



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**

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

## **Executive Summary**

In the 9-month period of 2023, LH Financial Group Public Company Limited financial business group showed a net profit of Baht 1,744.6 million, increased by 41.4% compared to the same period of the previous year. The significant increase was from the net profit of Land and Houses Bank of Baht 1,369.9 million, increased by 77.3% compared to the same period of the previous year. The increase was due mainly to the net interest income and other operating incomes plus the decrease in expected credit loss. Moreover, Land and Houses Bank still set aside the provision for expected credit losses under a conservative basis to support the expansion of loans and potential impacts from the end of relief measures. The coverage ratio stood at 218.31%, and the NPL ratio increased from 2.09% at the end of the year 2022 to 2.56% in the third quarter of 2023.

Net interest income was Baht 5,127.2 million, increased by 13.7% compared to the 9-month period of 2022, and net non-interest income was Baht 1,460.4 million, decreased by 0.03% compared to the 9-month period of 2022, mainly from the decrease in net fees and service income and net profit (loss) from financial instruments measured at fair value through profit or loss and other operating expenses of Baht 2,913.9 million, increased by 11.0% compared to the 9-month period of 2022, which was an increase in promotional and advertising expenses and taxes.

Loans to customers amounted to Baht 236,248.8 million, decreased by Baht 14,846.6 million or 5.9% compared to the end of 2022. The bank has slowed down the expansion of large loans and accelerated the expansion of the retail loan customer base. It can be seen that retail loans was Baht 52,300.0 million, increased by Baht 9,917.3 million or 23.4% compared to the end of 2022.

The bank has launched a digital savings product, B-You Max, with a special high interest rate of 6% per year (for deposit balance not exceeding Baht 10,000) along with the privilege of waiving LH Bank debit card fees throughout the card life. The bank has also cooperated with the BTS Skytrain and Rabbit Card to provide superior privileges to customers who open a B-You Max account or apply for a Happy Cash personal loan through the LHB You application will receive a Rabbit Card special collection “LHB You Avatar Edition” free! with Baht 200 top up on the card, which can be used as a BTS Skytrain fare. Customers can apply from 1 October to 31 December 2023 or until the rights run short. As a result, the number of retail customers has grown exponentially.

### **Overview of Business Operation**

LH Financial Group Public Company Limited is a parent company of the financial business group which consists of the companies as follows:

- Land and Houses Bank Public Company Limited
- Land and Houses Fund Management Company Limited
- Land and Houses Securities Public Company Limited

### **Structure of the Financial Business Group, LH Financial Group Public Company Limited**



### **ESG100 Certificate**

The company was selected to be 1 of 100 listed firms for outstanding ESG performance in terms of environmental, social and governance (ESG 100) of 2023 by Thaipat Institute for the 8<sup>th</sup> year and the company's securities have also been included in the Universe of ESG 100 securities group of 2023.

### **Plaque of Honor as a Leading Organization in Outstanding Management of Greenhouse Gas**

The company received a plaque of honor as a leading organization in greenhouse gas management (Climate Action Leading Organization: CALO) from the Thailand Greenhouse Gas Management Organization (Public Organization). The company was assessed with outstanding result.

### **Certificate of Carbon Footprint for Organization (CFO) and Carbon Neutral**

The company received the certificate of 2022 Carbon Footprint for Organization and Carbon Neutral from the Thailand Greenhouse Gas Management Organization (Public Organization) as an organization that supports the reduction of greenhouse gas emissions within the country as to combat global warming. In 2022, the company was successful in offsetting corporate carbon footprint of 2,378 tons of carbon dioxide equivalent (tCO<sub>2</sub>e).

### **Result of the Quality Assessment of the Annual General Meeting of Shareholders**

The Thai Investors Association has assessed the 2023 Annual General Meeting of Shareholders of the company with the full score of 100 for the 11 consecutive years.

### **Credit Rating**

<b>Fitch Ratings (Thailand) Limited</b>	
National long-term rating	AA+(tha)
Outlook	“Stable”
National short-term rating	F1+ (tha)
<b>TRIS Rating Company Limited</b>	
Company rating	A-
Outlook	“Stable”

### **Economic Overview and Competition in Commercial Banking Industry**

The Thai economy continued to expand in the third quarter. This was mainly driven by strong growth in private consumption and a continued recovery in tourism. However, exports continued to contract amid weak global demand, and private investment slowed. Inflation has slowed to the target range, bringing the policy rate hike closer to its peak. The baht has weakened in line with the region, in contrast to the US dollar, which has strengthened on the back of continued Fed rate hikes and still fairly strong US economic figures.

The Bank of Thailand estimates that overall Thailand's economy is likely to grow by 2.8% in 2023 (data as of September 2023), with private consumption being a key supporting factor. However, merchandise exports are likely to slow and the recovery in tourism may be slower than expected. This is partly due to the slowdown in the Chinese economy. Looking ahead, the Thai economy still faces many risk factors, including the recent policy rate hike which will lead to the increase in the cost of doing business; the issuance

of government policies that may affect fiscal stability in the future; the preparation of the 2024 budget, which may be delayed; the high level of household debt; baht value which is depreciating in a short term and fluctuating the persistence of high policy rates in major economies, which will put pressure on the purchasing power of trading partners and Thai exports; and the protracted Russia-Ukraine conflict. These factors also pose challenges to the Thai economic recovery in 2023.

