.0	323.2	(21.1)
Profits before bad debts and doubtful accounts, and income tax expenses	1,347.5	1,045.3	28.9	1,084.9	24.2	2,392.8	2,340.8	2.2
Profits before income tax expenses	877.5	945.3	(7.2)	974.8	(10.0)	1,822.8	1,900.7	(4.1)
Net profits	761.1	806.7	(5.7)	806.4	(5.6)	1,567.8	1,577.5	(0.6)
Basic earnings per share (Baht)	0.036	0.038	(5.3)	0.038	(5.3)	0.074	0.075	(1.3)



The company and its subsidiaries' the operation had net profits in the second quarter of 2019 amounted of Baht 761.1 million, decreased by 5.6% when compared to the second quarter of 2018. The result from net interest income decreased by 8.5%.

The company and its subsidiaries' the operation had net profits for the six-month period of 2019 amounted of Baht 1,567.8 million, decreased by 0.6% when compared to the six-month period of 2018 were Baht 1,577.5 million. The result from net interest income decreased by 6.4%.

Basic earnings per share for the second quarter and the six-month period of 2019 were 0.036 Baht per share and 0.074 Baht per share, respectively. When compared to the second quarter and the six-month period of 2018 were 0.038 Baht per share and 0.075 Baht per share, respectively.

#### **Net Interest Income**

In the second quarter of 2019, they had net interest income amounted of Baht 1,123.8 million or decreased by 8.5% when compared to the second quarter of 2018.

#### **Net Non-interest Income**

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

In the second quarter of 2019, net non-interest income amounted of Baht 982.8 million, increased by 81.4% when compared to the second quarter of 2018. The increases were the result of gains on investments 371.7% and dividend income 30.0%.

#### **Other Operating Expenses**

In the second quarter of 2019, they had other operating expenses amounted of Baht 759.1 million, increased by 10.9% when compared to the second quarter of 2018, almost of the increase of employee expenses. The ratio of operating expenses to total operating income is at 36.0%, which is decreased when compared to the second quarter of 2018 was at 38.7%.

For the six-month period of 2019, they had other operating expenses amounted of Baht 1,490.5 million, increased by 8.7% when compared to the six-month period of 2018, increasing mainly from the employee expenses.

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2019	1/2019	(%QoQ)	2/2018	(%YoY)	2019	2018	(%YoY)
Employees' expenses	393.5	401.6	(2.0)	357.6	10.0	795.1	718.2	10.7
Premises and equipment expenses	186.6	186.5	0.1	184.7	1.0	373.1	368.7	1.2
Other expenses	179.0	143.3	24.9	142.2	25.9	322.3	284.0	13.5
<b>Total</b>	<b>759.1</b>	<b>731.4</b>	<b>3.8</b>	<b>684.5</b>	<b>10.9</b>	<b>1,490.5</b>	<b>1,370.9</b>	<b>8.7</b>

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

In the second quarter of 2019, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,347.5 million, increased by 24.2% when compared to the second quarter of 2018.

### 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 2019 and 31 December 2018.

### Total Assets

As of 30 June 2019, the company and its subsidiaries had total assets amounted of Baht 247,947.5 million, increased by Baht 2,014.3 million or up to 0.8% when compared at the end of the year 2018. Core assets comprise of loans to customers - net at 62.5% of total assets, followed by investments - net at 27.9% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	June	December	Variance	
	2019	2018	Amount	(%YTD)
Interbank and money market items - net	20,139.5	18,991.5	1,148.0	6.0
Investments - net	69,201.2	67,360.4	1,840.8	2.7
Loans to customers - net	155,007.8	155,739.8	(732.0)	(0.5)
Loans to customers net of deferred revenue	158,897.5	159,314.0	(416.5)	(0.3)
Other assets - net	3,599.0	3,841.5	(242.5)	(6.3)
<b>Total assets</b>	<b>247,947.5</b>	<b>245,933.2</b>	<b>2,014.3</b>	<b>0.8</b>

### **Total Liabilities**

As of 30 June 2019, they had total liabilities amounted of Baht 206,350.1 million, increased by Baht 126.0 million or up to 0.1% when compared at the end of the year 2018. Almost of total liabilities were deposits, which were 80.1% of total liabilities.

### **Owners' Equity**

As of 30 June 2019, owners' equity amounted of Baht 41,597.4 million, increased by Baht 1,888.3 million or up to 4.8% when compared at the end of the year 2018.

