



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

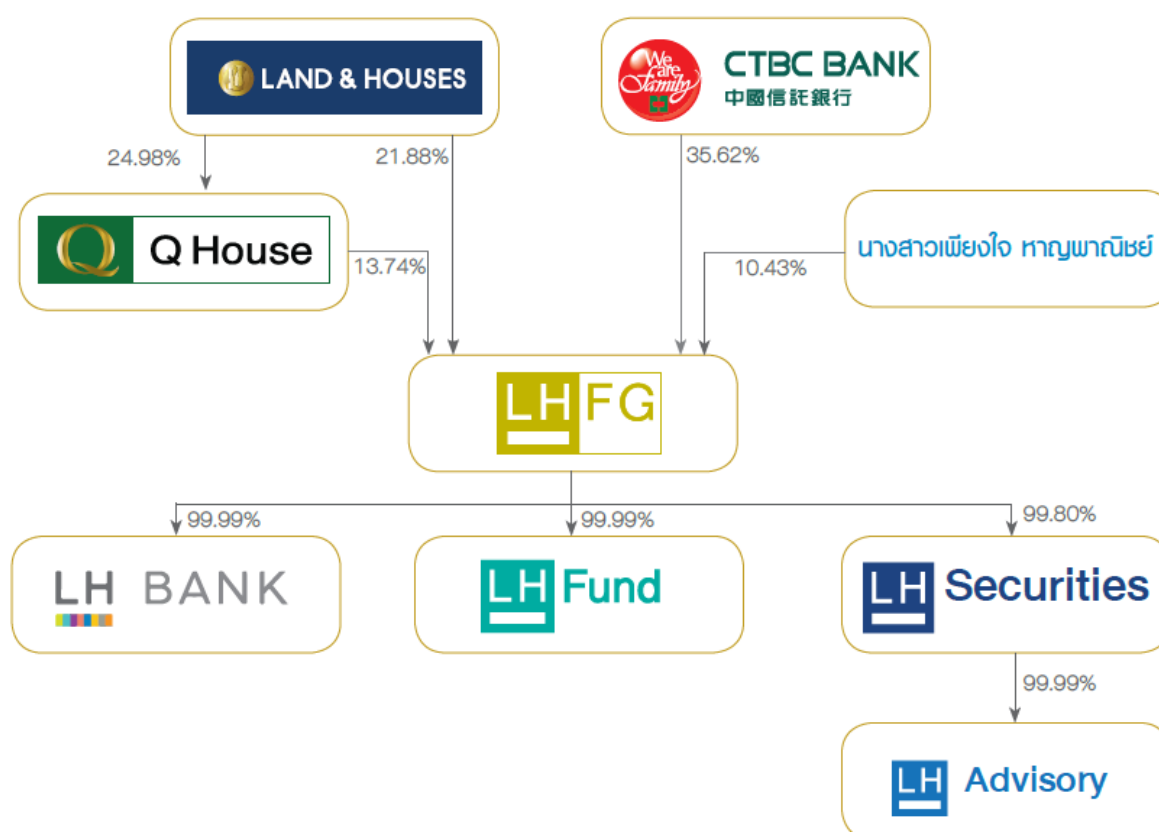
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES TO THE UNREVIEWED CONSOLIDATED
FINANCIAL STATEMENT)**

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 consisting 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

Shareholding structure of LH Financial Group Public Company Limited is as follows:



Certified Companies of Thailand's Private Sector Collective Action Coalition Against Corruption

LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited, have been certified as a member of the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) by the Private Sector Collective Action Coalition Against Corruption Council. And Land and Houses Securities Public Company Limited has signed a declaration of intent in view of establishing the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC).

Certificate of Environmental, Social and Governance

LH Financial Group Public Company Limited has been ranked among the top 100 listed companies for outstanding ESG performance in terms of environmental, social and governance (ESG 100) of the year 2019 by Thaipat Institute for the fifth consecutive year and the company's shares have also been included in the Universe of ESG 100 securities group in 2019.

“Social Outcome Investor” Acknowledgement

LH Financial Group Public Company Limited, Land and Houses Fund Management Company Limited, Land and Houses Securities Public Company Limited, all together received “Social Outcome Investor” Acknowledgement from Thaipat Institute, in recognition of their principles for social investment by incorporating environmental, social, and governance (ESG) into their investment policies. As a result, part of returns on investment was spent on corporate social responsibility activities.

Quality Assessment of the Annual General Meeting of Shareholders

Thai Investors Association has assessed the 2019 Annual General Meeting of Shareholders of LH Financial Group Public Company Limited and rated the company in "Excellent" level with the full score of 100 for 7 consecutive years.