In the third quarter of 2023, businesses of all sizes and industries still needed more loans, especially in the service sector, in line with the increasing number of foreign tourists and the resulting recovery of the tourism industry. However, the loan demand for export is expected to decline in proportion to the volume of merchandise exports. In terms of stability, Thai commercial banks remained strong due to high capital and reserve levels. However, development in credit quality needs to be monitored as it may come under pressure from the debt repayment capacity of some SMEs and households, which remain fragile due to higher debt burdens and slow income recovery.

### **Analysis of Operating Results**

In the third quarter of 2023, the operating results of the company and its subsidiaries showed the net profit of Baht 542.7 million, increased by 2.0% when compared to the second quarter of 2023 with the net profit of Baht 532.1 million due to the increase in net interest income and net fees and service income. And the net profit increased by 11.0% when compared to the third quarter of 2022 with the net profit of Baht 489.0 million due to the increase in net interest income and other operating incomes.

In the 9-month period of 2023, the operating results of the company and its subsidiaries showed the net profit of Baht 1,744.6 million, increased by 41.4% when compared to the 9-month period of 2022 with the net profit of Baht 1,234.0 million due to the increase in net interest income, other operating incomes and dividend income.

### **Net Interest Income**

In the third quarter of 2023, net interest income amounted to Baht 1,762.9 million, increased by 5.5% when compared to the second quarter of 2023 and increased by 13.0% when compared to the third quarter of 2022. In the third quarter of 2023, interest income was Baht 2,990.8 million, increased by 9.6% and interest expenses were Baht 1,227.9 million, increased by 16.0% when compared to the second quarter of 2023.

In the 9-month period of 2023, net interest income amounted to Baht 5,127.2 million, increased by 13.7% when compared to the 9-month period of 2022. Interest income was Baht 8,454.1 million, increased by 34.8% and interest expenses were Baht 3,326.9 million, increased by 88.8% when compared to the 9-month period of 2022.

### **Net Non-Interest Income**

In the third quarter of 2023, net non-interest income amounted to Baht 454.6 million, decreased by 7.5% when compared to the second quarter of 2023, due mainly to the decrease in dividend income. Non-interest income decreased by 10.7% when compared to the third quarter of 2022, due mainly to the decrease in net fees and service income.

In the 9-month period of 2023, net non-interest income amounted to Baht 1,460.4 million, decreased by 0.03% when compared to the 9-month period of 2022 due mainly to the decrease in net fees and service income and gains (losses) on financial instruments measured at fair value through profit or loss.

### **Other Operating Expenses**

In the third quarter of 2023, other operating expenses amounted to Baht 1,017.8 million, increased by 4.4% when compared to the second quarter of 2023, due mainly to the increased in advertising and promotional expenses and other expenses. Other operating expenses increased by 11.6% when compared to the third quarter of 2022 which mainly increased in advertising and promotional expenses and taxes and duties.

In the 9-month period of 2023, other operating expenses amounted to Baht 2,913.9 million, increased by 11.0% when compared to the 9-month period of 2022 due to the increase in advertising and promotional expenses and taxes and duties.

### **Profit from Operations Before Expected Credit Losses and Income Tax**

In the third quarter of 2023, profit from operations before expected credit losses and income tax amounted to Baht 1,199.7 million, increased by 1.1% when compared to the second quarter of 2023 and increased by 3.7% when compared to the third quarter of 2022.

In the 9-month period of 2023, profit from operations before expected credit losses and income tax amounted to Baht 3,673.7 million, increased by 9.8% when compared to the 9-month period of 2022.

In the third quarter of 2023, basic earnings per share stood at Baht 0.026 per share, increased by 4.0% when compared to the second quarter of 2023 and increased by 13.0% when compared to the third quarter of 2022.