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

(Unit: Million Baht)

Items	June	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	165,261.0	168,164.0	(2,903.0)	(1.7)
Interbank and money market items	9,728.8	9,231.5	497.3	5.4
Debts issued and borrowings - net	28,474.4	26,203.0	2,271.4	8.7
Other liabilities	2,885.9	2,625.6	260.3	9.9
<b>Total liabilities</b>	<b>206,350.1</b>	<b>206,224.1</b>	<b>126.0</b>	<b>0.1</b>
<b>Total owners' equity</b>	<b>41,597.4</b>	<b>39,709.1</b>	<b>1,888.3</b>	<b>4.8</b>

### **Number of Employees**

As of 30 June 2019, the company and its subsidiaries had 1,672 employees, decreased by 9 employees when compared to 31 December 2018.

## **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 2019 and the second quarter of 2018;

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For six-month periods		Variance
	2/2019	1/2019	(%QoQ)	2/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,187.3	1,214.4	(2.2)	1,242.2	(4.4)	2,401.7	2,462.2	(2.5)
Net non-interest income	491.3	294.1	67.0	323.0	52.1	785.4	691.9	13.5
Operating income	1,678.6	1,508.5	11.3	1,565.2	7.2	3,187.1	3,154.1	1.0
Other operating expenses	648.9	633.5	2.4	577.6	12.3	1,282.4	1,160.1	10.6
Bad debts, doubtful accounts and impairment loss	470.0	100.0	370.0	110.1	326.9	570.0	440.1	29.5
Income tax expenses	100.4	133.4	(24.7)	160.6	(37.5)	233.8	274.5	(14.8)
Profits before bad debts and doubtful accounts, and income tax expenses	1,029.7	875.0	17.7	987.6	4.3	1,904.7	1,994.0	(4.5)
Profits before income tax expenses	559.7	775.0	(27.8)	877.5	(36.2)	1,334.7	1,553.9	(14.1)
Net profits	459.3	641.6	(28.4)	716.9	(35.9)	1,100.9	1,279.4	(14.0)
Basic earnings per share (Baht)	0.23	0.32	(28.1)	0.36	(36.1)	0.55	0.64	(14.1)

Land and Houses Bank Public Company Limited's the operating results had net profits in the second quarter of 2019 amounted of Baht 459.3 million, decreased by 35.9% when compared to the second quarter of 2018. The result was from decrease of net interest income 4.4% and increase of other operating expenses 12.3%.

The bank's the operating results had net profits for the six-month period of 2019 amounted of Baht 1,100.9 million, decreased by 14.0% when compared to the six-month period of 2018. The result was from decrease of net interest income 2.5% and increase of other operating expenses 10.6%.

#### **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 2019 amounted of Baht 470.0 million, increased by 326.9% when compared to the second quarter of 2018, high proportion of loan loss reserves ratio at 230.19%.

Basic earnings per share for the second quarter of 2019 were Baht 0.23 per share, decreased by 36.1% when compared to the second quarter of 2018.

### **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 2019 and 31 December 2018.

#### **Total Assets**

As of 30 June 2019, the bank had total assets amounted of Baht 238,415.4 million, decreased by Baht 242.6 million or down to 0.1% when compared at the end of the year 2018. Core assets comprise of loans to customers - net at 65.7% of total assets, followed by investments - net at 22.9% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	June	December	Variance	
	2019	2018	Amount	(% YTD)
Interbank and money market items - net	23,958.2	21,566.9	2,391.3	11.1
Investments - net	54,662.7	55,312.9	(650.2)	(1.2)
Loans to customers net of deferred revenue	160,533.0	161,893.2	(1,360.2)	(0.8)
Add: Accrued interest receivables	213.0	224.2	(11.2)	(5.0)
Less: Allowance for doubtful accounts	(4,054.2)	(3,763.2)	(291.0)	(7.7)
Revaluation allowance for debt restructuring	(12.7)	(12.0)	(0.7)	(5.8)
Loans to customers - net	156,679.1	158,342.2	(1,663.1)	(1.1)
Other assets - net	3,115.4	3,436.0	(320.6)	(9.3)
<b>Total assets</b>	<b>238,415.4</b>	<b>238,658.0</b>	<b>(242.6)</b>	<b>(0.1)</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 30 June 2019, the bank had loans to customers - net amounted of Baht 182,665.0 million, increased by Baht 522.7 million or up to 0.3% when compared at the end of the year 2018. Big Corporate & Corporate at 77.2%, followed by Retail at 12.6% and SMEs & SSME at 10.2% of total loans. When classified by type of business loans most portion of them was financial intermediation sector at 27.1%, followed by public utilities and services at 21.4% and manufacturing and commerce sector at 20.6% of total loans.