Performance Evaluation of Corporate Governance

Thai Institute of Directors Association (IOD) disclosed the 2019 Corporate Governance evaluation result of Thai listed companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars" for 5 consecutive years.

Economic Overview and Competition among Commercial Banks

In the first quarter of 2020, Thai economy highly contracted from the same period last year as the COVID-19 pandemic has caused fluctuations in money market and capital market and has severely affected all sectors in the economy, especially tourism sector which acutely shrunk due to travel restrictions and lockdown measures. Export volume dropped significantly as a result of China's lockdown. Moreover, the COVID-19 outbreak considerably affected the economies of trading partners and brought about supply chain disruptions. Domestic demand faced contraction in the same direction as private consumption on durable goods and services significantly contracted because people avoided going outside. Other factors include the suspension of a wide range of economic activities, weakening purchasing powers, lowering household income, increasing number of laid off labors, high debt burden, and lowest consumers' confidence in more than 21 years. Meanwhile, farm income declined due to a more-severe-than expected impact of the drought.

The Bank of Thailand reduced Thailand's economic growth projection for 2020 to contract 5.3% (as of March 2020). Moreover, the Thai economic outlook would underperform below the baseline projection because;

1. The global economy could enter a severe recession and Thailand's tourism sector could take a long time to recover if the pandemic becomes more severe and prolongs than expected.
2. Stricter measures are implemented in order to contain the spread of COVID-19, which might cause some businesses to shut down their operations or significantly reduce employment.
3. More-severe-than-expected impact of the drought could affect farm income

For banking sector in the first quarter of 2020, commercial bank loan expanded at a slower rate consistent with economic slowdown. Personal loans still expanded. Meanwhile, loans to business contracted. Commercial banks were tighter in extending loans in line with economic conditions as their concern on ability to manage liquidity and debt-servicing ability of households and businesses. Although the deterioration in credit quality affected profitability, Thai commercial banking system remained sound as banks continued to closely monitor credit quality and maintained high levels of loan-loss provision, capital fund and liquidity to facilitate further credit expansion.

Credit Rating

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

Analysis of Operating Results

In the year 2020, the operating results and the financial position of the company and its subsidiaries have been impacted, mainly from the financial reporting standards applicable for financial statements covering the accounting period starting from or after January 1, 2020 such as financial reporting standard no. 16 (TFRS16: Leases) and financial reporting standard no. 9 (TFRS9: Financial Instruments) which impact the following areas:

- 1) Realized interest income from loans based on the effective interest rate method (EIR) and realized income of non-performing loans and expected credit losses.
- 2) Reclassification of investments and fair value from unrealized gain (loss) on investments are part of “profit (loss) from financial instruments measured by fair value through profit or loss”. (The cost is compared with the market price (stock price) and when there is unrealized gain / loss from the comparison, it has been booked in the income statement) Therefore, the operating result depends on the change of the market price of investments.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Interest income	2,144.6	2,184.4	(39.8)	(1.8)
Interest expense	(866.1)	(1,026.8)	(160.7)	(15.7)
Net interest income	1,278.5	1,157.6	120.9	10.4
Fees and service income	227.4	212.3	15.1	7.1
Fees and service expense	(50.2)	(38.3)	11.9	31.1
Net fees and service income	177.2	174.0	3.2	1.8
Gain (loss) from financial instruments measured at fair value through profit or loss	(3,001.8)	1.5	(3,003.3)	n/a
Gain on investments	148.2	11.2	137.0	1,223.2

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Dividend income	397.6	426.7	(29.1)	(6.8)
Other operating incomes	8.2	5.7	2.5	43.9
Operating income	(992.1)	1,776.7	(2,768.8)	(155.8)
Other operating expenses	703.7	731.4	(27.7)	(3.8)
Expected credit losses (reversal)	(708.2)	100.0	(808.2)	(808.2)
Income tax expenses	(279.1)	138.6	(417.7)	(301.4)
Profit (loss) from operations before expected credit losses and income tax	(1,695.8)	1,045.3	(2,741.1)	(262.2)
Profits (loss) from operations before income tax expenses	(987.6)	945.3	(1,932.9)	(204.5)
Net profits (loss)	(708.5)	806.7	(1,515.2)	(187.8)
Basic earnings per share (Baht)	(0.034)	0.038	(0.072)	(189.5)

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries contains the comparison of performance of the first quarter of 2020 and the first quarter of 2019.

