



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER 2019

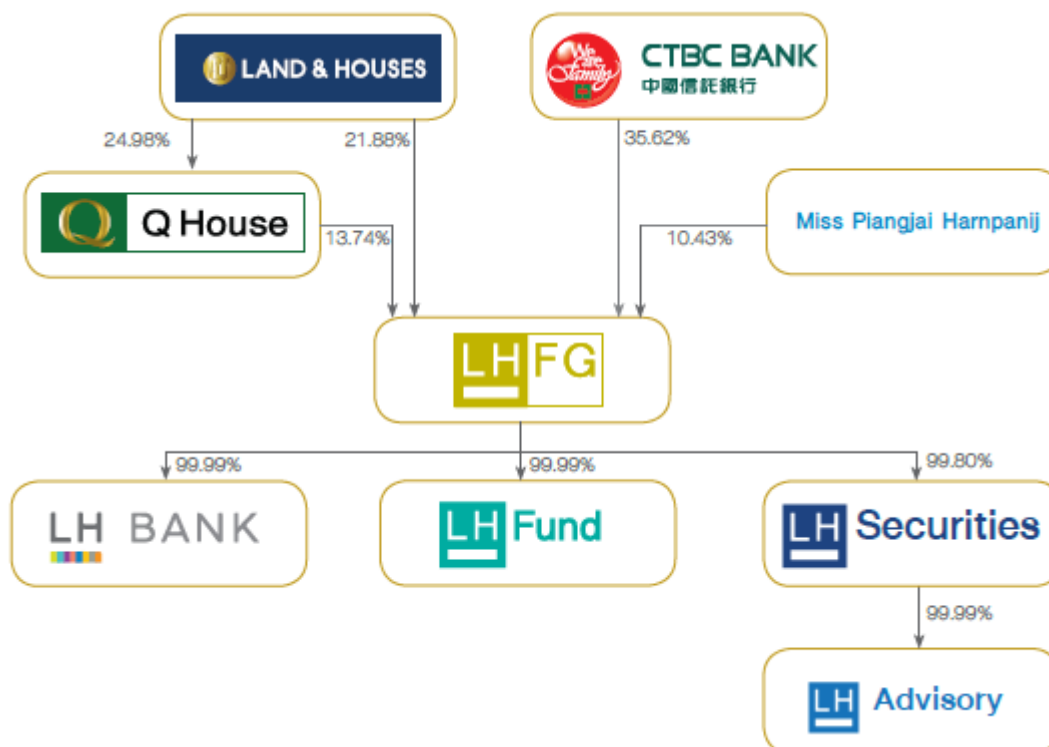
(THIS REPORT DISCUSSES PRINCIPAL CHANGES IN THE AUDITED CONSOLIDATED FINANCIAL STATEMENT)

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

The LH Financial Group Public Company Limited's shareholding structure is as follows:



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).

The Organization of the Year Award for Financial Business

LH Financial Group Public Company Limited is an award-winning company "Outstanding Organization of the Year in Financial Business" from the One Million Courageous Deeds for the Land Project organized by the Foundation for the Thai Society as to admire and support the successful management that can lead the organization to the sustainable success.

ESG100 Certificate

LH Financial Group Public Company Limited ranked among the top 100 listed firms for outstanding ESG performance in terms of environmental, social and governance (ESG 100) of 2019 by Thaipat Institute for the 5th consecutive year and the company's securities have also 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 7th consecutive year.

Performance Evaluation of Corporate Governance

The Thai Institute of Directors Association (IOD) disclosed the result of 2019 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 5th consecutive year.

Overview of Economy and Competition in Commercial Banking

In 2019, the Thai economy grew at a slower pace than the previous year and below its potential. Growth is estimated at 2.5%, the lowest level since 2015 and a significant drop from 4.1% in 2018. This was a result of a decline in merchandise exports owing to the economic slowdown of trading partners affected by trade protectionism and the impact of structural changes in the manufacturing sector on export competitiveness. However, the tourism sector continued to expand mainly thanks to an increase in the number of tourists of most nationalities; especially tourists from China, India, and ASEAN countries. Regarding domestic demand, private consumption expenditure grew at a slower pace amid supports from the government's economic stimulus measures due to the declining household income and employment, particularly in export-related manufacturing sectors. Public expenditure and private investment decelerated owing to the delay in some infrastructure investment projects, the slowdown of economic activities and the low rate of capacity utilization in manufacturing sectors.

