



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

**(THIS REPORT DISCUSSES THE PRINCIPAL CHANGES IN THE REVIEWED CONSOLIDATED FINANCIAL STATEMENT)**



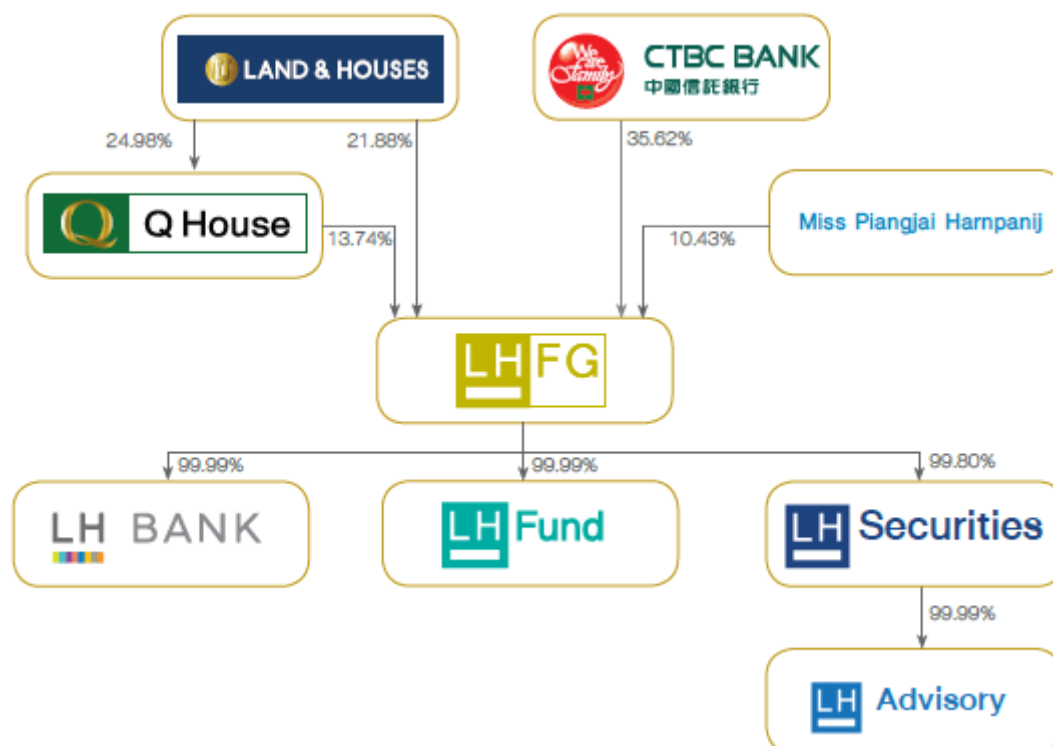
## Overview of Business Operation

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”) became the shareholder of the company holding a total amount of 7,544,961,342 shares or 35.6169% of the paid-up capital.

As a result, the shareholders structure is as follows:





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

LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited, have been a certified 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 of listed firms 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 have been selected to include in the Universe of ESG 100 securities group of 2019.

### **Certificate of Recognition in Social Outcome Investor in the Concept of Investments for Social Outcomes**

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 certificate of recognition in "Social Outcome Investor" from Thaipat Institute, as the organization providing cooperation to initiate the concept of investments for social outcomes. The company provided the policy regarding investments in the fund that puts priority to environment, society and governance in order to bring the capital gains obtained from investments to be used in the Corporate Social Responsibility's activities.

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

The Thai Investors Association has assessed the Annual General Meeting of Shareholders 2019 of LH Financial Group Public Company Limited with the full score of 100 for the sixth consecutive year.



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## **Performance Evaluation of Corporate Governance**

The Thai Institute of Directors Association (IOD) disclosed the result of 2018 Corporate Governance evaluation of Thai Listed Companies, LH Financial Group Public Company Limited was rated among the top level of "Excellence : 5 Stars" for the fourth consecutive year.

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

In the third quarter of 2019, the Thai economy expanded at a rate lower than projection and below its potential. When excluding gold, the value of merchandises exported continued to shrink owing to weaker global demand as a result of slower growth in the number of major trading counterparties, the trade war between US and China, and a decreased global crude oil prices. However, the tourism sector accelerated to grow. Regarding domestic demand, private consumption slowed down as a declining household income and employments, particularly in export-related manufacturing sectors.