Net Interest Income

In the first quarter of 2020, net interest income amounted to Baht 1,278.5 million or increased by 10.4% when compared to the first quarter of 2019. Interest income was Baht 2,144.6 reduced by 1.8% when compared to the first quarter of 2019. This was due mainly to the slight decrease in large corporate loans and the increase in realized interest income according to TFRS9. Interest expenses were Baht 866.1 million, decreased by 15.7% from the relaxation of the required provision to financial institutions to allocate to reserve account for principal repayment of the Financial Institution Development Fund (FIDF) from at 0.46% per year to at 0.23% per year according to the governmental measure in the year 2020-2021.

Net Non-Interest Income

Net non-interest income includes net fees and service income, gain (loss) from financial instruments measured at fair value through profit or loss, gains on investments, dividend income and other operating incomes.

In the first quarter of 2020 net fees and service income was Baht 177.2 million, increased by 1.8% from the first quarter of 2019.

In the first quarter of 2020, net non-interest income amounted to Baht (2,270.6) million, decreased by 446.8% when compared to the first quarter of 2019, mainly from the decrease of gain (loss) from financial instruments measured at fair value through profit or loss.

Other Operating Expenses

In the first quarter of 2020, other operating expenses amounted to Baht 703.7 million, decreased by 3.8% when compared to the first quarter of 2019, mainly from the decrease in employee expenses as a result of effective management of expenses during the outbreak of coronavirus (COVID-19).

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Employees' expenses	362.6	401.6	(39.0)	(9.7)
Premises and equipment expenses	186.8	186.5	0.3	0.2
Other expenses	154.3	143.3	11.0	7.7
Total	703.7	731.4	(27.7)	(3.8)

Profit (Loss) from Operations Before Expected Credit Losses and Income Tax

In the first quarter of 2020, the company and its subsidiaries had profit (loss) from operations before expected credit losses and income tax of Baht (1,695.8) million, decreased by 262.2% when compared to the first quarter of 2019.

Profit from Operations

For the profit of the company and its subsidiaries in the first quarter of 2020, once the decrease of mark to market of the investment is not factored, the company and its subsidiaries will report the net profit of Baht 1,759.5 million (comparative data).

In the first quarter of 2020, the performance of the company and its subsidiaries posted a net loss of Baht 708.5 million, declined by 187.8 % compared to the first quarter of 2019 which had a net profit of Baht 806.7 million. The decrease in profit was mainly from mark to market loss from investments in accordance with the new financial reporting standards (TFRS9).

The mark to market loss was from the investments of the company and its subsidiaries, mostly in Infrastructure Funds (IFF) at 86.57 %, Property Funds (PF) at 3.99% and REITs at 9.45%. The objective of investments was to receive consistent dividend and high yields so the company and its subsidiaries have selected IFF, PF and REITs with strong foundations. As a result, the average dividend yield per year is around 7%, higher than the average annual dividend yield of the entire IFF, PF and REITs industries, which was approximately at 4.70%.

Due to the outbreak of the coronavirus (COVID-19) which grows concerns among investors over the performance of listed companies on the Stock Exchange of Thailand, they are panic and sell their stocks so irrationally that the market price has drastically plunged (Irrationality of Selling). As a result, market price dropped drastically from the dump sale. However, the situation is temporary and when the outbreak of the coronavirus (COVID-19) is likely to improve and with the fact that the government has relief measures to support all sectors. Consequently, investors' confidence begins to return positively affecting the market prices of IFF, PF and REITs to rise again. Finally, the operating results of the company and its subsidiaries are expected to improve.

Basic earnings (loss) per share for the first quarter of the year 2020 was equal to Baht (0.034) per share, decreased by Baht 0.072 per share or 189.5 % compared to the first quarter of the year 2019 which was at Baht 0.038 per share.

Financial Position Analysis

The analysis of the financial position of LH Financial Group Public Company Limited and its subsidiaries is the comparison of the financial position as of March 31, 2020 and December 31, 2019.

Total Assets

As of March 31, 2020, the company and its subsidiaries had total assets in the amount of Baht 236,175.2 million, decreased by Baht 4,556.1 million or 1.9% when compared to the end of the year 2019. Core assets comprise loans to customers – net at 63.7% of total assets, followed by investments - net at 17.2% of total assets and financial assets measured at fair value through profit or loss (according to the previous accounting standard: it is trading portfolio) accounting for 8.6% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	March	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	18,689.8	18,569.1	120.7	0.7
Financial assets measured at fair value through profit or loss	20,317.7	-	20,317.7	n/a
Investments - net	40,608.3	66,288.6	(25,680.3)	(38.7)
Loans to customers – net	150,397.8	152,040.7	(1,642.9)	(1.1)
Other assets - net	6,161.6	3,832.9	2,328.7	60.8
Total assets	236,175.2	240,731.3	(4,556.1)	(1.9)

Financial Assets Measured at Fair Value through Profit or Loss

As of March 31, 2020, financial assets measured at fair value through profit or loss of Baht 20,317.7 million were from the reclassification of assets under TFRS9. According to the previous accounting standard, it is trading portfolio. As of December 31, 2019, it had a fair value of Baht 22,549.7 million.