In the 9-month period of 2023, basic earnings per share stood at Baht 0.082 per share, increased by 41.4% when compared to the 9-month period of 2022.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Interest income	2,990.8	2,729.0	9.6	2,198.5	36.0	8,454.1	6,270.9	34.8
Interest expense	(1,227.9)	(1,058.3)	16.0	(638.1)	92.4	(3,326.9)	(1,762.0)	88.8
<b>Net interest income</b>	<b>1,762.9</b>	<b>1,670.7</b>	<b>5.5</b>	<b>1,560.4</b>	<b>13.0</b>	<b>5,127.2</b>	<b>4,508.9</b>	<b>13.7</b>
Fees and service income	227.2	219.2	3.6	242.4	(6.3)	679.0	728.0	(6.7)
Fees and service expense	(58.3)	(60.6)	(3.8)	(48.6)	20.0	(178.5)	(145.2)	22.9
<b>Net fees and service income</b>	<b>168.9</b>	<b>158.6</b>	<b>6.5</b>	<b>193.8</b>	<b>(12.8)</b>	<b>500.5</b>	<b>582.8</b>	<b>(14.1)</b>
Gains (losses) on financial instruments measured at fair value through profit or loss	(16.5)	(4.2)	292.9	25.7	(164.2)	(11.6)	1.7	(782.4)
Gains on investments	-	-	-	-	-	10.9	-	100.0
Dividend income	279.2	313.8	(11.0)	279.0	0.1	905.3	850.1	6.5
Other operating incomes	23.0	23.0	-	10.4	121.2	55.3	26.2	111.1
<b>Operating income</b>	<b>2,217.5</b>	<b>2,161.9</b>	<b>2.6</b>	<b>2,069.3</b>	<b>7.2</b>	<b>6,587.6</b>	<b>5,969.7</b>	<b>10.4</b>
<b>Other operating expenses</b>	<b>1,017.8</b>	<b>975.1</b>	<b>4.4</b>	<b>912.3</b>	<b>11.6</b>	<b>2,913.9</b>	<b>2,624.4</b>	<b>11.0</b>
<b>Expected credit losses</b>	<b>552.7</b>	<b>546.8</b>	<b>1.1</b>	<b>582.0</b>	<b>(5.0)</b>	<b>1,586.8</b>	<b>1,911.9</b>	<b>(17.0)</b>
<b>Income tax</b>	<b>104.3</b>	<b>107.9</b>	<b>(3.3)</b>	<b>86.0</b>	<b>21.3</b>	<b>342.3</b>	<b>199.4</b>	<b>71.7</b>
<b>Profits from operations before expected credit losses and income tax</b>	<b>1,199.7</b>	<b>1,186.8</b>	<b>1.1</b>	<b>1,157.0</b>	<b>3.7</b>	<b>3,673.7</b>	<b>3,345.3</b>	<b>9.8</b>
<b>Profits from operations before income tax</b>	<b>647.0</b>	<b>640.0</b>	<b>1.1</b>	<b>575.0</b>	<b>12.5</b>	<b>2,086.9</b>	<b>1,433.4</b>	<b>45.6</b>
<b>Net profits</b>	<b>542.7</b>	<b>532.1</b>	<b>2.0</b>	<b>489.0</b>	<b>11.0</b>	<b>1,744.6</b>	<b>1,234.0</b>	<b>41.4</b>
<b>Basic earnings per share (Baht)</b>	<b>0.026</b>	<b>0.025</b>	<b>4.0</b>	<b>0.023</b>	<b>13.0</b>	<b>0.082</b>	<b>0.058</b>	<b>41.4</b>
<b>ROA</b>						<b>0.80</b>	<b>0.62</b>	
<b>ROE</b>						<b>6.38</b>	<b>4.41</b>	

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Employees' expenses	573.2	556.9	2.9	521.5	9.9	1,649.2	1,527.1	8.0
Premises and equipment expenses	193.0	187.1	3.2	179.3	7.6	565.9	512.4	10.4
Other expenses	251.6	231.1	8.9	211.5	19.0	698.8	584.9	19.5
<b>Total</b>	<b>1,017.8</b>	<b>975.1</b>	<b>4.4</b>	<b>912.3</b>	<b>11.6</b>	<b>2,913.9</b>	<b>2,624.4</b>	<b>11.0</b>

### Analysis of Financial Position

#### Total Assets

As of 30 September 2023, total assets amounted to Baht 293,926.5 million, decreased by Baht 7,630.0 million or 2.5% when compared to the end of the year 2022. Core assets comprised loans to customers - net at 73.4% of total assets, followed by investments - net at 17.0% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2023	2022	Amount	(%YTD)
Interbank and money market items - net	13,483.6	33,051.4	(19,567.8)	(59.2)
Investments - net	50,062.4	54,043.8	(3,981.4)	(7.4)
Loans to customers - net	215,797.4	207,526.6	8,270.8	4.0
Other assets - net	14,583.1	6,934.7	7,648.4	110.3
<b>Total assets</b>	<b>293,926.5</b>	<b>301,556.5</b>	<b>(7,630.0)</b>	<b>(2.5)</b>

#### Total Liabilities

As of 30 September 2023, total liabilities amounted to Baht 258,579.2 million, decreased by Baht 6,106.7 million or 2.3% when compared to the end of the year 2022. Most of liabilities were deposits, accounting for 89.7% of total liabilities.

#### Total Owners' Equity

As of 30 September 2023, total owners' equity amounted to Baht 35,347.3 million, decreased by Baht 1,523.3 million or 4.1% when compared to the end of the year 2022.



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

(Unit: Million Baht)

Items	September	December	Variance	
	2023	2022	Amount	(%YTD)
Deposits	231,855.0	231,408.4	446.6	0.2
Interbank and money market items	15,135.4	23,923.9	(8,788.5)	(36.7)
Debts issued and borrowings - net	6,843.1	5,389.8	1,453.3	27.0
Other liabilities	4,745.7	3,963.8	781.9	19.7
<b>Total liabilities</b>	<b>258,579.2</b>	<b>264,685.9</b>	<b>(6,106.7)</b>	<b>(2.3)</b>
<b>Total owners' equity</b>	<b>35,347.3</b>	<b>36,870.6</b>	<b>(1,523.3)</b>	<b>(4.1)</b>

### Number of Employees

As of 30 September 2023, the company and its subsidiaries had 1,774 employees, increased by 33 employees, when compared to the end of the year 2022.