According to the slowdown in economic momentum, the Bank of Thailand revised down Thailand's economic growth forecast for 2019 to 2.8% (as of September 2019); compared to previous projection at 3.3%. Moreover, the growth outlook still have some challenges with some uncertainties especially from the external factors such as trade protectionism measures between US and China, the increasing economic outlook of China and major industrial countries that could affect domestic demand as well as geopolitical risks. In addition, there remained downside risks pertaining to domestic factors such as elevated household debt, impacts from natural disasters, as well as the progress of major infrastructure investment which could generate effects on private investments.

For the banking sector in the third quarter of 2019, bank loan was slow down in line with the expansion of overall economy. Consumer loan expanded at a slower rate, partly due to fund raising by issuing debentures to perform loan repayments by business sector. Besides, the commercial banks are tithening measures for credit undertaking with the worries on debt serviceability. Although, the deterioration in credit quality will affect the profitability, Thai commercial banking systems remained sound as banks continued to closely monitor credit quality and maintain high levels of provisions, 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 was assigned the credit rating at “A-” (Single A Minus), “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 Network**

As of the end of the third quarter of 2019, Land and Houses Bank Public Company Limited has the total **111** branches, decreased by **17** branches when compared to those of the year 2018 due to the bank’s plan for branches’ merger to align with the digital society.

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

Land and Houses Bank Public Company Limited has been certified the information security management system standards (ISO/IEC 27001:2013) to enhance the management of information security to international standards as to prevent the cyber threats.

## **Products and Services**

Land and Houses Bank Public Company Limited has continuously developed its financial products and services to meet the needs of customers. The products and the services of the bank can be divided into 4 categories as follows:

### **1. Deposit Account Services**

The bank has designed the new deposit account services with higher returns plus more privileges which enhance the competitiveness continuously in order to address the needs of various segments of customers. In addition, the bank has also organized various activities to give them some benefits and maintain the customers base.

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 into the segments to deeply understand their needs, paid more attention in building good relationship with all groups of customers and offered the financial products and integrated services as to respond to each segment explicitly. The bank will consider granting the loan types, the interest rate, loan limits and payment period to suit each type of customers' business and accelerate the underwriting process quickly. The bank has categorized the loan services into 3 sectors consisting of Big Corporate & Corporate, SMEs, SSMEs and Retail.

Furthermore, the bank also provides trade finance to support import and export business as to increase an opportunity and strengthen negotiation power with business partners through bank network across the world with the national standards with the various and comprehensive services including:

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

In order to support the trade finance businesses, the bank has signed a memorandum of understanding under the relending credit program with the Eximbank of Taiwan or 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 as to accommodate time saving for the customers, reduce expenses and make it easy to use such as:

**3.1 Internet Banking on Mobile (LH Bank M Choice)** is a financial transaction service on smartphone and iPad with global standard on security. This service provides an easy-to-use menu and respond to various applications fast and convenient with unlimited transactions any where in the world. This service offers a variety of facilities such as check balance, funds transfer, making payments for goods and services, checking fund and insurance information and trading funds under the slogan "LH Bank M Choice Does All Financial Transactions In One App".

**3.2 LH Bank PromptPay Service** is a new fund transfer service to reduce the cash carrying by using an easy financial transfer 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 and making payments for commodities and services.



**3.4 Debit Chip Card Service** is a security card with chip card to increase the confidence for financial transactions 24 hours. The card can be used for withdrawal, fund transfer, loan payment, commodities and services payments. Moreover, the bank has participated in the UnionPay International so that the customers can use the card at any ATM machine aboard and UnionPay International member shop in various country and purchase commodities and services at the shops or via online shopping.

**3.5 Mobile Payment Service** is a service for unlimited payments under the concept “Digital Payment Cross Border Service”. And this service is for stores that would like to accommodate bill payments by using QR Code via leading e-Wallet in worldwide.

**3.6 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 convenient deposit, withdrawal and payment at 7 – Eleven 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, withdrawal and loan payment into Land and Houses Bank account 24 hours daily so the customers can apply this services at the Counter Service in 11,000 branches of 7 – Eleven. For deposit service, the customers can deposit cash at the maximum of Baht 30,000 per transaction or Baht 100,000 per account per day with the service rate at Baht 15 per transaction. The customers just apply for a service by showing their ID card to verify their identity, specify account number and telephone number.

#### **4. Other Services**

**4.1 Cash Management Service** is a financial service to support the financial management that is convenient and fast. It also reduces document work and management costs while increasing 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 also provides the life insurance and non-life insurance brokerage with various insurance products to respond to the customers’ 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 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).