For banking sector in the year 2019, overall bank loan grew at a slower pace mainly attributed to subdued corporate loan growth in line with the continued economic slowdown, whereas overall consumer loan continued to grow at a high rate despite a slower growth in mortgage lending and auto loan, personal loan and credit card expanded well. However, the commercial banks are tightening measures for credit undertaking with the worries on debt serviceability. Although, Thai commercial banking systems remained resilient as banks continued to closely monitor credit quality and maintain high levels of capital fund and loan loss provisions to withstand a potential adverse impact from economic uncertainty.

Credit Rating

LH Financial Group Public Company Limited has been assigned the credit rating at "BBB+" with "Stable" outlook by TRIS Rating.

Land and Houses Bank Public Company Limited has been assigned the credit rating at "A-" (Single A Minus), "Stable" outlook and affirms the rating of LH BANK's Basel III Tier 2 capital securities at "BBB" (Triple B Straight) by TRIS Rating.

Branch Network

As of the end of the year 2019, Land and Houses Bank Public Company Limited had the total of 108 branches, decreased by 20 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 services of the bank can be divided into 4 categories as follows:

1. Deposit Account Services

The bank has designed the variety of new deposit products and services with higher returns plus more privileges which continuously enhance the competitiveness 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 customer 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 Deposit Account, Tax-Free Deposit Account and Foreign Currency Deposit, etc.

2. Loan Services

The bank has divided the customers into segments to deeply understand their needs, paid more attention to building good relationship with all groups of customers and offered integrated financial products and services as to respond to each segment explicitly. The bank will consider granting the loan types, interest rate, loan limits and payment period to suit each type of customers' business and accelerate the underwriting process. 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 products and 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 boost the capacity of importers and exporters by exchanging information to enhance competitiveness.

3. Financial Electronic Services

The bank has developed the innovative products and digital financial services as to accommodate time saving for the customers, reduce expenses and make it easy to use. For example;

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

3.2 LH Bank PromptPay 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, funds 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, funds 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 shops in various countries. Customers can purchase commodities and various services at the member’s shops or online shopping with convenience.

3.5 Deposit, Withdrawal and Loan Payment Through all Branches of 7 – Eleven Nationwide is a service under the concept “LH Bank with better interest rate and convenient deposit, withdrawal and payment 24 hours at 7 – Eleven”. The bank appointed Counter Service Company Limited to be the banking agent to provide cash deposit, withdrawal and loan payment into Land and Houses Bank account 24 hours daily so the customers can apply this service 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 and specify account number and telephone number.

3.6 Payment service via QR Code is also provided for merchants (WeChat Pay, Alipay, Rabbit LINE Pay, AirPay and PromptPay) to facilitate merchants to easily buy and sell smoothly without money changes.

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 paper 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 Service, the bank provides various insurances to respond the customers’ needs and to enhance a financial stability in the future with worthy benefits. The insurance products consists of life insurance, non-life insurance and health insurance.

4.3 Participating Dealer (PD), the bank is the PD for the fund management companies which have various fund types consisting of debt instruments and equity instruments, retirement mutual fund (RMF) and long term equity fund (LTF).

4.4 Currency Exchange Service is the service for currency exchanges including USD (US Dollar), EUR (Euro), GBP (Pound Sterling), 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 offers various channels available for customers and public to pay tax via any channels such as the bank’s branches, LH Bank’s ATM, internet banking service (LH Bank Speedy) and internet mobile banking (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 as the business partner for investments in order to enhance potential and unlimited investment opportunities with the highlight of expertise in multi-asset management worldwide.

Analysis of Operating Results

The management discussion and analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries indicated the comparison of performance between 2019 and 2018.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,108.0	1,096.8	1.0	1,149.2	(3.6)	4,486.1	4,805.2	(6.6)
Net non-interest income	804.0	1,011.8	(20.5)	513.2	56.7	3,417.8	2,254.8	51.6
Operating income	1,912.0	2,108.6	(9.3)	1,662.4	15.0	7,903.9	7,060.0	12.0
Other operating expenses	776.6	738.1	5.2	715.7	8.5	3,005.2	2,768.1	8.6
Bad debts, doubtful accounts and impairment loss	72.9	450.0	(83.8)	60.0	21.5	1,092.9	570.2	91.7
Income tax expenses	182.6	153.6	18.9	135.0	35.3	591.2	613.5	(3.6)
Profits before bad debts and doubtful accounts, and income tax expenses	1,135.4	1,370.5	(17.2)	946.6	19.9	4,898.7	4,291.9	14.1
Profits before income tax expenses	1,062.5	920.5	15.4	886.6	19.8	3,805.8	3,721.7	2.3
Net profits	879.9	766.9	14.7	751.6	17.1	3,214.6	3,108.2	3.4
Basic earnings per share (Baht)	0.042	0.036	16.7	0.036	16.7	0.152	0.147	3.4