Big Corporate & Corporate amounted of Baht 141,125.2 million, increased by Baht 4,243.5 million or up to 3.1 % when compared at the end of the year 2018.

SMEs & SSME amounted of Baht 18,574.6 million, decreased by Baht 2,096.7 million or down to 10.1% when compared at the end of the year 2018.

Retail loan amounted of Baht 22,965.2 million, decreased by Baht 1,624.1 million or down to 6.6% when compared at the end of the year 2018.

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

(Unit: Million Baht)

Loans to customers classified by business sector	June	December	Variance	
	2019	2018	Amount	(%YTD)
Big Corporate & Corporate	141,125.2	136,881.7	4,243.5	3.1
SMEs & SSME	18,574.6	20,671.3	(2,096.7)	(10.1)
Retail	22,965.2	24,589.3	(1,624.1)	(6.6)
<b>Total loans to customers net of deferred revenue *</b>	<b>182,665.0</b>	<b>182,142.3</b>	<b>522.7</b>	<b>0.3</b>

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

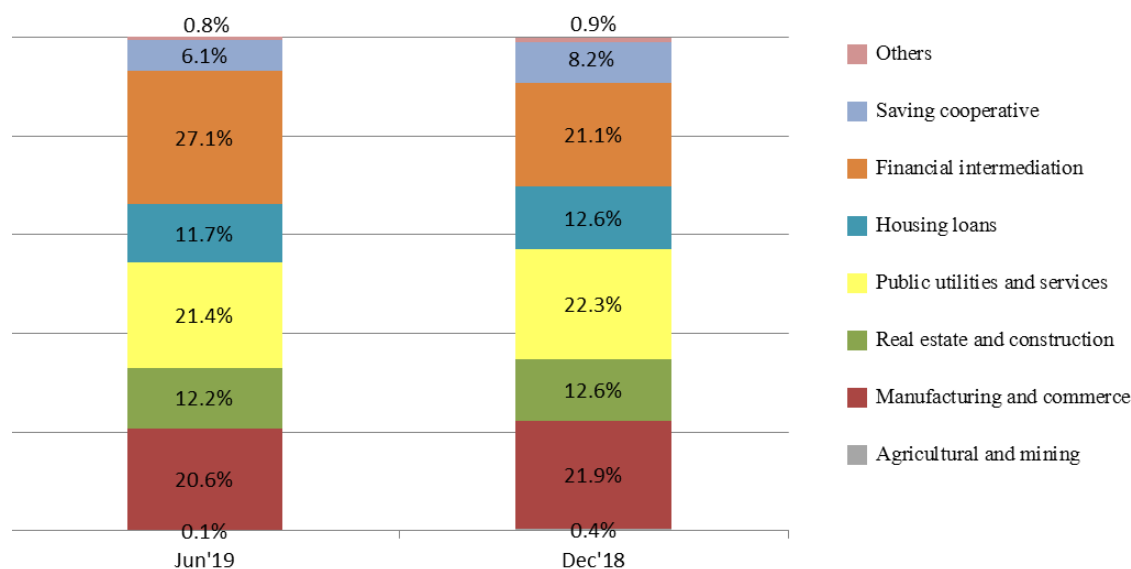
**Table: Loans to Customers Classified by Type of Business**

(Unit: Million Baht)