**4.6 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 unlimited 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 third quarter of 2019 and the third quarter of 2018.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	9-month period		Variance
	3/2019	2/2019	(%QoQ)	3/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,096.8	1,123.8	(2.4)	1,218.7	(10.0)	3,378.1	3,656.0	(7.6)
Net non-interest income	1,011.8	982.8	3.0	467.1	116.6	2,613.7	1,741.6	50.1
Operating income	2,108.6	2,106.6	0.1	1,685.8	25.1	5,991.8	5,397.6	11.0
Other operating expenses	738.1	759.1	(2.8)	681.4	8.3	2,228.5	2,052.4	8.6
Bad debts, doubtful accounts and impairment Loss	450.0	470.0	(4.3)	70.0	542.9	1,020.0	510.1	100.0
Income tax expenses	153.6	116.4	32.0	155.3	(1.1)	408.6	478.5	(14.6)
Profits before bad debts and doubtful accounts, and income tax expenses	1,370.5	1,347.5	1.7	1,004.4	36.4	3,763.3	3,345.2	12.5
Profits before income tax expenses	920.5	877.5	4.9	934.4	(1.5)	2,743.3	2,835.1	(3.2)
Net profits	766.9	761.1	0.8	779.1	(1.6)	2,334.7	2,356.6	(0.9)
Basic earnings per share (Baht)	0.036	0.036	-	0.037	(2.7)	0.110	0.111	(0.9)





The company and its subsidiaries' the operation had net profits in the third quarter of 2019 amounted of Baht 766.9 million, decreased by 1.6% when compared to the third quarter of 2018. The result from net interest income decreased by 10.0% and bad debts, doubtful accounts and impairment loss increased by 542.9%.

The company and its subsidiaries' the operation had net profits for the 9-month period of 2019 amounted of Baht 2,334.7 million, decreased by 0.9% when compared to the 9-month period of 2018 were Baht 2,356.6 million. The result from net interest income decreased by 7.6% and bad debts, doubtful accounts and impairment loss increased by 100.0%.

Basic earnings per share for the third quarter and 9-month period of 2019 were 0.036 Baht per share and 0.110 Baht per share, respectively. When compared to the third quarter and 9-month period of 2018 were 0.037 Baht per share and 0.111 Baht per share, respectively.

#### **Net Interest Income**

In the third quarter of 2019, they had net interest income amounted of Baht 1,096.8 million, decreased by 10.0% when compared to the third 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 third quarter of 2019, net non-interest income amounted of Baht 1,011.8 million, increased by 116.6% when compared to the third quarter of 2018. The increases were the result of gains on investments and dividend income.

#### **Other Operating Expenses**

In the third quarter of 2019, they had other operating expenses amounted of Baht 738.1 million, increased by 8.3% when compared to the third quarter of 2018, almost of the increase of employee expenses. The ratio of operating expenses to total operating income is at 35.0%, which is decreased when compared to the third quarter of 2018 was at 40.4%.

For the 9-month period of 2019, they had other operating expenses amounted of Baht 2,228.5 million, increased by 8.6% when compared to the 9-month period of 2018, increasing mainly from the employee expenses.

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2019	2/2019	(%QoQ)	3/2018	(%YoY)	2019	2018	(%YoY)
Employees' expenses	398.4	393.5	1.2	351.8	13.2	1,193.4	1,070.0	11.5
Premises and equipment expenses	174.3	186.6	(6.6)	190.0	(8.3)	547.4	558.8	(2.0)
Other expenses	165.4	179.0	(7.6)	139.6	18.5	487.7	423.6	15.1
<b>Total</b>	<b>738.1</b>	<b>759.1</b>	<b>(2.8)</b>	<b>681.4</b>	<b>8.3</b>	<b>2,228.5</b>	<b>2,052.4</b>	<b>8.6</b>

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

In the third quarter of 2019, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,370.5 million, increased by 36.4% when compared to the third 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 September 2019 and 31 December 2018.