The company and its subsidiaries' operating results showed net profits in the 4th quarter of 2019 amounting to Baht 879.9 million, increased by 17.1% when compared to the 4th quarter of 2018 as a result of the increase in the net non-interest income by 56.7%.

The company and its subsidiaries' operating results reported net profits for the year of 2019 amounting to Baht 3,214.6 million, increased by 3.4% when compared to the year of 2018 at Baht 3,108.2 million as a result of the increase in the net non-interest income by 51.6%.

Basic earnings per share for the 4th quarter of 2019 and for the whole year 2019 were Baht 0.042 per share and Baht 0.152 per share, respectively. When compared to the 4th quarter of 2018 and for the whole year 2018, where earnings per share were Baht 0.036 and Baht 0.147 per share, respectively.

Net Interest Income

In the 4th quarter of 2019, net interest income amounted of Baht 1,108.0 million, decreased by 3.6% when compared to the 4th quarter of 2018.

Net Non-interest Income

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

In the 4th quarter of 2019, net non-interest income amounted to Baht 804.0 million, increased by 56.7% when compared to the 4th quarter of 2018. The increases were mainly from the gains on trading and foreign exchange transactions and gains on investments.

Other Operating Expenses

In the 4th quarter of 2019, they had other operating expenses amounting to Baht 776.6 million, increased by 8.5% when compared to the 4th quarter of 2018, mainly from employee expenses. The ratio of operating expenses to total operating income is at 40.6%, decreased when compared to the 4th quarter of 2018 at 43.1%.

For the year of 2019, they had other operating expenses amounting to Baht 3,005.2 million, increased by 8.6% when compared to the year of 2018, increasing mainly from the employee expenses.

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Employees' expenses	413.7	398.4	3.8	369.5	12.0	1,607.2	1,439.5	11.6
Premises and equipment expenses	183.9	174.3	5.5	191.3	(3.9)	731.3	750.1	(2.5)
Other expenses	179.0	165.4	8.2	154.9	15.6	666.7	578.5	15.2
Total	776.6	738.1	5.2	715.7	8.5	3,005.2	2,768.1	8.6

Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the 4th quarter of 2019, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounting to Baht 1,135.4 million, increased by 19.9% when compared to the 4th 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 indicates the comparison of performance of the financial position as of 31 December 2019 and 31 December 2018.

Total Assets

As of 31 December 2019, the company and its subsidiaries had total assets of Baht 240,731.3 million, decreased by Baht 5,201.9 million or 2.1% when compared at the end of the year 2018. Core assets consist of loans to customers - net at 63.2% of total assets, followed by investments – net at 27.5% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	December	December	Variance	
	2019	2018	Amount	(% YTD)
Interbank and money market items - net	18,569.1	18,991.5	(422.4)	(2.2)
Investments - net	66,288.6	67,360.4	(1,071.8)	(1.6)
Loans to customers - net	152,040.7	155,739.8	(3,699.1)	(2.4)
Loans to customers net of deferred revenue	155,840.4	159,314.0	(3,473.6)	(2.2)
Other assets - net	3,832.9	3,841.5	(8.6)	(0.2)
Total assets	240,731.3	245,933.2	(5,201.9)	(2.1)

Total Liabilities

As of 31 December 2019, total liabilities amounted to Baht 199,568.5 million, decreased by Baht 6,655.6 million or 3.2% when compared to the end of the year 2018. Most of total liabilities were deposits, accounting for 82.7% of total liabilities.