Total Liabilities

As of 31 March 2020, total liabilities amounted to Baht 196,021.5 million, decreased by Baht 3,547.0 million or 1.8 % when compared to the end of the year 2019. Main liabilities are deposits, accounting for 83.3% of total liabilities.

Owners' Equity

As of 31 March 2020, owners' equity amounted to Baht 40,153.7 million, decreased by Baht 1,009.1 million or 2.5% when compared to the end of the year 2019. This includes the treasury stock purchased during the accounting period, valued at Baht 335.4 million.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	March	December	Variance	
	2020	2019	Amount	(% YTD)
Deposits	163,318.7	164,984.8	(1,666.1)	(1.0)
Interbank and money market items	11,801.8	10,467.0	1,334.8	12.8
Debts issued and borrowings - net	15,858.7	21,805.6	(5,946.9)	(27.3)
Other liabilities	5,042.3	2,311.1	2,731.2	118.2
Total liabilities	196,021.5	199,568.5	(3,547.0)	(1.8)
Total owners' equity	40,153.7	41,162.8	(1,009.1)	(2.5)

Number of Employees

As of 31 March 2020, the company and its subsidiaries had 1,707 employees, decreased by 17 employees when compared to those as at 31 December 2019.

Performance Analysis of Subsidiaries

1. COMMERCIAL BANKING BUSINESS

Land and Houses Bank Public Company Limited

Credit Rating

Land and Houses Bank Public Company Limited is assigned the company rating of "A-" (Single A Minus), the rating of LH BANK's Basel III Tier 2 capital securities at "BBB" (Triple B Straight).

Analysis of Operating Results

The analysis of operating results of Land and Houses Bank Public Company Limited performance is a comparative performance of the first quarter of 2020 and the first quarter of 2019.

In the first quarter of 2020, operating results of the bank showed net profit of Baht 579.3 million, decreased by 9.7% when compared to the first quarter of 2019 which reported the net profit of Baht 641.6 million. The decrease was largely due to the mark to market loss from investments according to the new TFRS9.

Net Interest Income

In the first quarter of 2020, net interest income amounted to Baht 1,342.3 million or increased by 10.5% when compared to the first quarter of 2019. Interest income of Baht 2,171.5 million reduced by 2.2% when compared to the first quarter of 2019 due to the contraction of corporate loans. However, thanks to the increase in realized interest income according to TFRS9, the impact on interest income is minimal. Interest expenses of Baht 829.2 million has decreased by 17.6% as a result of effective financial management and the relaxation of the required provision to financial institutions to reserve account for principal repayment of the Financial Institution Development Fund (FIDF) from 0.46% per year to 0.23% per year according to the government's relief measure during the year 2020-2021. While net interest margin (NIM) increased from 2.35% to 2.62% when compared the first quarter of 2019.

Net Non-Interest Income

Net non-interest income includes net fees and service income, gain (loss) from financial instruments measured at fair value through profit or loss, gains on investments, dividend income and other operating incomes.

In the first quarter of 2020, net non-interest income amounted to Baht (715.7) million, decreased by 1,009.8% when compared to the first quarter of 2019, mainly from the decrease in profit (loss) from financial instruments measured at fair value through profit or loss as mentioned earlier.

Other Operating Expenses

In the first quarter of 2020, other operating expenses were at Baht 611.9 million, decreased by 3.4% when compared to the first quarter of 2019, mainly due to the decrease in staff expenses which was resulted from effective cost management following the coronavirus outbreak (COVID-19) and the increased expense in supporting services.

Expected Credit Losses (Reversal)

To allocate provision in accordance with Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS9), the bank has considered the expected credit losses in accordance with TFRS9 and notification of the Bank of Thailand.

The bank has reversed the expected credit losses in the first quarter of 2020 in the amount of Baht 718.2 million or decreased by 818.2% when compared to the first quarter of 2019 of which the reserve was at Baht 100.0 million as regulated by the previous standard. The said reversal of the expected credit loss is the gradual reverse the excess reserves on the first day by gradually reversing within 1 year in accordance with the notification of the Bank of Thailand.