### Total Assets

As of 30 September 2019, the company and its subsidiaries had total assets amounted of Baht 236,775.9 million, decreased by Baht 9,157.3 million or down to 3--.7% when compared at the end of the year 2018. Core assets comprise of loans to customers - net at 63.3% of total assets, followed by investments - net at 29.0% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2019	2018	Amount	(%YTD)
Interbank and money market items - net	14,399.6	18,991.5	(4,591.9)	(24.2)
Investments - net	68,758.4	67,360.4	1,398.0	2.1
Loans to customers - net	149,922.0	155,739.8	(5,817.8)	(3.7)
Loans to customers net of deferred revenue	153,904.3	159,314.0	(5,409.7)	(3.4)
Other assets - net	3,695.9	3,841.5	(145.6)	(3.8)
<b>Total assets</b>	<b>236,775.9</b>	<b>245,933.2</b>	<b>(9,157.3)</b>	<b>(3.7)</b>



### Total Liabilities

As of 30 September 2019, they had total liabilities amounted of Baht 194,812.2 million, decreased by Baht 11,411.9 million or down to 5.5% when compared at the end of the year 2018. Almost of total liabilities were deposits, which were 80.4% of total liabilities.

### Owners' Equity

As of 30 September 2019, owners' equity amounted of Baht 41,963.7 million, increased by Baht 2,254.6 million or up to 5.7% when compared at the end of the year 2018.

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

(Unit: Million Baht)

Items	September	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	156,563.6	168,164.0	(11,600.4)	(6.9)
Interbank and money market items	9,985.6	9,231.5	754.1	8.2
Debts issued and borrowings - net	25,052.8	26,203.0	(1,150.2)	(4.4)
Other liabilities	3,210.2	2,625.6	584.6	22.3
<b>Total liabilities</b>	<b>194,812.2</b>	<b>206,224.1</b>	<b>(11,411.9)</b>	<b>(5.5)</b>
<b>Total owners' equity</b>	<b>41,963.7</b>	<b>39,709.1</b>	<b>2,254.6</b>	<b>5.7</b>

### Number of Employees

As of 30 September 2019, the company and its subsidiaries had 1,712 employees 31 employees increased 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 demonstrates the comparison of the performance between the third quarter of 2019 and the third quarter of 2018:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	9-month Period		Variance
	3/2019	2/2019	(%QoQ)	3/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,164.4	1,187.3	(1.9)	1,248.4	(6.7)	3,566.1	3,710.5	(3.9)
Net non-interest income	462.0	491.3	(6.0)	231.8	99.3	1,247.5	923.7	35.1
Operating income	1,626.4	1,678.6	(3.1)	1,480.2	9.9	4,813.6	4,634.2	3.9
Other operating expenses	638.6	648.9	(1.6)	584.2	9.3	1,921.1	1,744.3	10.1
Bad debts, doubtful accounts and impairment loss	450.0	470.0	(4.3)	70.0	542.9	1,020.0	510.1	100.0
Income tax expenses	96.0	100.4	(4.4)	150.6	(36.3)	329.8	425.1	(22.4)
Profits before bad debts and doubtful accounts, and income tax expenses	987.8	1,029.7	(4.1)	896.0	10.2	2,892.5	2,889.9	0.1
Profits before income tax expenses	537.8	559.7	(3.9)	826.0	(34.9)	1,872.5	2,379.8	(21.3)
Net profits	441.8	459.3	(3.8)	675.4	(34.6)	1,542.7	1,954.7	(21.1)
Basic earnings per share (Baht)	0.22	0.23	(4.3)	0.34	(35.3)	0.77	0.98	(21.4)

Land and Houses Bank Public Company Limited's operating results showed net profits in the third quarter of 2019 amounting to Baht 441.8 million, decreased by 34.6% when compared to the third quarter of 2018. The result was from the decrease in net interest income 6.7% and increase in bad debts, doubtful accounts and impairment loss of 542.9%.

The bank's the operating results reported net profits for the 9-month period of 2019 amounting to Baht 1,542.7 million, decreased by 21.1% when compared to the 9-month period of 2018. The result was from the decrease in net interest income 3.9% and increase in bad debts, doubtful accounts and impairment loss 100.0%.

#### **Bad Debts, Doubtful Accounts and Impairment Loss**

The bank had bad debts and doubtful accounts in line with the Bank of Thailand's guidelines and evaluated the position of debtors from experience. The bank has set aside of reserves for bad debts, doubtful accounts and impairment loss in the third quarter of 2019 amounting to Baht 450.0 million, increased by 542.9% when compared to the third quarter of 2018, high proportion of loan loss reserve ratio at 282.00%.



Basic earnings per share for the third quarter of 2019 were Baht 0.22 per share, decreased by 35.3% when compared to the third 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 the comparison of the performance of the financial position as of 30 September 2019 and 31 December 2018.