Loans to customers classified by type of business loans	June	December	Variance	
	2019	2018	Amount	(%YTD)
Agricultural and mining	56.3	867.9	(811.6)	(93.5)
Manufacturing and commerce	37,673.3	39,909.8	(2,236.5)	(5.6)
Real estate and construction	22,317.9	22,893.8	(575.9)	(2.5)
Public utilities and services	39,124.6	40,527.0	(1,402.4)	(3.5)
Housing loans	21,429.0	22,883.5	(1,454.5)	(6.4)
Financial intermediation	49,398.6	38,401.4	10,997.2	28.6
Saving cooperative	11,137.0	14,962.0	(3,825.0)	(25.6)
Others	1,528.3	1,696.9	(168.6)	(9.9)
<b>Total loans to customers net of deferred revenue *</b>	<b>182,665.0</b>	<b>182,142.3</b>	<b>522.7</b>	<b>0.3</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 30 June 2019, the bank had non-performing loans (Gross) amounted of Baht 3,384.1 million, decreased by Baht 136.1 million or down to 3.9% when compared at the end of the year 2018. The ratio of NPLs to total loans at 1.85% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,639.7 million, increased by Baht 5.3 million or up to 0.2% when compared at the end of the year 2018. 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 2019, the bank had allowance for doubtful debts amounted of Baht 4,054.2 million, increased by Baht 291.0 million or up to 7.7% when compared at the end of the year 2018.

### Investments in Securities

As of 30 June 2019, the bank had net investments in securities which had book value amounted of Baht 54,662.7 million, decreased by Baht 650.2 million or down to 1.2% when compared at the end of the year 2018.

### Total Liabilities

As of 30 June 2019, the bank had total liabilities amounted of Baht 202,212.4 million, decreased by Baht 841.4 million or down to 0.4% when compared at the end of the year 2018, mainly from deposit at 81.8% of total liabilities.

### Deposits

As of 30 June 2019, the bank had total deposits amounted of Baht 165,409.4 million, decreased by Baht 2,761.6 million or down to 1.6% when compared at the end of the year 2018.

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

(Unit: Million Baht)

Classified by type of deposits	June	December	Variance	
	2019	2018	Amount	(%YTD)
Demand deposits	4,484.5	6,072.8	(1,588.3)	(26.2)
Savings deposits	58,908.0	74,918.5	(16,010.5)	(21.4)
Time deposits	62,668.8	55,585.1	7,083.7	12.7
Fixed deposits receipt	39,348.1	31,594.6	7,753.5	24.5
<b>Total deposits</b>	<b>165,409.4</b>	<b>168,171.0</b>	<b>(2,761.6)</b>	<b>(1.6)</b>

### Owners' Equity

As of 30 June 2019, owners' equity amounted of Baht 36,203.0 million, increased by Baht 598.8 million or up to 1.7% when compared at the end of the year 2018.

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

(Unit: Million Baht)

Items	June	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	165,409.4	168,171.0	(2,761.6)	(1.6)
Interbank and money market items	9,885.9	9,277.4	608.5	6.6
Debts issued and borrowings - net	24,561.9	23,290.5	1,271.4	5.5
Other liabilities	2,355.2	2,314.9	40.3	1.7
<b>Total liabilities</b>	<b>202,212.4</b>	<b>203,053.8</b>	<b>(841.4)</b>	<b>(0.4)</b>
<b>Total owners' equity</b>	<b>36,203.0</b>	<b>35,604.2</b>	<b>598.8</b>	<b>1.7</b>

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

As of 30 June 2019, the ratio of total capital fund to risk assets (BIS ratio) at 21.229%, higher than the 11.000% minimum rate required by the Bank of Thailand and increasing from 31 December 2018 at 20.045%.

The ratio of Tier I capital fund to risk assets was 18.368%, higher than the 8.500% 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 2019		As of 31 December 2018	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	35,127.4	18.368	34,344.2	17.131
Minimum and additional rates required by law*		7.000		6.375
The Difference		11.368		10.756
<b>Tier 1 capital funds</b>				
The Bank	35,127.4	18.368	34,344.2	17.131
Minimum and additional rates required by law*		8.500		7.875
The Difference		9.868		9.256
<b>Total capital funds</b>				
The Bank	40,599.6	21.229	40,185.5	20.045
Minimum and additional rates required by law*		11.000		10.375
The Difference		10.229		9.670

Note: \* The commercial bank are required to add-ons the conservation buffer of 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 2019, total net asset value of mutual funds increase from Baht 5.23 trillion in previous quarter to Baht 5.37 trillion. Based on fund types, it is found that equity fund, fixed income fund, mixed fund and fund of property fund were increased in size, meanwhile, Property fund and Real estate investment trust 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 2019 with the second quarter of 2018 as follows ;

The second quarter of 2019, the operating result had net profits amounted Baht 29.5 million, increased by 7.5% compared with the second quarter of 2018.