Owners' Equity

As of 31 December 2019, owners' equity amounted to Baht 41,162.8 million, increased by Baht 1,453.7 million or up to 3.7% when compared to the end of the year 2018.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	December	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	164,984.8	168,164.0	(3,179.2)	(1.9)
Interbank and money market items	10,467.0	9,231.5	1,235.5	13.4
Debts issued and borrowings - net	21,805.6	26,203.0	(4,397.4)	(16.8)
Other liabilities	2,311.1	2,625.6	(314.5)	(12.0)
Total liabilities	199,568.5	206,224.1	(6,655.6)	(3.2)
Total owners' equity	41,162.8	39,709.1	1,453.7	3.7

Number of Employees

As of 31 December 2019, the company and its subsidiaries had 1,724 employees, increased by 43 employees when compared to 31 December 2018.

The Subsidiaries' Analysis of Operating Results

1. COMMERCIAL BANKING BUSINESS

Land and Houses Bank Public Company Limited

Analysis of Operating Results

The management discussion and analysis of operating results of Land and Houses Bank Public Company Limited indicates the comparison of the performance between 2019 and 2018:

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Net interest income	1,175.1	1,164.4	0.9	1,193.1	(1.5)	4,741.2	4,903.6	(3.3)
Net non-interest income	178.9	462.0	(61.3)	230.7	(22.5)	1,426.4	1,154.5	23.6
Operating income	1,354.0	1,626.4	(16.7)	1,423.8	(4.9)	6,167.6	6,058.1	1.8
Other operating expenses	675.7	638.6	5.8	617.8	9.4	2,596.8	2,362.1	9.9
Bad debts, doubtful accounts and impairment loss	70.0	450.0	(84.4)	60.0	16.7	1,090.0	570.2	91.2
Income tax expenses	112.6	96.0	17.3	131.5	(14.4)	442.4	556.6	(20.5)

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Profits before bad debts and doubtful accounts, and income tax expenses	678.3	987.8	(31.3)	806.0	(15.8)	3,570.8	3,696.0	(3.4)
Profits before income tax expenses	608.3	537.8	13.1	746.0	(18.5)	2,480.8	3,125.8	(20.6)
Net profits	495.7	441.8	12.2	614.5	(19.3)	2,038.4	2,569.2	(20.7)
Basic earnings per share (Baht)	0.25	0.22	13.6	0.31	(19.4)	1.02	1.29	(20.9)

Land and Houses Bank Public Company Limited's operating results showed net profits in the 4th quarter of 2019 amounting to Baht 495.7 million, decreased by 19.3% when compared to the 4th quarter of 2018 as a result of the decrease in the net non-interest income by 22.5%.

The bank's operating results reported net profits for the year 2019 amounting to Baht 2,038.4 million, decreased by 20.7% when compared to the year 2018 as a result of the increase in bad debts, doubtful accounts and impairment loss by 91.2%.

Bad Debts, Doubtful Accounts and Impairment Loss

The bank set allowances for bad debts and doubtful accounts following the Bank of Thailand's requirements and evaluate the profile of debtors based on the bank's historical data. The bank has set aside of reserves for bad debts, doubtful accounts and impairment loss in the 4th quarter of 2019 amounting to Baht 70.0 million, increased by 16.7% when compared to the 4th quarter of 2018, high proportion of loan loss reserves to required reserves at 269.21%.

Basic earnings per share for the 4th quarter of 2019 and for the year 2019 were 0.25 Baht per share and 1.02 Baht per share, respectively, when compared to the 4th quarter of 2018 and for the year 2018 where earnings per share were 0.31 Baht and 1.29 Baht per share, respectively.

Analysis of the Financial Position

The management discussion and analysis of the financial position of Land and Houses Bank Public Company Limited indicates the comparison of the performance of the financial position as of 31 December 2019 and 31 December 2018.

Total Assets

As of 31 December 2019, the bank had total assets amounting to Baht 230,548.3 million, decreased by Baht 8,109.7 million or 3.4% when compared to the year 2018. Core assets consisting of loans to customers - net at 65.8% of total assets, followed by investments - net at 22.4% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	December	December	Variance	
	2019	2018	Amount	(%YTD)
Interbank and money market items - net	23,731.8	21,566.9	2,164.9	10.0
Investments - net	51,646.8	55,312.9	(3,666.1)	(6.6)
Loans to customers net of deferred revenue	155,530.4	161,893.2	(6,362.8)	(3.9)
Add: Accrued interest receivables	214.1	224.2	(10.1)	(4.5)
Less: Allowance for doubtful accounts	(3,947.5)	(3,763.2)	(184.3)	(4.9)
Revaluation allowance for debt restructuring	(14.0)	(12.0)	(2.0)	(16.7)
Loans to customers - net	151,783.0	158,342.2	(6,559.2)	(4.1)
Other assets - net	3,386.7	3,436.0	(49.3)	(1.4)
Total assets	230,548.3	238,658.0	(8,109.7)	(3.4)