#### Total Assets

As of 30 September 2019, the bank had total assets of Baht 226,148.2 million, decreased by Baht 12,509.8 million or down to 5.2% when compared to the end of the year 2018. Core assets comprise of loans to customers - net at 66.5% of total assets, followed by investments - net at 23.7% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2019	2018	Amount	(%YTD)
Interbank and money market items - net	18,873.2	21,566.9	(2,693.7)	(12.5)
Investments - net	53,651.8	55,312.9	(1,661.1)	(3.0)
Loans to customers net of deferred revenue	154,334.7	161,893.2	(7,558.5)	(4.7)
Add: Accrued interest receivables	201.6	224.2	(22.6)	(10.1)
Less: Allowance for doubtful accounts	(4,130.3)	(3,763.2)	(367.1)	(9.8)
Revaluation allowance for debt restructuring	(11.1)	(12.0)	0.9	7.5
Loans to customers - net	150,394.9	158,342.2	(7,947.3)	(5.0)
Other assets - net	3,228.3	3,436.0	(207.7)	(6.0)
<b>Total assets</b>	<b>226,148.2</b>	<b>238,658.0</b>	<b>(12,509.8)</b>	<b>(5.2)</b>

#### Loans to Customers

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

As of 30 September 2019, the bank had loans to customers - net amount of Baht 170,829.6 million, decreased by Baht 11,312.7 million or down to 6.2% when compared at the end of the year 2018. Big Corporate & Corporate was at 75.3%, followed by Retail at 13.2% and SMEs & SSME at 11.5% of total loans. When classified by type of business, most portion of loans were public utilities and services accounted for 22.8%, followed by financial intermediation sector at 22.4% and manufacturing and commercial sector at 22.0% of total loans.



Big Corporate & Corporate amounted of Baht 128,555.4 million, decreased by Baht 8,326.3 million or down to 6.1 % when compared to the end of the year 2018.

SMEs & SSME was Baht 19,648.2 million, decreased by Baht 1,023.1 million or down to 4.9% when compared to the end of the year 2018.

Retail loan was Baht 22,626.0 million, decreased by Baht 1,963.3 million or down to 8.0% when compared to the end of the year 2018.

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

(Unit: Million Baht)

Loans to customers classified by business sector	September	December	Variance	
	2019	2018	Amount	(%YTD)
Big Corporate & Corporate	128,555.4	136,881.7	(8,326.3)	(6.1)
SMEs & SSME	19,648.2	20,671.3	(1,023.1)	(4.9)
Retail	22,626.0	24,589.3	(1,963.3)	(8.0)
<b>Total loans to customers net of deferred revenue *</b>	<b>170,829.6</b>	<b>182,142.3</b>	<b>(11,312.7)</b>	<b>(6.2)</b>

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

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

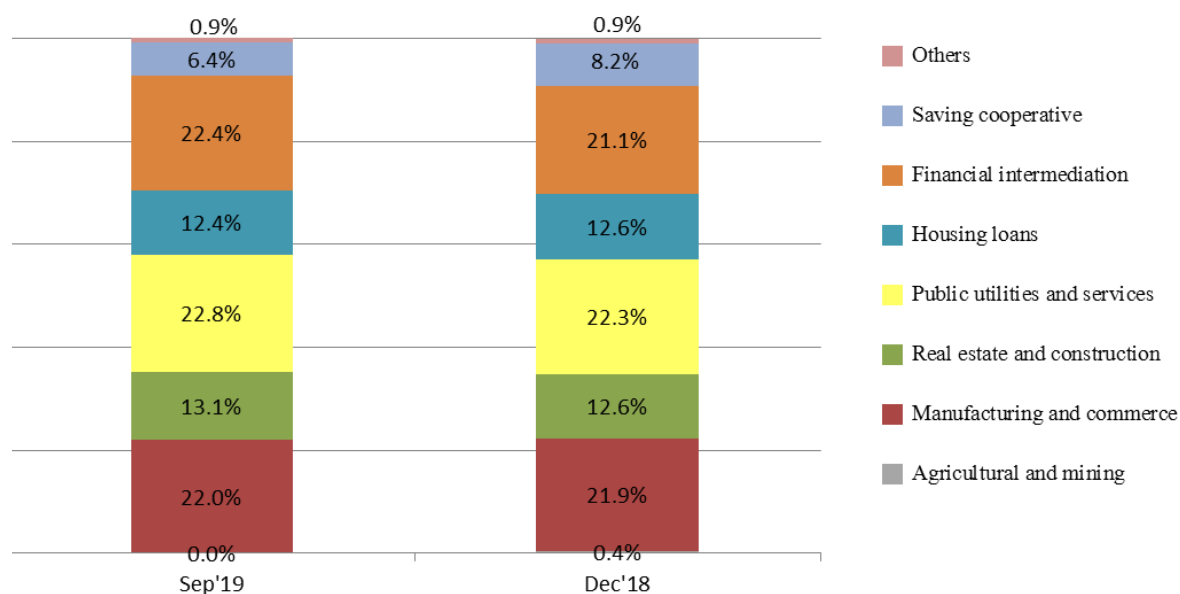
(Unit: Million Baht)