## Performance Analysis of Subsidiaries

### 1. COMMERCIAL BANKING BUSINESS

#### Land and Houses Bank Public Company Limited

#### Credit Rating

Fitch Ratings (Thailand) Limited	
National long-term rating	AA+(tha)
Outlook	“Stable”
National short-term rating	F1+(tha)
Basel III Tier 2 debentures	AA-(tha)
TRIS Rating Company Limited	
Company rating	A
Outlook	“Stable”
Basel III Tier 2 debentures	BBB+

### **Analysis of Operating Results**

In the third quarter of 2023, the operating results of the bank showed net profit of Baht 426.4 million, increased by 2.2% when compared to the second quarter of 2023 which reported the net profit of Baht 417.1 million due to the increase in net interest income and net fees and service income. The net profit increased by 24.7 % when compared to the third quarter of 2022 which reported the net profit of Baht 342.0 million due to the increase in net interest income and other operating incomes.

In the 9-month period of 2023, the operating results of the bank showed the net profit of Baht 1,369.9 million, increased by 77.3% when compared to the 9-month period of 2022 which reported the net profit of Baht 772.7 million due to the increase in net interest income and other operating income, and the decrease in expected credit losses.

#### **Net Interest Income**

In the third quarter of 2023, net interest income amounted to Baht 1,805.5 million or increased by 5.4% when compared to the second quarter of 2023 and increased by 14.0% when compared to the third quarter of 2022. In the third quarter of 2023, interest income was Baht 3,007.7 million, increased by 9.4% and interest expenses was Baht 1,202.2 million, increased by 15.9% when compared to the second quarter of 2022.

In the 9-month period of 2023, net interest income amounted to Baht 5,248.8 million, increased by 15.0% when compared to the 9-month period of 2022. Interest income was Baht 8,510.3 million, increased by 35.8% and interest expenses were Baht 3,261.5 million, increased by 91.8% when compared to the 9-month period of 2022.

In the 9-month period of 2023, net interest margin (NIM) stood at 2.52%, increased when compared to the 9-month period of 2022 at 2.39%.

#### **Net Non-Interest Income**

In the third quarter of 2023, net non-interest income amounted to Baht 168.6 million, decreased by 16.8% when compared to the second quarter of 2023 due mainly to the decrease in dividend income and gains (losses) on financial instruments measured at fair value through profit or loss, and decreased by 21.2% when compared to the third quarter of 2022 due mainly to the decrease in dividend income and gains (losses) on financial instruments measured at fair value through profit or loss.

In the 9-month period of 2023, net non-interest income amounted to Baht 565.9 million, increased by 3.4% when compared to the 9-month period of 2022 due mainly to the increase in other operating income.

### Other Operating Expenses

In the third quarter of 2023, other operating expenses were Baht 910.5 million, increased by 5.9% when compared to the second quarter of 2023 due to the increase in advertising and promotional expenses and taxes and duties, and increased by 13.4% when compared to the third quarter of 2022 due to the increase in advertising and promotional expenses and taxes and duties.

In the 9-month period of 2023, other operating expenses amounted to Baht 2,577.4 million, increased by 13.3% when compared to the 9-month period of 2022 due to the increase in advertising and promotional expenses and taxes and duties.

### Expected Credit Losses

In the third quarter of 2023, the expected credit losses amounted to Baht 543.0 million, increased by 0.9% when compared to the second quarter of 2023 and decreased by 6.7% when compared to the third quarter of 2022. As a result, the coverage ratio as of the third quarter of 2023 stood at 218.31%.

In the 9-month period of 2023, expected credit losses amounted to Baht 1,553.8 million, decreased by 18.7% when compared to the 9-month period of 2022.

In the third quarter of 2023, basic earnings per share stood at Baht 0.21 per share, equal to that of the second quarter of 2023, and increased by 23.5% when compared to the third quarter of 2022.

In the 9-month period of 2023, basic earnings per share stood at Baht 0.47 per share, increased by 20.5% when compared to the 9-month period of 2022.

### Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Interest income	3,007.7	2,749.8	9.4	2,208.8	36.2	8,510.3	6,266.6	35.8
Interest expense	(1,202.2)	(1,037.2)	15.9	(624.6)	92.5	(3,261.5)	(1,700.5)	91.8
<b>Net interest income</b>	<b>1,805.5</b>	<b>1,712.6</b>	<b>5.4</b>	<b>1,584.2</b>	<b>14.0</b>	<b>5,248.8</b>	<b>4,566.1</b>	<b>15.0</b>
Fees and service income	97.1	92.3	5.2	95.1	2.1	281.0	264.8	6.1
Fees and service expense	(31.1)	(30.7)	1.3	(20.8)	49.5	(91.8)	(54.0)	70.0
<b>Net fees and service income</b>	<b>66.0</b>	<b>61.6</b>	<b>7.1</b>	<b>74.3</b>	<b>(11.2)</b>	<b>189.2</b>	<b>210.8</b>	<b>(10.2)</b>