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 31 December 2019, the bank had loans to customers - net amount of Baht 178,898.4 million, decreased by Baht 3,243.9 million or 1.8% when compared to the year 2018. Big Corporate & Corporate was at 76.9%, followed by Retail at 12.4% and SMEs & SSME at 10.7% of total loans. When classified by type of businesses, most portions of loans were financial intermediary sector at 24.4%, followed by public utilities and services at 22.3% and manufacturing and commercial sector at 21.4% of total loans.

Big Corporate & Corporate amounted to Baht 137,503.6 million, increased by Baht 621.9 million or up to 0.5% when compared to the year 2018.

SMEs & SSME amounted to Baht 19,121.2 million, decreased by Baht 1,550.1 million or 7.5% when compared to the year 2018.

Retail loan amounted to Baht 22,273.6 million, decreased by Baht 2,315.7 million or 9.4% when compared to the year 2018.

Table: Loans to Customers Classified by Business Sectors

(Unit: Million Baht)

Loans to customers classified by business sector	December	December	Variance	
	2019	2018	Amount	(%YTD)
Big Corporate & Corporate	137,503.6	136,881.7	621.9	0.5
SMEs & SSME	19,121.2	20,671.3	(1,550.1)	(7.5)
Retail	22,273.6	24,589.3	(2,315.7)	(9.4)
Total loans to customers net of deferred revenue *	178,898.4	182,142.3	(3,243.9)	(1.8)

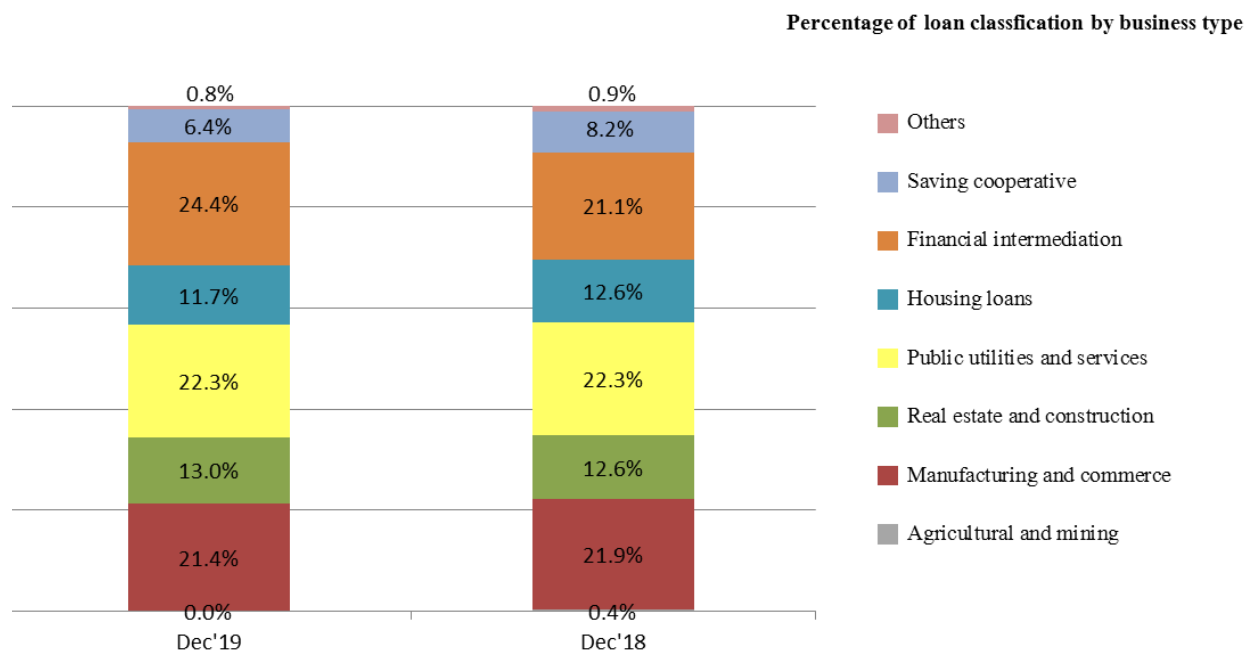
Note: *Total loans to customers net of deferred revenue including interbank lending and money market items