Loans to customers classified by type of business	September	December	Variance	
	2019	2018	Amount	(%YTD)
Agricultural and mining	13.6	867.9	(854.3)	(98.4)
Manufacturing and commerce	37,569.5	39,909.8	(2,340.3)	(5.9)
Real estate and construction	22,429.5	22,893.8	(464.3)	(2.0)
Public utilities and services	39,018.0	40,527.0	(1,509.0)	(3.7)
Housing loans	21,107.3	22,883.5	(1,776.2)	(7.8)
Financial intermediation	38,290.7	38,401.4	(110.7)	(0.3)
Saving cooperative	10,889.9	14,962.0	(4,072.1)	(27.2)
Others	1,511.1	1,696.9	(185.8)	(10.9)
<b>Total loans to customers net of deferred revenue *</b>	<b>170,829.6</b>	<b>182,142.3</b>	<b>(11,312.7)</b>	<b>(6.2)</b>

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



Percentage of loan classification by business type



### Non-Performing Loans

As of 30 September 2019, the bank had non-performing loans (Gross) in the amount of Baht 2,699.8 million, decreased by Baht 820.4 million or down to 23.3% when compared to the end of the year 2018. The ratio of NPLs to total loans at 1.58% of total loans (including interbank lending and money market items).

Non-performing loans (Net) was Baht 2,163.4 million, decreased by Baht 471.0 million or down to 17.9% when compared to the end of the year 2018. The ratio of NPLs (Net) at 1.27% of total loans after deducting allowance for doubtful debts of non-performing loans.

### Allowance for Doubtful Debts

As of 30 September 2019, the bank had allowances for doubtful debts in the amount of Baht 4,130.3 million, increased by Baht 367.1 million or up to 9.8% when compared to the end of the year 2018.

### Investments in Securities

As of 30 September 2019, the bank had net investments in securities which had book value of Baht 53,651.8 million, decreased by Baht 1,661.1 million or down to 3.0% when compared to the end of the year 2018.



### Deposits

As of 30 September 2019, the bank had total deposits of Baht 156,582.4 million, decreased by Baht 11,588.6 million or down to 6.9% when compared to the end of the year 2018.

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

(Unit: Million Baht)

Classified by type of deposits	September	December	Variance	
	2019	2018	Amount	(%YTD)
Demand deposits	4,815.2	6,072.8	(1,257.6)	(20.7)
Savings deposits	54,125.6	74,918.5	(20,792.9)	(27.8)
Time deposits	63,810.0	55,585.1	8,224.9	14.8
Fixed deposits receipt	33,831.6	31,594.6	2,237.0	7.1
<b>Total deposits</b>	<b>156,582.4</b>	<b>168,171.0</b>	<b>(11,588.6)</b>	<b>(6.9)</b>

### Total Liabilities

As of 30 September 2019, the bank had total liabilities in the amount of Baht 189,420.5 million, decreased by Baht 13,633.3 million or down to 6.7% when compared to the end of the year 2018. Most liabilities were mainly from deposit or 82.7% of total liabilities.

### Equity

As of 30 September 2019, the equity amounted to Baht 36,727.7 million, increased by Baht 1,123.5 million or up to 3.2% when compared to the end of the year 2018.