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Gains (losses) on financial instruments measured at fair value through profit or loss	(7.8)	8.9	(187.6)	27.2	(128.7)	(1.0)	(0.6)	66.7
Gains on investments	-	-	-	-	-	10.9	-	100.0
Dividend income	88.7	109.9	(19.3)	103.0	(13.9)	314.3	316.1	(0.6)
Other operating incomes	21.7	22.2	(2.3)	9.4	130.9	52.5	20.9	151.2
<b>Operating income</b>	<b>1,974.1</b>	<b>1,915.2</b>	<b>3.1</b>	<b>1,798.1</b>	<b>9.8</b>	<b>5,814.7</b>	<b>5,113.3</b>	<b>13.7</b>
<b>Other operating expenses</b>	<b>910.5</b>	<b>860.1</b>	<b>5.9</b>	<b>803.0</b>	<b>13.4</b>	<b>2,577.4</b>	<b>2,275.7</b>	<b>13.3</b>
<b>Expected credit losses</b>	<b>543.0</b>	<b>537.9</b>	<b>0.9</b>	<b>582.0</b>	<b>(6.7)</b>	<b>1,553.8</b>	<b>1,912.0</b>	<b>(18.7)</b>
<b>Income tax</b>	<b>94.2</b>	<b>100.1</b>	<b>(5.9)</b>	<b>71.1</b>	<b>32.5</b>	<b>313.6</b>	<b>152.9</b>	<b>105.1</b>
<b>Profits from operations before expected credit losses and income tax</b>	<b>1,063.6</b>	<b>1,055.1</b>	<b>0.8</b>	<b>995.1</b>	<b>6.9</b>	<b>3,237.3</b>	<b>2,837.6</b>	<b>14.1</b>
<b>Profits from operations before income tax</b>	<b>520.6</b>	<b>517.2</b>	<b>0.7</b>	<b>413.1</b>	<b>26.0</b>	<b>1,683.5</b>	<b>925.6</b>	<b>81.9</b>
<b>Net profits</b>	<b>426.4</b>	<b>417.1</b>	<b>2.2</b>	<b>342.0</b>	<b>24.7</b>	<b>1,369.9</b>	<b>772.7</b>	<b>77.3</b>
<b>Basic earnings per share (Baht)</b>	<b>0.21</b>	<b>0.21</b>	<b>-</b>	<b>0.17</b>	<b>23.5</b>	<b>0.47</b>	<b>0.39</b>	<b>20.5</b>
<b>ROA</b>						<b>0.64</b>	<b>0.40</b>	
<b>ROE</b>						<b>5.13</b>	<b>2.96</b>	

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Employees' expenses	428.4	413.2	3.7	380.3	12.6	1,216.8	1,100.1	10.6
Premises and equipment expenses	172.2	166.1	3.7	159.1	8.2	503.7	454.4	10.8
Other expenses	309.9	280.8	10.4	263.6	17.6	856.9	721.2	18.8
<b>Total</b>	<b>910.5</b>	<b>860.1</b>	<b>5.9</b>	<b>803.0</b>	<b>13.4</b>	<b>2,577.4</b>	<b>2,275.7</b>	<b>13.3</b>

## Analysis of Financial Position

### Total Assets

As of 30 September 2023, total assets amounted to Baht 289,468.7 million, decreased by Baht 6,377.4 million or 2.2% when compared to the end of the year 2022. Core assets comprised of loans to customers - net at 75.0% of total assets, followed by investments - net at 14.9% of total assets, interbank and money market items - net at 5.4% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2023	2022	Amount	(%YTD)
Interbank and money market items - net	15,553.5	35,933.7	(20,380.2)	(56.7)
Investments - net	43,164.7	44,375.8	(1,211.1)	(2.7)
Loans to customers - net	217,153.6	210,256.4	6,897.2	3.3
Other assets - net	13,596.9	5,280.2	8,316.7	157.5
<b>Total assets</b>	<b>289,468.7</b>	<b>295,846.1</b>	<b>(6,377.4)</b>	<b>(2.2)</b>

### Loans to Customers

As of 30 September 2023, loans to customers net of deferred revenue and modification gain or loss from the new standard (Interbank and money market items included) amounted to Baht 236,248.8 million, decreased by Baht 14,846.6 million or 5.9% when compared to the end of the year 2022.

### Loans to Customers Classified by Business Sector

Conglomerate & corporate loans amounted to Baht 97,473.3 million, decreased by Baht 11,813.4 million or 10.8% when compared to the end of the year 2022.

Commercial & SME loans amounted to Baht 86,475.5 million, decreased by Baht 12,950.5 million or 13.0% when compared to the end of the year 2022.

Retail loans amounted to Baht 52,300.0 million, increased by Baht 9,917.3 million or 23.4% when compared to the end of the year 2022.

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

(Unit: Million Baht)

Loans to customers classified by business sector	September	December	Variance	
	2023	2022	Amount	(%YTD)
Conglomerate & Corporate	97,473.3	109,286.7	(11,813.4)	(10.8)
Commercial & SME	86,475.5	99,426.0	(12,950.5)	(13.0)
Retail	52,300.0	42,382.7	9,917.3	23.4
<b>Total loans to customers net *</b>	<b>236,248.8</b>	<b>251,095.4</b>	<b>(14,846.6)</b>	<b>(5.9)</b>

Remarks: \* Total loans to customers net of deferred revenue and modification gain or loss from the new standard including interbank and money market items.

