



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

**(THIS REPORT DISCUSSES PRINCIPAL CHANGES TO THE REVIEWED AND AUDITED
CONSOLIDATED FINANCIAL STATEMENT)**

Executive Summary

In the 6-month period of 2023, LH Financial Group Public Company Limited financial business group showed a net profit of Baht 1,201.9 million, increased by 61.3% compared to the same period of the previous year. The significant increase was from the net profit of LH Bank of Baht 943.6 million, increased by 119.0% compared to the same period of the previous year. The increase was due mainly to the expansion of loans and increased interest rates for loans. Land and Houses Bank still set aside the provision for expected credit losses under a conservative basis to support the expansion of loans and potential impacts from the end of relief measures. The coverage ratio stood at 228.73%, and the NPL ratio increased from 2.09% at the end of the year 2022 to 2.32% in the second quarter of 2023.

The bank's performance during the first half of 2023, higher yield loan portfolio was focused with prudent risk management. Home loan increased more than 16% yoy. In addition, LH Bank has acquired customers via digital channels through new digital banking application "LHB YOU" which responds to each retail customer's preferences. Special savings campaign "B YOU MAX" with special interest rate was also launched to expand customer base coupled with marketing campaign for cross selling other products. Furthermore, trade finance has been developed to facilitate transactions. The collaboration among the companies in the financial group also creates synergy for more effective management of customer bases. Digital transformation projects using technology to provide products and faster services to customers anytime anywhere, Robotic Process Automation (RPA) and data analytics were widely introduced to increase customer bases.

LH Financial Group Public Company Limited financial business group keeps focusing on sustainable banking by adopting ESG and corporate governance principles, launching green banking products, providing support for affected businesses to overcome the impacts from COVID-19 pandemic and economic condition, as well as lowering global warming. The company received the Carbon Footprint Organization and the Carbon Neutral Certificate from the Thailand Greenhouse Gas Management Organization (TGO) as the organization contributed to the projects that help reduce greenhouse effects in Thailand and combat global warming.

Overview of Business Operation

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

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

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



ESG100 Certificate

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

Credit Rating

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

Economic Overview and Competition in Commercial Banking Industry

In the first half of 2023, Thai economy continued to expand year-on-year driven by growing domestic demand in both private consumption and tourism. Inflation gradually decelerated to the target by mid-year. The ongoing economic recovery led to an increase in consumer and business confidence indices. However, private investment slowed down during the government transition, and exports contracted in line with fragile global demand amid high external uncertainty.

In 2023, the Bank of Thailand estimates that the overall Thai economy is likely to expand by 3.6% (data as of July 2023), with tourism and private consumption as the key drivers. However, Thai economy still faces several risks, including political uncertainty and gradual policy rate hike leading to an increase in the cost of doing business. Household debt is still high. The baht tends to depreciate and become more volatile in the short term. Inflation in major economies is likely to remain high, leading to high policy interest rates and eroding the purchasing power of trading partners, and the protracted Russian-Ukrainian conflict continues.

In the second quarter of 2023, deposits and loans of banking industry continued to expand in line with rising credit demand from both the corporate and household sectors. This is in line with the economic recovery and domestic demand. Commercial banks' performance improved in proportion to loan growth and lending rate increases. In terms of stability, Thai commercial banks remained strong due to high capital and reserve levels. However, the credit quality situation still needs to be monitored, especially in the consumer loan group after BOT relief measures to support debtors were gradually phased out.

Analysis of Operating Results

In the second quarter of 2023, the operating results of the company and its subsidiaries showed the net profit of Baht 532.1 million, decreased by 20.6% when compared to the first quarter of 2023 with the net profit of Baht 669.9 million due to the decrease in gains (losses) on financial instruments measured at fair value through profit or loss and gains on investments. And the net profit increased by 128.1% when compared to the second quarter of 2022 with the net profit of Baht 233.3 million due to the increase in other operating incomes, gains (losses) on financial instruments measured at fair value through profit or loss and dividend income.

In the 6-month period of 2023, the operating results of the company and its subsidiaries showed the net profit of Baht 1,201.9 million, increased by 61.3% when compared to the 6-month period of 2022 with the net profit of Baht 745.0 million due to the increase in gains (losses) on financial instruments measured at fair value through profit or loss, other operating incomes and net interest income.

Net Interest Income

In the second quarter of 2023, net interest income amounted to Baht 1,670.7 million, decreased by 1.4% when compared to the first quarter of 2023 and increased by 11.1% when compared to the second quarter of 2022. In the second quarter of 2023, interest income was Baht 2,729.0 million, decreased by 0.2% and interest expenses were Baht 1,058.3 million, increased by 1.7% when compared to the first quarter of 2023.

In the 6-month period of 2023, net interest income amounted to Baht 3,364.3 million, increased by 14.1% when compared to the 6-month period of 2022. Interest income was Baht 5,463.2 million, increased by 34.1% and interest expenses were Baht 2,098.9 million, increased by 86.7% when compared to the 6-month period of 2022.