Table: Loans to Customers Classified by Type of Businesses

(Unit: Million Baht)

Loans to customers classified by type of business loans	December	December	Variance	
	2019	2018	Amount	(%YTD)
Agricultural and mining	12.9	867.9	(855.0)	(98.5)
Manufacturing and commerce	38,315.5	39,909.8	(1,594.3)	(4.0)
Real estate and construction	23,225.8	22,893.8	322.0	1.5
Public utilities and services	39,946.8	40,527.0	(580.2)	(1.4)
Housing loans	20,828.0	22,883.5	(2,055.5)	(9.0)
Financial intermediation	43,623.3	38,401.4	5,221.9	13.6
Saving cooperative	11,510.0	14,962.0	(3,452.0)	(23.1)
Others	1,436.1	1,696.9	(260.8)	(15.4)
Total loans to customers net of deferred revenue *	178,898.4	182,142.3	(3,243.9)	(1.8)

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



Non-Performing Loans

As of 31 December 2019, the bank reported non-performing loans (Gross) in the amount of Baht 2,775.4 million, decreased by Baht 744.8 million or 21.2% when compared to the year 2018. The NPL ratio to total loans was at 1.55% of total loans (including interbank lending and money market items).

Non-performing loans (Net) was Baht 2,087.4 million, decreased by Baht 547.0 million or 20.8% when compared to the year 2018. The NPL ratio (Net) was at 1.17% of total loans after deducting allowances for doubtful debts of non-performing loans.

Allowance for Doubtful Debts

As of 31 December 2019, the bank had allowances for doubtful debts in the amount of Baht 3,947.5 million, increased by Baht 184.3 million or 4.9% when compared to the year 2018.

TFRS9 is effective for fiscal years beginning on or after 1 January 2020, the bank has sufficient reserves in accordance with the new standard (the estimated reserve amount is subject to the auditor's review). The adoption of TFRS9 will not have any significant impact on the bank's financial statements.

Investments in Securities

As of 31 December 2019, the bank had net investments in securities with the book value of Baht 51,646.8 million, decreased by Baht 3,666.1 million or 6.6% when compared to the year 2018.

Deposits

As of 31 December 2019, the bank had total deposits of Baht 165,018.4 million, decreased by Baht 3,152.6 million or 1.9% when compared to the year 2018.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Classified by type of deposits	December	December	Variance	
	2019	2018	Amount	(%YTD)
Demand deposits	4,253.7	6,072.8	(1,819.1)	(30.0)
Savings deposits	62,044.9	74,918.5	(12,873.6)	(17.2)
Time deposits	65,147.7	55,585.1	9,562.6	17.2
Fixed deposits receipts	33,572.1	31,594.6	1,977.5	6.3
Total deposits	165,018.4	168,171.0	(3,152.6)	(1.9)

Total Liabilities

As of 31 December 2019, the bank had total liabilities in the amount of Baht 194,268.7 million, decreased by Baht 8,785.1 million or 4.3% when compared to the year 2018. Most liabilities were mainly from deposit at 84.9% of total liabilities.

Owners' Equity

As of 31 December 2019, owners' equity amounted to Baht 36,279.6 million, increased by Baht 675.4 million or 1.9% when compared to the year 2018.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	December	December	Variance	
	2019	2018	Amount	(%YTD)
Deposits	165,018.4	168,171.0	(3,152.6)	(1.9)
Interbank and money market items	10,503.6	9,277.4	1,226.2	13.2
Debts issued and borrowings - net	16,721.2	23,290.5	(6,569.3)	(28.2)
Other liabilities	2,025.5	2,314.9	(289.4)	(12.5)
Total liabilities	194,268.7	203,053.8	(8,785.1)	(4.3)
Total owners' equity	36,279.6	35,604.2	675.4	1.9

Capital Adequacy and Capital Ratio

As of 31 December 2019, the ratio of total capital fund to risk assets (BIS ratio) at **19.304%**, higher than the 11.000% minimum rate required by the Bank of Thailand and decreased from 31 December 2018 at 20.045%.

The ratio of Tier 1 capital to risk assets was **16.514%**, higher than the minimum ratio of 8.500% required by the Bank of Thailand.