### Loans to Customers Classified by Type of Businesses

Loans to customers classified by type of businesses were comprised mainly of manufacturing and commercial sectors, followed by housing loan and financial intermediary, accounting for 26.1%, 20.9% and 20.6% of total loans to customers, respectively.

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

(Unit: Million Baht)

Loans to customers classified by type of businesses	September	December	Variance	
	2023	2022	Amount	(%YTD)
Agricultural and mining	797.2	347.6	449.6	129.3
Manufacturing and commerce	61,630.8	61,882.3	(251.5)	(0.4)
Real estate and construction	26,998.0	25,667.5	1,330.5	5.2
Public utilities and services	41,787.0	46,228.2	(4,441.2)	(9.6)
Housing loans	49,459.4	39,665.6	9,793.8	24.7
Financial intermediary	48,664.9	60,711.4	(12,046.5)	(19.8)
Saving cooperative	4,072.0	13,902.8	(9,830.8)	(70.7)
Others	2,839.5	2,690.0	149.5	5.6
<b>Total loans to customers net *</b>	<b>236,248.8</b>	<b>251,095.4</b>	<b>(14,846.6)</b>	<b>(5.9)</b>

Remarks: \* Total loans to customers net of deferred revenue and modification gain or loss from the new standard including interbank and money market items.

### **Non-Performing Loans**

As of 30 September 2023, non-performing loans (Gross) amounted to Baht 6,041.8 million, increased by Baht 793.6 million or 15.1% when compared to the end of the year 2022.

NPL ratio was 2.56% of total loans (Interbank and money market items included) when compared to the end of the year 2022 which was 2.09%.

### **Investments**

As of 30 September 2023, net investments had the book value of Baht 43,164.7 million, decreased by Baht 1,211.1 million or 2.7% when compared to the end of the year 2022.

### **Total Liabilities**

As of 30 September 2023, total liabilities amounted to Baht 254,100.6 million, decreased by Baht 6,415.8 million or 2.5% when compared to the end of the year 2022. Most of liabilities were deposits, accounting for 91.3% of total liabilities.

### **Total Owners' Equity**

As of 30 September 2023, total owners' equity amounted to Baht 35,368.1 million, increased by Baht 38.4 million or 0.1% when compared to the end of the year 2022.

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

(Unit: Million Baht)

Items	September	December	Variance	
	2023	2022	Amount	(%YTD)
Deposits	231,970.9	231,432.0	538.9	0.2
Interbank and money market items	14,759.4	23,616.8	(8,857.4)	(37.5)
Debts issued and borrowings - net	3,054.1	2,396.1	658.0	27.5
Other liabilities	4,316.2	3,071.5	1,244.7	40.5
<b>Total liabilities</b>	<b>254,100.6</b>	<b>260,516.4</b>	<b>(6,415.8)</b>	<b>(2.5)</b>
<b>Total owners' equity</b>	<b>35,368.1</b>	<b>35,329.7</b>	<b>38.4</b>	<b>0.1</b>

## Deposits

As of 30 September 2023, the bank had total deposits of Baht 231,970.9 million, increased by Baht 538.9 million or 0.2% when compared to the end of the year 2022. Major portion of deposits were time deposits at 59.0% and savings deposits at 25.3% of total deposits.

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

(Unit: Million Baht)

Deposits Classified by Type of Deposits	September	December	Variance	
	2023	2022	Amount	(%YTD)
Demand deposits	1,986.6	2,676.7	(690.1)	(25.8)
Savings deposits	58,664.0	83,296.4	(24,632.4)	(29.6)
Time deposits	136,863.0	104,437.2	32,425.8	31.0
Fixed deposits receipt	34,457.3	41,021.7	(6,564.4)	(16.0)
<b>Total deposits</b>	<b>231,970.9</b>	<b>231,432.0</b>	<b>538.9</b>	<b>0.2</b>

## Capital Adequacy Ratio and BIS Ratio

As of 30 September 2023, the capital to risk-weighted assets ratio (BIS ratio) was 15.602%, which was higher than the Bank of Thailand's minimum requirement of 11.000% and increased from 15.483% as at 31 December 2022.

Tier-1 capital ratio to risk-weighted assets was 13.428%, which was higher than the Bank of Thailand's minimum rate of 8.500% and decreased from 13.498% as at 31 December 2022.

**Table: Capital to Risk-Weighted Assets Ratio**

Capital to Risk-Weighted Assets Ratio	As of 30 September 2023		As of 31 December 2022	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital</b>				
Bank	32,429.6	13.428	32,961.3	13.498
Minimum rates required by law		7.000		7.000
Difference		6.428		6.498
<b>Tier 1 capital</b>				
Bank	32,429.6	13.428	32,961.3	13.498
Minimum rates required by law		8.500		8.500
Difference		4.928		5.498



Capital to Risk-Weighted Assets Ratio	As of 30 September 2023		As of 31 December 2022	
	Million Baht	%	Million Baht	%
<b>Total capital</b>				
Bank	37,680.1	15.602	37,808.0	15.483
Minimum rates required by law		11.000		11.000
Difference		4.602		4.483

### **Branch Network**

As of 30 September 2023, Land and Houses Bank Public Company Limited had a total of 73 branches, decreased by 1 branch when compared to 2022.