Net Non-Interest Income

In the second quarter of 2023, net non-interest income amounted to Baht 491.2 million, decreased by 4.5% when compared to the first quarter of 2023, mainly due to the decrease in gains (losses) on financial instruments measured at fair value through profit or loss and gains on investments. Non-interest income increased by 10.2% when compared to the second quarter of 2022, mainly due to the increase in other operating income and gains (losses) on financial instruments measured at fair value through profit or loss.

In the 6-month period of 2023, net non-interest income amounted to Baht 1,005.7 million, increased by 5.7% when compared to the 6-month period of 2022 due mainly to the increase in gains (losses) on financial instruments measured at fair value through profit or loss and other operating incomes.

Other Operating Expenses

In the second quarter of 2023, other operating expenses amounted to Baht 975.1 million, increased by 5.9% when compared to the first quarter of 2023, due mainly to the business growth and the investment in people resources to match peer groups. Other operating expenses increased by 12.4% when compared to the second quarter of 2022 which mainly increased in taxes and duties, advertising and promotional expenses, premises and equipment expenses.

In the 6-month period of 2023, other operating expenses amounted to Baht 1,896.0 million, increased by 10.7% when compared to the 6-month period of 2022 due to the increase in taxes and duties, advertising and promotional expenses, premises and equipment expenses.

Profit from Operations Before Expected Credit Losses and Income Tax

In the second quarter of 2023, profit from operations before expected credit losses and income tax amounted to Baht 1,186.8 million, decreased by 7.8% when compared to the first quarter of 2023 and increased by 9.7% when compared to the second quarter of 2022.

In the 6-month period of 2023, profit from operations before expected credit losses and income tax amounted to Baht 2,474.0 million, increased by 13.1% when compared to the 6-month period of 2022.

In the second quarter of 2023, basic earnings per share stood at Baht 0.025 per share, decreased by 21.9% when compared to the first quarter of 2023 and increased by 127.3% when compared to the second quarter of 2022.

In the 6-month period of 2023, basic earnings per share stood at Baht 0.057 per share, increased by 61.9% when compared to the 6-month period of 2022.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Interest income	2,729.0	2,734.2	(0.2)	2,069.3	31.9	5,463.2	4,072.5	34.1
Interest expenses	(1,058.3)	(1,040.6)	1.7	(565.5)	87.1	(2,098.9)	(1,124.0)	86.7
Net interest income	1,670.7	1,693.6	(1.4)	1,503.8	11.1	3,364.3	2,948.5	14.1
Fees and service income	219.2	232.7	(5.8)	233.3	(6.0)	451.8	485.7	(7.0)
Fees and service expenses	(60.6)	(59.8)	1.3	(44.5)	36.2	(120.3)	(96.6)	24.5
Net fees and service income	158.6	172.9	(8.3)	188.8	(16.0)	331.5	389.1	(14.8)
Gains (losses) on financial instruments measured at fair value through profit or loss	(4.2)	9.0	(146.7)	(13.8)	69.6	4.9	(24.0)	120.4
Gains on investments	-	10.9	(100.0)	-	-	10.9	-	-
Dividend income	313.8	312.3	0.5	267.3	17.4	626.1	571.1	9.6
Other operating incomes	23.0	9.4	144.7	3.4	576.5	32.3	15.7	105.7
Operating income	2,161.9	2,208.1	(2.1)	1,949.5	10.9	4,370.0	3,900.4	12.0
Other operating expenses	975.1	920.9	5.9	867.7	12.4	1,896.0	1,712.1	10.7

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Expected credit losses	546.8	487.3	12.2	820.6	(33.4)	1,034.1	1,329.9	(22.2)
Income tax	107.9	130.0	(17.0)	27.9	286.7	238.0	113.4	109.9
Profit from operations before expected credit losses and income tax	1,186.8	1,287.2	(7.8)	1,081.8	9.7	2,474.0	2,188.3	13.1
Profits from operations before income tax	640.0	799.9	(20.0)	261.2	145.0	1,439.9	858.4	67.7
Net profits	532.1	669.9	(20.6)	233.3	128.1	1,201.9	745.0	61.3
Basic earnings per share (Baht)	0.025	0.032	(21.9)	0.011	127.3	0.057	0.035	61.9
ROA						0.83	0.57	
ROE						6.57	3.96	

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Employees' expenses	556.9	519.0	7.3	501.2	11.1	1,076.0	1,005.7	7.0
Premises and equipment expenses	187.1	185.8	0.7	166.8	12.2	372.9	333.0	12.0
Other expenses	231.1	216.1	6.9	199.7	15.7	447.1	373.4	19.7
Total	975.1	920.9	5.9	867.7	12.4	1,896.0	1,712.1	10.7

Analysis of Financial Position

Total Assets

As of 30 June 2023, total assets amounted to Baht 292,411.5 million, decreased by Baht 9,145.0 million or 3.0% when compared to the end of the year 2022. Core assets comprised loans to customers - net at 71.7% of total assets, followed by investments - net at 18.1% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2023	2022	Amount	(%YTD)
Interbank and money market items - net	15,801.2	33,051.4	(17,250.2)	(52.2)
Investments - net	52,867.1	54,043.8	(1,176.7)	(2.2)
Loans to customers - net	209,670.3	207,526.6	2,143.7	1.0
Other assets - net	14,072.9	6,934.7	7,138.2	102.9
Total assets	292,411.5	301,556.5	(9,145.0)	(3.0)

Total Liabilities

As of 30 June 2023, total liabilities amounted to Baht 256,062.3 million, decreased by Baht 8,623.6 million or 3.3% when compared to the end of the year 2022. Most of liabilities were deposits, accounting for 89.9% of total liabilities.