Table: The Capital to Risk Assets Ratio

The Capital to Risk Assets Ratio	As of 31 December 2019		As of 31 December 2018	
	Million Baht	%	Million Baht	%
Common Equity Tier 1 capital				
Bank	34,578.3	16.514	34,344.2	17.131
Minimum and additional rates required by law *		7.000		6.375
Difference		9.514		10.756
Tier 1 capital				
Bank	34,578.3	16.514	34,344.2	17.131
Minimum and additional rates required by law *		8.500		7.875
Difference		8.014		9.256
Total capital				
Bank	40,421.1	19.304	40,185.5	20.045
Minimum and additional rates required by law *		11.000		10.375
Difference		8.304		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. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited ranks the “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
- Bond trading business

Overview of the Stock Exchange of Thailand

Thai stocks saw a year of high volatility in 2019. The only positive factor that helped drive the SET Index to mark its annual high at 1,748 points in July, was an increasing weight of Thai stocks by MSCI. However, the market was overwhelmed by lingering US-China trade disputes and Thai political uncertainties that pulled SET Index consecutively low to end the year at 1,579.84 points, which was just 1% higher than the previous year.

Average daily market turnover of 2019 was Baht 53,192 million, down 7.8% from Baht 57,673 million in the previous year. Local institutional and retail investors were net buyers while foreign investors remained net sellers for the third consecutive year.

Analysis of Operating Results

The management discussion and analysis of operating results of Land and Houses Securities Public Company Limited and its subsidiary indicated the comparison of the performance between 2019 and 2018.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Brokerage fee income	27.4	40.5	(32.3)	33.9	(19.2)	132.6	165.3	(19.8)
Other incomes	60.3	115.6	(47.8)	62.8	(4.0)	372.1	400.1	(7.0)
Total incomes	87.7	156.1	(43.8)	96.7	(9.3)	504.7	565.4	(10.7)
Total operating expenses	89.1	92.8	(4.0)	78.3	13.8	349.3	322.4	8.3
Net profits before income tax expenses	(1.4)	63.3	(102.2)	18.4	(107.6)	155.4	243.0	(36.0)
Income tax expenses	(3.0)	8.6	(134.9)	1.4	(314.3)	13.8	33.9	(59.3)
Net profits	1.6	54.7	(97.1)	19.8	(91.9)	141.6	209.1	(32.3)
Basic earnings per share (Baht)	0.00	0.09	(100.0)	0.03	(100.0)	0.22	0.33	(33.3)

The operating results of the company and its subsidiary for the 4th quarter of 2019 showed net profits in the amount of Baht 1.6 million, decreased by 91.9% when compared to the 4th quarter of 2018.

The operating result of the company and its subsidiary for the year of 2019 showed net profits in the amount of Baht 141.6 million, decreased by 32.3% when compared to the year 2018.

Total Incomes

Total incomes in the 4th quarter of 2019 were Baht 87.7 million, decreased by 9.3% when compared to the 4th quarter of 2018.

Total incomes for the year of 2019 were Baht 504.7 million, decreased by 10.7% when compared to the year 2018. Total incomes included brokerage fee income, fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes.

Brokerage Fee Income

Brokerage fee income in the 4th quarter of 2019 was Baht 27.4 million, decreased by 19.2% when compared to the 4th quarter of 2018.

Brokerage fee income for the year of 2019 was Baht 132.6 million, decreased by 19.8% when compared to the year 2018.

Other Incomes apart from Brokerage Fee Income

Other incomes apart from brokerage fee income in the 4th quarter of 2019 included fee and service income, interest income on margin loan, gain and return on financial instruments and other incomes amounting to Baht 0.6, 9.2, 50.4 and 0.1 million, respectively.

Other incomes apart from brokerage fee income for the year 2019 included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted to Baht 2.6, 39.1, 329.0 and 1.4 million, respectively.

Total Operating Expenses

Total operating expenses in the 4th quarter of 2019 were Baht 89.1 million, increased by 13.8% when compared to the 4th quarter of 2018.

Total operating expenses for the year of 2019 were Baht 349.3 million, increased by 8.3% when compared to the year 2018. Total operating expenses included employee benefit expenses, fee and service expenses, financial costs, bad debts and doubtful accounts and other expenses.