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

(Unit: Million Baht)

Items	September	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	156,582.4	168,171.0	(11,588.6)	(6.9)
Interbank and money market items	10,089.7	9,277.4	812.3	8.8
Debts issued and borrowings - net	20,141.1	23,290.5	(3,149.4)	(13.5)
Other liabilities	2,607.3	2,314.9	292.4	12.6
<b>Total liabilities</b>	<b>189,420.5</b>	<b>203,053.8</b>	<b>(13,633.3)</b>	<b>(6.7)</b>
<b>Total owners' equity</b>	<b>36,727.7</b>	<b>35,604.2</b>	<b>1,123.5</b>	<b>3.2</b>





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

As of 30 September 2019, the ratio of total capital fund to risk assets (BIS ratio) at 21.797%, higher than the 11.000% minimum rate required by the Bank of Thailand and decreased from 31 December 2018 at 20.045% that had the ratio of total capital fund to risk assets (BIS ratio) at 20.045%.

The ratio of Tier I capital fund to risk assets was 18.664%, higher than the minimum ratio of 8.500% required by the Bank of Thailand.

**Table: The Ratio of Capital Fund to Risk Assets**

The ratio of capital fund to risk assets	As of 30 September 2019		As of 31 December 2018	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	35,146.2	18.664	34,344.2	17.131
Minimum and additional rates required by law*		7.000		6.375
The Difference		11.664		10.756
<b>Tier 1 capital funds</b>				
The Bank	35,146.2	18.664	34,344.2	17.131
Minimum and additional rates required by law*		8.500		7.875
The Difference		10.164		9.256
<b>Total capital funds</b>				
The Bank	41,046.4	21.797	40,185.5	20.045
Minimum and additional rates required by law*		11.000		10.375
The Difference		10.797		9.670

Note: \* The commercial banks are required to add-on the conservation buffer of 0.625% per annum each year starting from 1 January 2016 onwards until reaching 2.50% in 2019.



## 2. FUND MANAGEMENT BUSINESSES

### Land and Houses Fund Management Company Limited

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

#### Overview of Fund Management Business

In the third quarter of 2019, total net asset value of mutual funds was at Baht 5.2 trillion, decreased from Baht 5.2 trillion in the previous quarter of 2019. Based on fund types, it is found that equity fund, fixed income fund and property fund and real estate investment trust declined, meanwhile mixed fund and fund of property fund increased in size.

#### Analysis of the Operating Results

The operating results of Land and Houses Fund Management Company Limited showed the comparison of performance between the third quarter of 2019 and the third quarter of 2018 as follows:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	9-month period		Variance
	3/2019	2/2019	(%QoQ)	3/2018	(%YoY)	2019	2018	(%YoY)
Fees and service income	150.6	119.6	25.9	78.5	91.8	357.4	285.3	25.3
Gains and return on financial instruments	6.5	4.9	32.7	5.3	22.6	18.1	16.9	7.1
Other income	0.7	0.4	75.0	0.4	75.0	1.5	1.3	15.4
Total incomes	157.8	124.9	26.3	84.2	87.4	377.0	303.5	24.2
Total expenses	109.8	88.9	23.5	46.1	138.2	264.1	200.5	31.7
Income tax expenses	9.1	6.5	40.0	6.8	33.8	20.4	18.1	12.7
Profits for the periods	38.9	29.5	31.9	31.3	24.3	92.5	84.9	8.9
Earnings per share (Baht)	13.0	9.8	32.7	10.4	25.0	30.8	28.3	8.8

The third quarter of 2019, the operating result reported net profits amounting to Baht 38.9 million, increased by 24.3% compared with the third quarter of 2018.



The operating results for the 9-month period of 2019 had net profit amounting to Baht 92.5 million, increased by 8.9% compared with the 9-month period of 2018.

#### **Fee and Service Income**

Fee and service income of the third quarter of 2019 amounted to Baht 150.6 million, increased by 91.8% compared with the third quarter of 2018. The fee was mostly from mutual fund management which was 84.8% of total fee and service income.

Fee and service income for the 9-month period of 2019 amounted to Baht 357.4 million, increased by 25.3% compared with the 9-month period of 2018. The fee was mostly from mutual fund management which was 82.6% of total fee and service income.

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

Other incomes apart from fee and service income of the third quarter of 2019 including gains and return financial instrument amounted to Baht 6.5 million and other incomes of Baht 0.7 million.

Other incomes apart from fee and service income for the 9-month period of 2019 including gains and return financial instrument amounted to Baht 18.1 million and other incomes of Baht 1.5 million.

#### **Total expenses**

Total expenses for the third quarter of 2019 amounted Baht 109.8 million, increased by 138.2% compared with the third quarter of 2018.

Total expenses for the 9-month period of 2019 amounted Baht 264.1 million, increased by 31.7% compared with the 9-month period of 2018.