Basic earnings per share for the first quarter of 2020 were at Baht 0.29 per share, decreased by 9.4% when compared to the first quarter of 2019.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Interest income	2,171.5	2,220.5	(49.0)	(2.2)
Interest expense	(829.2)	(1,006.1)	(176.9)	(17.6)
Net interest income	1,342.3	1,214.4	127.9	10.5
Fees and service income	82.4	110.0	(27.6)	(25.1)
Fees and service expense	(18.7)	(21.0)	2.3	11.0
Net fees and service income	63.7	89.0	(25.3)	(28.4)
Gain (loss) from financial instruments measured at fair value through profit or loss	(1,084.4)	1.3	(1,085.7)	n/a
Gain on investments	148.2	-	148.2	n/a
Dividend income	150.0	198.8	(48.8)	(24.5)
Other operating incomes	6.8	5.0	1.8	34.3
Operating income	626.6	1,508.5	(881.9)	(58.5)
Other operating expenses	611.9	633.5	(21.6)	(3.4)
Expected credit losses (reversal)	(718.2)	100.0	(818.2)	(818.2)
Income tax expenses	153.6	133.4	20.2	15.1
Profit (loss) from operations before expected credit losses and income tax	14.7	875.0	(860.3)	(98.3)
Profits (loss) from operations before income tax expenses	732.9	775.0	(42.1)	(5.4)
Net profits (loss)	579.3	641.6	(62.3)	(9.7)
Basic earnings per share (Baht)	0.29	0.32	(0.03)	(9.4)

Analysis of Financial Position

The analysis of financial position of Land and Houses Bank Public Company Limited shows comparison of performance of the financial position as of 31 March 2020 and 31 December 2019.

Total Assets

As of 31 March 2020, the bank had total assets of Baht 226,962.2 million, decreased by Baht 3,586.1 million or 1.6% when compared to the end of the year 2019. Core assets comprise loans to customers - net at 67.1% of total assets, followed by investments - net at 17.8% of total assets and net interbank and money market at 9.0% of the total assets.

Table: Total Assets

(Unit: Million Baht)

Items	March	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	20,410.2	23,731.8	(3,321.6)	(14.0)
Gain (loss) from financial assets measured at fair value through profit or loss	8,649.5	-	8,649.5	n/a
Investments – net	40,391.6	51,646.8	(11,255.2)	(21.8)
Net loans	152,384.2	151,783.0	601.2	0.4
Other assets- net	5,126.7	3,386.7	1,740.0	51.4
Total assets	226,962.2	230,548.3	(3,586.1)	(1.6)

Loans

As of 31 March 2020, the bank had loans to customers (including interbank and money market items) net of deferred revenue in the amount of Baht 174,378.5 million, decreased by Baht 4,519.9 million or 2.5% when compared to the end of the year 2019. Loans consist of Big Corporate & Corporate at 76.0%, followed by Retail at 12.7% and SMEs & SSME at 11.3% of total loans. When classified by type of business, most portion of loans was financial intermediation sector at 23.3%, followed by public utilities and services at 22.3% and manufacturing and commerce sector at 22.2% of total loans.

Loans to Customers Classified by Type of Business

Big Corporate & Corporate amounted to Baht 132,516.0 million, decreased by Baht 4,987.6 million or 3.6 % when compared to the end of the year 2019.

SMEs & SSME amounted to Baht 19,760.2 million, increased by Baht 639.0 million or 3.3% when compared to the end of the year 2019.

Retail loan amounted to Baht 22,102.3 million, decreased by Baht 171.3 million or 0.8% when compared to the end of the year 2019.

Table: Loans to Customers Classified by Segment

(Unit: Million Baht)

Loans to customers classified by segment	March	December	Variance	
	2020	2019	Amount	(%YTD)
Big Corporate & Corporate	132,516.0	137,503.6	(4,987.6)	(3.6)
SMEs & SSME	19,760.2	19,121.2	639.0	3.3
Retail	22,102.3	22,273.6	(171.3)	(0.8)
Total loans to customers net of deferred revenue *	174,378.5	178,898.4	(4,519.9)	(2.5)