The operating results for the six-month period of 2019 had net profit amounted Baht 53.6 million, decreased by 8.4% compared with the six-month period of 2018.

### **Fee and Service Income**

Fee and service income of the second quarter of 2019 amounted Baht 119.6 million, increased by 38.4% compared with the second quarter of 2018. The fee was mostly from mutual fund management which was 83.3% of total fee and service income.

Fee and service income for the six-month period of 2019 amounted Baht 206.8 million, increased by 5.4% compared with the six-month period of 2018. The fee was mostly from mutual fund management which was 80.9% of total fee and service income.

### **Other Incomes apart from Fee and Service Income**

Other incomes apart from fee and service income of the second quarter of 2019 including financial instrument income and return amounted Baht 4.9 million and other incomes amounted Baht 0.5 million.

Other incomes apart from fee and service income for the six-month period of 2019 including financial instrument income and return amounted Baht 11.6 million and other incomes amounted Baht 0.8 million.

### **Total expenses**

Total expenses for the second quarter of 2019 amounted Baht 88.9 million, increased by 47.5% compared with the second quarter of 2018.

Total expenses for the six-month period of 2019 amounted Baht 154.3 million, increased by 12.0% compared with the six-month period of 2018.

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

As of 30 June 2019, the company had 68 funds under management, 5 funds increased compared with the end of year 2018 and had the total net asset value of Baht 63,414.0 million, increased by 12.7% compared with the end of year 2018. The company had a market share of 1.18%, and was ranked of 12 from 23 companies. The company had the mutual funds under management consisting of:

- Property fund and Real estate investment trust with a value of	Baht 32,384.8 million
- Fixed income fund with a value of	Baht 12,510.0 million
- Equity fund with a value of	Baht 5,973.3 million
- Mixed fund with a value of	Baht 3,828.2 million
- Fund of property fund with a value of	Baht 8,717.7 million

However, in case included private fund and provident fund, the company will have net asset value as of 30 June 2019 totaled Baht 74,923.6 million, which is from private fund totaled Baht 8,393.0 million and provident fund totaled Baht 3,116.6 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 in the end of June 2019 increased by 5.6% from the end of March 2019 which closed at 1,730.34 points. First half of this quarter, SET Index dropped, with pressures from local political uncertainty and the escalation of US-China trade war pressured investment sentiment across the globe. Second half of this quarter, the resulting from the baht appreciation and the MSCI rebalancing for higher weight of Thai in May 2019, foreign and institutional investors adjusted their investment portfolio accordingly. Pushing the Thai stock market index up during the second quarter. The average daily trading value of SET and MAI in the second quarter of 2019 was Baht 53,799 million, increasing from the average daily trading value of Baht 45,739 million in the first quarter of 2019. Foreign investors were the net buyers of Thai shares for the third straight month in June, totaling Baht 5.4 billion in the second quarter of 2019. Net Inflows is likely to continue to invest in the Thai stock market continuously after a clearer picture of local politics.

## **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 second quarter of 2019 with second quarter of 2018

The operating results of the company and its subsidiary for the second quarter of 2019 had net profit amounted Baht 60.3 million, increased 136.7% when compared to the second quarter of 2018.

The operating result of the company and its subsidiary for the six-month period of 2019 had net profit amounted Baht 85.9 million, decreased 50.4% when compared to the six-month period of 2018.

### **Total Incomes**

Total incomes in the second quarter of 2019 were Baht 154.3 million, increased 39.4% when compared to the second quarter of 2018.

Total incomes of the six-month period of 2019 were Baht 260.9 million, decreased 30.3% when compared to the six-month period of 2018. 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 second quarter of 2019 were Baht 35.4 million, decreased 10.8% when compared to the second quarter of 2018.

Brokerage fees income of the six-month period of 2019 were Baht 64.7 million, decreased 28.9% when compared to the six-month period of 2018.

**Other Incomes apart from Brokerage Fees Income**

Other incomes apart from brokerage fees income for the six-month period of 2019 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.4, 20.6, 174.5 and 0.6 million, respectively.

**Total Operating Expenses**

Total operating expenses in the second quarter of 2019 were Baht 86.8 million, increased 4.4% when compared to the second quarter of 2018.

Total operating expenses of the six-month period of 2019 were Baht 167.4 million, increased 1.7% when compared to the six-month period of 2018. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs, impairment loss on investments and other expenses.