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

As of 30 September 2019, the company had 68 funds under management, 5 funds increased when compared with the end of year 2018 and had the total net asset value of Baht 64,968.9 million, increased by 15.4% when compared with the end of year 2018. The company had a market share of 1.23%, and was ranked no. 12 from 24 companies. The company had the mutual funds under management consisting of:



- Property fund and Real estate investment trust with a value of Baht 32,427.0 million
- Fixed income fund with a value of Baht 12,045.8 million
- Equity fund with a value of Baht 5,032.1 million
- Mixed fund with a value of Baht 5,049.2 million
- Fund of property fund with a value of Baht 10,414.8 million

However, the private fund valued Baht 7,893.7 million and the provident fund valued Baht 3,218.5 million, if included the private fund and the provident fund, the company had the net assets value totaled Baht 76,081.1 million.

### 3. SECURITIES BUSINESS

#### Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited is a “broker No.5” of the Stock Exchange of Thailand and the services are 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

Thai stock index saw a quarter of quite high volatile market again in 3Q19 caused by intensifying trade war between US and China that Trump threatened to impose a fresh 10% import tariff on the remaining value of US\$300BN on Chinese goods resulting in a sharp fall pulling the SET Index down to extreme low at 1,590 points in August. Later on, following top negotiation of both sides would resume their trade talk again in October, the market is recovering. However, SET Index still posted a sharp decline of 5.4% QoQ.

Average daily market turnover on the third quarter was Bt 62,275mn or 15.75% higher than Baht 53,799 millionh in the previous quarter. Foreign investors were the net sellers with net sell amount of Baht 45,314 million versus net buy amount of 54,040 million in the previous quarter.



## Analysis of the Operating Results

The analysis of the operating results of Land and Houses Securities Public Company Limited and its subsidiaries compared to the performance during third quarter of 2019 and third quarter of 2018.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	9-month period		Variance
	3/2019	2/2019	(%QoQ)	3/2018	(%YoY)	2019	2018	(%YoY)
Brokerage fees income	40.5	35.4	14.4	40.4	0.2	105.2	131.4	(19.9)
Other income	115.6	118.9	(2.8)	54.1	113.7	311.8	337.2	(7.5)
Total incomes	156.1	154.3	1.2	94.5	65.2	417.0	468.6	(11.0)
Total operating expenses	92.8	86.8	6.9	79.4	16.9	260.2	244.1	6.6
Profits before income tax expenses	63.3	67.5	(6.2)	15.1	319.2	156.8	224.5	(30.2)
Income tax expenses	8.6	7.8	10.3	(1.0)	960.0	16.8	35.2	(52.3)
Net profits	54.7	59.7	(8.4)	16.1	239.8	140.0	189.3	(26.0)
Earnings per share (Baht)	0.09	0.09	-	0.03	200.0	0.22	0.30	(26.7)

The operating results of the company and its subsidiaries for the third quarter of 2019 showed net profit of Baht 54.7 million, increased 239.8% when compared to the third quarter of 2018.

The operating result of the company and its subsidiary for the 9-month period of 2019 had net profit of Baht 140.0 million, decreased by 26.0% when compared to the 9-month period of 2018.

### Total Incomes

Total incomes in the third quarter of 2019 were Baht 156.1 million, increased by 65.2% when compared to the third quarter of 2018.

Total incomes of the 9-month period of 2019 were Baht 417.0 million, decreased by 11.0% when compared to the 9-month period of 2018. Total incomes had included brokerage fees income, fees and services income, interest income on margin loan, gain and return on financial instruments and other incomes.



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### **Brokerage Fees Income**

Brokerage fees income in the third quarter of 2019 was Baht 40.5 million, increased by 0.2% when compared to the third quarter of 2018.

Brokerage fees income of the 9-month period of 2019 was Baht 105.2 million, decreased by 19.9% when compared to the 9-month period of 2018.

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

Other incomes apart from brokerage fees income for the 9-month period of 2019 included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes of Baht 2.0, 29.9, 278.6 and 1.3 million, respectively.

### **Total Operating Expenses**

Total operating expenses in the third quarter of 2019 were Baht 92.8 million, increased by 16.9% when compared to the third quarter of 2018.

Total operating expenses of the 9-month period of 2019 were Baht 260.2 million, increased by 6.6% when compared to the 9-month period of 2018. Total operating expenses included employee benefit expenses, fee and service expenses, financial costs and other expenses.