## **2. SECURITIES BUSINESS**

### **Land and Houses Securities Public Company Limited**

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

In the third quarter of 2023, SET Index saw a quite fluctuating movement. After successful formation of coalition government, SET Index rose to test its high at 1,579 points. However, a sluggish GDP growth in the second quarter of 2023 that fell to 1.8% due to shrinking exports, high interest rates due to Fed's hawkish policy and Chinese real estate issues all subsequently posed a negative impact on the market. In this quarter, foreign investors continued to sell stocks amidst THB/US\$ which continued to depreciate to 36.5. SET Index closed at the end of the third quarter at 1,471 points, down 2.1% from the previous quarter and was considered the lowest point in this quarter.

Average daily trading value in this quarter remained sluggish but increased from the previous quarter by approximately 3% worth Baht 51,434 million. Foreign investors remained net seller for 8 consecutive months from February 2023 with net sale value of over Baht 174 billion, with the proportion of trading value of foreign investors as high as 50% of the total trading value.

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

In the third quarter of 2023, the operating results of the company and its subsidiaries showed net profit of Baht 43.8 million, increased by 12.6% when compared to the second quarter of 2023 and decreased by 31.8% when compared to the third quarter of 2022.

In the 9-month period of 2023, the operating results of the company and its subsidiaries showed net profit of Baht 132.2 million, decreased by 34.6% when compared to the 9-month period of 2022.

### **Total Income**

In the third quarter of 2023, total income of the company amounted to Baht 144.8 million, increased by 5.6% when compared to the second quarter of 2023, due mainly to the increase in interest income and decreased by 5.2% when compared to the third quarter of 2022 due mainly to the decrease in other incomes.

In the 9-month period of 2023, total income amounted to Baht 440.9 million, decreased by 6.1% when compared to the 9-month period of 2022.

### **Brokerage Fees Income**

In the third quarter of 2023, brokerage fees income amounted to Baht 30.3 million, increased by 2.7% when compared to the second quarter of 2023 and decreased by 32.8% when compared to the third quarter of 2022.

In the 9-month period of 2023, brokerage fees income amounted to Baht 102.8 million, decreased by 31.6% when compared to the 9-month period of 2022.

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

Other incomes apart from brokerage fees income included interest income, gains on financial instruments and other incomes.

In the third quarter of 2023, other incomes apart from brokerage fees income amounted to Baht 114.5 million, increased by 6.4% when compared to the second quarter of 2023 and increased by 6.3% when compared to the third quarter of 2022.

In the 9-month period of 2023, other incomes apart from brokerage fees income amounted to Baht 338.1 million, increased by 6.0% when compared to the 9-month period of 2022.

### **Total Expenses**

Total expenses included employees' benefit expenses, fees and service expenses, interest expenses and other expenses.

In the third quarter of 2023, total expenses amounted to Baht 96.7 million, increased by 1.6% when compared to the second quarter of 2023 and increased by 21.8% when compared to the third quarter of 2022.

In the 9-month period of 2023, total operating expenses amounted to Baht 295.6 million, increased by 24.3% when compared to the 9-month period of 2022.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Brokerage fees income	30.3	29.5	2.7	45.1	(32.8)	102.8	150.2	(31.6)
Interest income	35.7	33.0	8.5	28.6	24.8	99.0	85.5	15.8
Gains and return on financial instruments	77.8	73.4	6.0	73.9	5.3	236.6	220.8	7.2
Other incomes	1.0	1.2	(16.7)	5.2	(80.8)	2.5	12.8	(80.5)
<b>Total income</b>	<b>144.8</b>	<b>137.1</b>	<b>5.6</b>	<b>152.8</b>	<b>(5.2)</b>	<b>440.9</b>	<b>469.3</b>	<b>(6.1)</b>
<b>Total expenses</b>	<b>96.7</b>	<b>95.2</b>	<b>1.6</b>	<b>79.4</b>	<b>21.8</b>	<b>295.6</b>	<b>237.8</b>	<b>24.3</b>
<b>Profits before income tax expenses</b>	<b>48.1</b>	<b>41.9</b>	<b>14.8</b>	<b>73.4</b>	<b>(34.5)</b>	<b>145.3</b>	<b>231.5</b>	<b>(37.2)</b>
<b>Income tax</b>	<b>4.3</b>	<b>3.0</b>	<b>43.3</b>	<b>9.2</b>	<b>(53.3)</b>	<b>13.1</b>	<b>29.3</b>	<b>(55.3)</b>
<b>Net profits</b>	<b>43.8</b>	<b>38.9</b>	<b>12.6</b>	<b>64.2</b>	<b>(31.8)</b>	<b>132.2</b>	<b>202.2</b>	<b>(34.6)</b>
<b>Basic earnings per share (Baht)</b>	<b>0.03</b>	<b>0.03</b>	<b>-</b>	<b>0.05</b>	<b>(40.0)</b>	<b>0.10</b>	<b>0.16</b>	<b>(37.5)</b>

### 3. FUND MANAGEMENT BUSINESSES

#### Land and Houses Fund Management Company Limited

##### Overview of Fund Management Business

The third quarter of 2023, the net asset value stood at Baht 5.02 trillion, increased by 1.15% when compared to the previous quarter. All types of funds declined following the market conditions except fixed income fund that increased by 4.60%. equity fund lowered by 0.71%, mixed fund dropped by 2.11% and other types of funds dropped by 16.33% infrastructure and real estate investment trust from the previous quarter.