3. FUND MANAGEMENT BUSINESS

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 4th quarter of 2019, the fund management business showed the total net assets of Baht 5.38 trillion, increased by 334,610 million or 6.62% from the end of 2018. Mixed funds increased, compared to 2018 year end, by approximately Baht 98,100 million or 27.84%. Property funds and REITs increased, compared to 2018 year end, by approximately Baht 48,488 million or 7.10%. Equity funds increased, compared to 2018 year end, by approximately Baht 60,041 million or 4.18%. Fixed Income funds increased, compared to 2018 year end, by approximately Baht 86,136 million or 3.44%.

Analysis of Operating Results

The management and discussion and analysis of operating results of Land and Houses Fund Management Company Limited indicated the comparison of the performance between 2019 and 2018.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2019	3/2019	(%QoQ)	4/2018	(%YoY)	2019	2018	(%YoY)
Fees and service income	137.2	150.6	(8.9)	86.6	58.4	494.6	372.0	33.0
Gains and return on financial instruments	56.2	6.5	764.6	7.1	691.5	74.3	24.0	209.6
Other income	0.7	0.7	-	0.2	250.0	2.3	1.5	53.3
Total incomes	194.1	157.8	23.0	93.9	106.7	571.2	397.5	43.7
Total expenses	106.5	109.8	(3.0)	64.5	65.1	370.7	265.0	39.9
Profit before income tax expenses	87.6	48.0	82.5	29.4	198.0	200.5	132.5	51.3
Income tax expenses	17.2	9.1	89.0	4.9	251.0	37.6	23.1	62.8
Net profits	70.4	38.9	81.0	24.5	187.3	162.9	109.4	48.9
Basic earnings per share (Baht)	23.47	12.95	81.2	8.16	187.6	54.29	36.47	48.9

The 4th quarter of 2019, the operating result of the company reported net profits amounting to Baht 70.4 million, increased by 187.3% when compared to the 4th quarter of 2018 due to the increase in gains and return on financial instruments.

The operating result of the company in 2019 showed net profits amounting to Baht 162.9 million, increased by 48.9% when compared to year 2018, due to the increasing of gains and return on financial instruments.

Total Incomes

Total incomes of the 4th quarter of 2019 amounted to Baht 194.1 million, increased by 106.7% when compared to the 4th quarter of 2018 which increased mainly from gains and return on financial instruments.

Total incomes in 2019 were Baht 571.2 million, increased by 43.7%. when compared to year 2018. The income was mainly from fees and service income from management - mutual funds for 82.8% of fees and service income.

Fees and Service Income

Fees and service income for the 4th quarter of 2019 amounted to Baht 137.2 million, increased by 58.4% when compared to the 4th quarter of 2018.

Fees and service income in 2019 amounted to Baht 494.6 million, increased by 33.0% when compared to year 2018.

Other Incomes apart from fees and service income

Other incomes apart from fee and service income for the 4th quarter of 2019 consisted of gains and return on financial instruments and other incomes amounting to Baht 56.2 million and Baht 0.7 million, respectively.

Other incomes apart from fee and service income in 2019 consisted of gains and return on financial instruments and other incomes amounting to Baht 74.3 million and Baht 2.3 million, respectively.

Total Expenses

Total expenses of the 4th quarter of 2019 amounted to Baht 106.5 million, increased by 65.1% when compared to the 4th quarter of 2018.

Total expenses in 2019 amounted to Baht 370.7 million, increased by 39.9% when compared to year 2018.

Net Asset Value under Management

As of 31 December 2019, the company had 69 funds under management, increased by 6 funds when compared to the year 2018. The company had the total net assets value of Baht 64,511.0 million, increased by Baht 8,227.1 million or increased by 14.6% when compared to the year 2018.

The company had the market share of 1.2%, ranked 12th from 24 companies with the mutual funds under management consisting of:

- Property fund and real estate investment trust	Baht 32,628.4	million
- General fixed income fund	Baht 10,495.6	million
- Equity fund	Baht 2,049.4	million
- Mixed fund	Baht 4,614.4	million
- Foreign Investment Fund	Baht 4,085.6	million
- Fund of property fund	Baht 10,637.6	million

In addition, if private fund and provident fund, the company had net asset value as of 31 December 2019 for Baht 75,378.7 million, which was from private fund in the amount of Baht 7,539.6 million and provident fund in the amount of Baht 3,328.1 million.