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

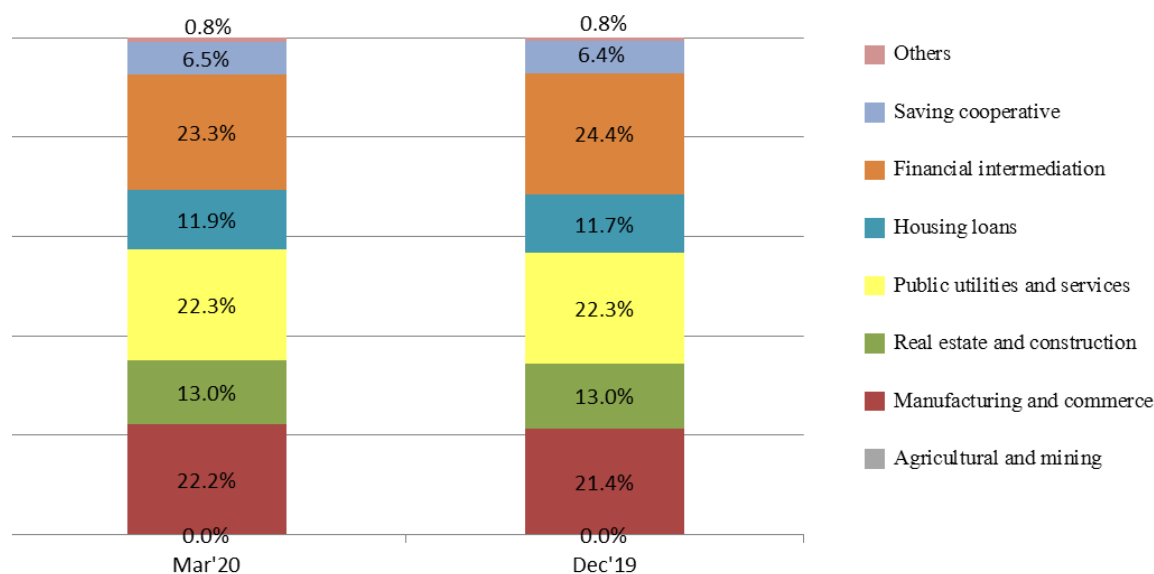
Table: Loans to Customers Classified by Type of Business

(Unit: Million Baht)

Loans to customers classified by type of business	March	December	Variance	
	2020	2019	Amount	(%YTD)
Agricultural and mining	10.8	12.9	(2.1)	(16.3)
Manufacturing and commerce	38,703.2	38,315.5	387.7	1.0
Real estate and construction	22,610.1	23,225.8	(615.7)	(2.7)
Public utilities and services	38,829.7	39,946.8	(1,117.1)	(2.8)
Housing loans	20,696.8	20,828.0	(131.2)	(0.6)
Financial intermediation	40,737.9	43,623.3	(2,885.4)	(6.6)
Saving cooperative	11,394.0	11,510.0	(116.0)	(1.0)
Others	1,396.0	1,436.1	(40.1)	(2.8)
Total loans to customers net of deferred revenue *	174,378.5	178,898.4	(4,519.9)	(2.5)

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

Percentage of loan classification by business type



Non-Performing Loans

As of 31 March 2020, the bank had non-performing loans (Gross) in an amount of Baht 3,444.3 million, increased by Baht 300.9 million or 9.6% when compared to the end of the year 2019, which reported at Baht 3,143.4 million. The ratio of non-performing loans to total loans was at 1.97% (including interbank and money market items).

Non-performing loans (Net) amounted to Baht 1,821.2 million, decreased by Baht 92.0 million or 5.3% when compared to the end of the year 2019. The ratio of non-performing loans (Net) was at 1.05% of total loans after allowance for expected credit loss.

Financial Assets Measured at Fair Value through Profit or Loss

As of March 31, 2020, financial assets measured at fair value through profit or loss of Baht 8,649.5 million were reclassified under TFRS9. When comparing with the previous standard, the trading investments, as at December 31, 2019, had a fair value at Baht 8,509.5 million.

Investments in Securities

As of March 31, 2020, the bank had net investments in securities which had book value amounting to Baht 40,391.6 million, decreased by Baht 11,255.2 million or 21.8% when compared to the end of the year 2019. The decrease was partly from the reclassification according to TFRS9 to be financial assets measured at fair value through profit and loss at Baht 8,649.5 million.

Total Liabilities

As of 31 March 2020, the bank had total liabilities amounted to Baht 190,447.7 million, decreased by Baht 3,821.0 million or 2.0 % when compared to the end of the year 2019, mainly from deposits at 85.8% of total liabilities.

Deposits

As of 31 March 2020, the bank had total deposits of Baht 163,417.6 million, decreased by Baht 1,600.8 million or 1.0% when compared to the end of the year 2019.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Classified by type of deposits	March	December	Variance	
	2020	2019	Amount	(%YTD)
Demand deposits	4,055.3	4,253.7	(198.4)	(4.7)
Savings deposits	65,932.9	62,044.9	3,888.0	6.3
Time deposits	59,417.0	65,147.7	(5,730.7)	(8.8)
Fixed deposits receipt	34,012.4	33,572.1	440.3	1.3
Total deposits	163,417.6	165,018.4	(1,600.8)	(1.0)