##### Performance Analysis

The company's operating results for the third quarter of 2023 had the net profit of Baht 23.6 million, increased by 16.8% compared to the second quarter of 2023, due mainly to the increase in gains and return from financial instruments and decreased by 3.5% compared to the third quarter of 2022, due mainly to the decrease in fees and service payables.

The company's operating results for the 9-month period of 2023 had the net profit of Baht 64.6 million, decreased by 9.4% compared to the 9-month period of 2022, due mainly to the decrease in other incomes.

#### **Total Income**

In the third quarter of 2023, total income of the company amounted to Baht 110.2 million, increased by 2.7% when compared to the second quarter of 2023 due to the increase in gains and return from financial instruments, and decreased by 0.5% when compared to the third quarter of 2022 due to the decrease in fees and service income.

In the 9-month period of 2023, total income amounted to Baht 327.3 million, decreased by 5.5% when compared to the 9-month period of 2022 due to the decrease in other incomes.

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

In the third quarter of 2023, fees and service income amounted to Baht 105.8 million, increased by 2.0% when compared to the second quarter of 2023 and decreased by 1.0% when compared to the third quarter of 2022, mostly from the management fee of mutual funds.

In the 9-month period of 2023, fees and service income amounted to Baht 314.8 million, decreased by 6.1% when compared to the 9-month period of 2022 due mainly to the decrease in the management fee of mutual funds.

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

Other incomes apart from fees and service income consisted of gains and return on financial instruments and other incomes.

In the third quarter of 2023, other incomes apart from fees and service income amounted to Baht 4.4 million, increased by 20.4% when compared to the second quarter of 2023 and increased by 15.8% when compared to the third quarter of 2022.

In the 9-month period of 2023, other incomes apart from fees and service income amounted to Baht 12.5 million, increased by 13.6% when compared to the 9-month period of 2022.

#### **Total expenses**

In the third quarter of 2023, total expenses amounted to Baht 80.7 million, decreased by 1.9% when compared to the second quarter of 2023 and decreased by 1.8% when compared to the third quarter of 2022.

In the 9-month period of 2023, total expenses amounted to Baht 247.0 million, decreased by 4.2% when compared to the 9-month period of 2022.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month period		Variance
	3/2023	2/2023	(%QoQ)	3/2022	(%YoY)	2023	2022	(%YoY)
Fees and service income	105.8	103.7	2.0	106.9	(1.0)	314.8	335.2	(6.1)
Interest income	0.3	0.3	-	-	-	0.9	0.1	800.0
Gains and return on financial instruments	3.6	2.9	24.1	3.6	-	10.5	10.0	5.0
Other incomes	0.5	0.4	25.0	0.2	150.0	1.1	0.9	22.2
<b>Total income</b>	<b>110.2</b>	<b>107.3</b>	<b>2.7</b>	<b>110.7</b>	<b>(0.5)</b>	<b>327.3</b>	<b>346.2</b>	<b>(5.5)</b>
<b>Total expense</b>	<b>80.7</b>	<b>82.3</b>	<b>(1.9)</b>	<b>82.2</b>	<b>(1.8)</b>	<b>247.0</b>	<b>257.8</b>	<b>(4.2)</b>
<b>Profits before income tax</b>	<b>29.5</b>	<b>25.0</b>	<b>18.0</b>	<b>28.5</b>	<b>3.5</b>	<b>80.3</b>	<b>88.4</b>	<b>(9.2)</b>
<b>Income tax</b>	<b>5.9</b>	<b>4.8</b>	<b>22.9</b>	<b>5.7</b>	<b>3.5</b>	<b>15.7</b>	<b>17.1</b>	<b>(8.2)</b>
<b>Net profits</b>	<b>23.6</b>	<b>20.2</b>	<b>16.8</b>	<b>22.8</b>	<b>3.5</b>	<b>64.6</b>	<b>71.3</b>	<b>(9.4)</b>
<b>Basic earnings per share (Baht)</b>	<b>7.84</b>	<b>6.72</b>	<b>16.7</b>	<b>7.65</b>	<b>2.5</b>	<b>21.54</b>	<b>23.78</b>	<b>(9.4)</b>

### Net Asset Value under Management

As of 30 September 2023, the company had 229 funds under management, increased by 73 funds when compared to the end of year 2022 and had total net asset value of Baht 54,892.5 million, decreased by 1.4% when compared to the end of year 2022. The company had mutual funds under management as follows:

- Property fund and real estate investment trust	Baht	31,148.2	million
- Fixed income fund	Baht	5,346.8	million
- Equity fund	Baht	11,379.1	million
- Mixed fund	Baht	2,619.4	million
- Fund of Property Fund	Baht	4,399.0	million

In case the net asset values of Baht 14,267.1 million in private funds and Baht 6,969.7 million in provident funds were included, the company's net asset value would be Baht 76,129.3 million.