Owners' Equity

As of March 31, 2020, owners' equity amounted to Baht 36,514.5 million, increased by Baht 234.9 million or 0.6% when compared to the end of the year 2019.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	March	December	Variance	
	2020	2019	Amount	(%YTD)
Deposits	163,417.6	165,018.4	(1,600.8)	(1.0)
Interbank and money market items	12,639.1	10,503.6	2,135.5	20.3
Debts issued and borrowings - net	9,320.4	16,721.2	(7,400.8)	(44.3)
Other liabilities	5,070.6	2,025.5	3,045.1	150.3
Total liabilities	190,447.7	194,268.7	(3,821.0)	(2.0)
Total owners' equity	36,514.5	36,279.6	234.9	0.6

Capital Adequacy Ratio and Capital Fund to Risk Assets

As of March 31, 2020, the ratio of total capital fund to risk assets (BIS ratio) was at 19.122%, higher than the 11.000% or the minimum rate required by the Bank of Thailand, and increased from December 31, 2019 which was at 19.304%.

The ratio of Tier I capital to risk assets was at 16.528%, higher than the 8.500% or the minimum rate required by the Bank of Thailand.

Table: The Ratio of Capital Fund to Risk Assets

Capital Adequacy Ratio and Capital Fund to Risk Assets	As of March 31, 2020		As of March 31, 2019	
	Million Baht	%	Million Baht	%
Common Equity Tier-1 capital funds				
The Bank	35,172.6	16.528	34,578.3	16.514
Minimum rates required by law		7.000		7.000
Variance		9.528		9.514
Tier 1 capital funds				
The Bank	35,172.6	16.528	34,578.3	16.514
Minimum rates required by law		8.500		8.500
Variance		8.028		8.014
Total capital funds				
The Bank	40,692.1	19.122	40,421.1	19.304
Minimum rates required by law		11.000		11.000
Variance		8.122		8.304

2. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Overview of the Stock Exchange of Thailand

Since the beginning of the year 2020, the stock market has been under negative circumstances resulting in a consistent decline in the Stock Exchange of Thailand Index (SETI) to finally hit the base at

969.08 points before recovering and closing at 1,125.86 points in the end of March or declined by 28.7% when compared to the previous year.

The greatest negative impact was the coronavirus pandemic (COVID-19) that caused widespread economic disruption. The Bank of Thailand has lowered its GDP forecast for year 2020 from the previous expected growth of 2.8% to be at -5.3%.

Foreign investors continued net sales in the 8-month period of around Baht 2.2 billion, but institutional investors turned to be net buyers for the first time in March, while retail investors have been net buyers continuously since at the beginning of the year, with an average daily turnover of Baht 66,901 million, increasing from the average level of 2019 at Baht 53,192 million or 25.8%

Analysis of the Operating Results

The analysis of operating results of Land and Houses Securities Public Company Limited and the subsidiary are comparison of performance of the first quarter of 2020 and the first quarter of 2019.

The operating results of the company and the subsidiaries in the first quarter of 2020 reported net loss at Baht 464.1 million, decreased by 1,912.9% when compared the first quarter of 2019 which reported net profit at Baht 25.6 million. The decrease was mainly from mark to market loss from investments according to the new Thai Financial Reporting Standards (TFRS9).

Loss from Operations

The operating results of the company and its subsidiaries for the first quarter of 2020, excluding the decline from mark to market loss from investments, the company and its subsidiaries will have a net loss of Baht 80.4 million (comparative data).

Total Incomes

Total incomes in the first quarter of 2020 were Baht (528.5) million, decreased by 595.8% when compared to the first quarter of 2019. Total incomes were included brokerage fees income, fees and services income, interest income on margin loan, gain (loss) and return on financial instrument and other incomes.

Brokerage Fees Income

Brokerage fees income in the first quarter of 2020 were Baht 47.5 million, increased by 62.7% when compared to the first quarter of 2019.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income in the first quarter of 2020 were fees and services income, interest income on margin loan, gain (loss) and return on financial instruments and other income amounting to Baht 0.3, 9.7, (586.6) and 0.6 million, respectively.

Total Operating Expenses

Total operating expenses in the first quarter of 2020 were Baht 94.5 million, increased by 17.2% when compared to the first quarter of 2019. Total operating expenses were employee benefit expenses, fee and service expenses, interest expense and other expenses.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Brokerage fees income	47.5	29.2	18.3	62.7
Interest incomes	9.7	12.8	(3.1)	(24.2)
Profit (loss) from financial instruments	(586.6)	64.2	(650.8)	n/a
- Profit (loss) from change of fair value of investments (unrealized)	(479.6)	1.4	(481.0)	n/a
- Profit (loss) from sale of investments (realized)	(211.0)	0.6	(211.6)	n/a
- Profit (loss) from trading derivatives	1.4	(0.2)	1.6	n/a
- Dividend receivable	102.6	62.4	40.2	64.4
Other incomes	0.9	0.4	0.5	125.0
Total income	(528.5)	106.6	(635.1)	(595.8)
Total expenses	94.5	80.6	13.9	17.2
Profits (loss) before income tax expenses	(623.0)	26.0	(649.0)	(2,496.2)
Income tax	158.9	(0.4)	159.3	n/a
Net profits (loss)	(464.1)	25.6	(489.7)	(1,912.9)
Basic earnings per share (Baht)	(0.73)	0.04	(0.77)	(1,925.0)

3. FUND MANAGEMENT BUSINESS

Land and Houses Fund Management Company Limited

Overview of Fund Management Business

Overview of Fund Management Business

In the first quarter of 2020, the fund management business had total asset of Baht 4.56 trillion, decreased by 824,601 million or 15.30% from the year 2019. Fixed Income funds decreased by approximately Baht 365,086 million or 14.08%, equity funds decreased by approximately Baht 407,439 million or 27.24%, mixed funds decreased by approximately Baht 71,390 million or 15.85%, property funds and REITs increased by approximately Baht 30,183 million or 4.13%.

Analysis of Operating Results

The analysis of operating results of Land and Houses Fund Management Company Limited is comparison of performance of the first quarter of 2020 and the first quarter of 2019 as follows:

The operating results of the company in the first quarter of 2020 showed net loss at Baht 5.1 million, decreased by 121.2% when compared to the first quarter of 2019 of which the net profit was Baht 24.1 million. The decreased was mainly due to mark to market loss from investments according to the new Thai Financial Reporting Standards (TFRS9).

Profit from Operations

Regarding the operational results of the company in the first quarter of 2020, if excluding the decrease from mark to market of the investments, the company will report its net profit at Baht 34.3 million (comparative data).

Total Incomes

Total incomes of the first quarter of 2020 amounted to Baht 74.7 million, decreased by 20.9% when compared to the first quarter of 2019. The decrease was owing to the decrease in profit (loss) and returns on financial instruments.

Fees and Service Income

Fees and service income amounted to Baht 115.8 million, increased by 32.6 when compared to the first quarter of 2019, mainly from fees and service income from management - mutual funds for 81.6% of fees and service income.

Other Incomes apart from Fees and Service Income

Other incomes apart from fee and service income of the first quarter of 2020 consisted of profit (loss) and return on financial instruments and other incomes of Baht -41.8 million and Baht 0.7 million, respectively.

Total Expenses

Total expenses of the first quarter of 2020 amounted to Baht 79.5 million, increased by 21.6% when compared to the first quarter of 2019. The increase was due to the increases in fees and service expenses which have been varied by the increase in fees and service income.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2020	1/2019	Amount	(%YoY)
Fees and service income	115.8	87.3	28.5	32.6
Profit (loss) from financial instruments	(41.8)	6.7	(48.5)	(723.9)
- Loss from change of fair value of investments (unrealized)	(49.2)	-	(49.2)	n/a
- Profit from change of fair value of investments (realized)	2.1	-	2.1	n/a
- Dividend received	5.3	6.7	(1.4)	(20.9)
Other incomes	0.7	0.4	0.3	75.0
Total income	74.7	94.4	(19.7)	(20.9)
Total expense	79.5	65.4	14.1	21.6
Profit (loss) before income tax	(4.8)	29.0	(33.8)	(116.6)
Income tax	0.3	4.9	(4.6)	(93.9)
Net profit (loss)	(5.1)	24.1	(29.2)	(121.2)
Basic earnings per share (Baht)	(1.70)	8.03	(9.73)	(121.2)

Net Asset Value under Management

As of 31 March 2020, the company had 71 funds under management, increased by 4 funds when compared to the same period of the previous year and the company had total net asset of Baht 59,631.0 million, increased by Baht 1,219.1 million or up to 2.1% when compared to the same period of the previous year. Therefore, the company had a market share of 1.3%, ranked the 12th out of 24 companies with the mutual funds under management consisting of:

- Property fund and real estate investment trust	Baht 32,578.4	million
- Fixed income fund	Baht 11,338.4	million
- Equity fund	Baht 4,510.7	million
- Mixed fund	Baht 3,400.4	million
- Fund of property fund	Baht 7,803.1	million

In addition, in case where private funds and provident fund were included, the company had net asset value as of 31 March 2020 totaled Baht 69,179.2 million, which came from private fund of Baht 6,378.0 million and provident fund of Baht 3,170.2 million.