Total Owners' Equity

As of 30 June 2023, total owners' equity amounted to Baht 36,349.2 million, decreased by Baht 521.4 million or 1.4% when compared to the end of the year 2022.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2023	2022	Amount	(%YTD)
Deposits	230,230.9	231,408.4	(1,177.5)	(0.5)
Interbank and money market items	14,216.3	23,923.9	(9,707.6)	(40.6)
Debts issued and borrowings - net	6,637.2	5,389.8	1,247.4	23.1
Other liabilities	4,977.9	3,963.8	1,014.1	25.6
Total liabilities	256,062.3	264,685.9	(8,623.6)	(3.3)
Total owners' equity	36,349.2	36,870.6	(521.4)	(1.4)

Number of Employees

As of 30 June 2023, the company and its subsidiaries had 1,761 employees, increased by 20 when compared to the end of the year 2022.

Performance Analysis of Subsidiaries

1. COMMERCIAL BANKING BUSINESS

Land and Houses Bank Public Company Limited

Credit Rating

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

Analysis of Operating Results

In the second quarter of 2023, operating results of the bank showed net profit of Baht 417.1 million, decreased by 20.8% when compared to the first quarter of 2023 which reported the net profit of Baht 526.5 million due to the decrease in net interest income and gains on investments, the increase in expected credit losses. The net profit increased by 316.3% when compared to the second quarter of 2022 which reported the net profit of Baht 100.2 million due to the increase in net interest income and other operating incomes.

In the 6-month period of 2023, the operating results of the bank showed the net profit of Baht 943.6 million, increased by 119.0% when compared to the 6-month period of 2022 with the net profit of Baht 430.8 million due to the increase in net interest income and gains on investments, and the decrease in expected credit losses.

Net Interest Income

In the second quarter of 2023, net interest income amounted to Baht 1,712.6 million or decreased by 1.0% when compared to the first quarter of 2023 and increased by 12.8% when compared to the second quarter of 2022 as a result of loan expansion. However, the bank has been supporting the customers who were impacted directly and indirectly by COVID-19 pandemic, economic situations and drought under the relief measures of the Bank of Thailand. In the second quarter of 2023, interest income was Baht 2,749.8 million, increased by 33.1% and interest expenses was Baht 1,037.2 million, increased by 89.4% when compared to the second quarter of 2022.

In the 6-month period of 2023, net interest income amounted to Baht 3,443.2 million, increased by 15.5% when compared to the 6-month period of 2022. Interest income was Baht 5,502.6 million, increased by 35.6% and interest expenses were Baht 2,059.4 million, increased by 91.4% when compared to the 6-month period of 2022.

In the 6-month period of 2023, net interest margin (NIM) stood at 2.50%, increased when compared to the 6-month period of 2022 at 2.41%.

Net Non-Interest Income

In the second quarter of 2023, net non-interest income amounted to Baht 202.6 million, increased by 4.1% when compared to the first quarter of 2023 due mainly to the increase in gains (losses) on financial instruments measured at fair value through profit or loss and other operating income, and increased by 22.7% when compared to the second quarter of 2022 due mainly to the increase in gains (losses) on financial instruments measured at fair value through profit or loss and other operating income.

In the 6-month period of 2023, net non-interest income amounted to Baht 397.3 million, increased by 19.1% when compared to the 6-month period of 2022 due mainly to the increase in other operating income.

Other Operating Expenses

In the second quarter of 2023, other operating expenses were Baht 860.1 million, increased by 6.6% when compared to the first quarter of 2023 due to the increase in employees' expenses and supporting services expenses, increased by 14.6% when compared to the second quarter of 2022 due to the increase in taxes and duties, employees' expenses and advertising and promotional expenses.

In the 6-month period of 2023, other operating expenses amounted to Baht 1,666.9 million, increased by 13.2% when compared to the 6-month period of 2022 due to the increase in taxes and duties and advertising and promotional expenses.

Expected Credit Losses

In the second quarter of 2023, the expected credit losses amounted to Baht 537.9 million, increased by 13.8% when compared to the first quarter of 2023 and decreased by 34.5% when compared to the second quarter of 2022. As a result, the second quarter of 2023, the coverage ratio stood at 228.73%.

In the 6-month period of 2023, expected credit losses amounted to Baht 1,010.7 million, decreased by 24.0% when compared to the 6-month period of 2022.

In the second quarter of 2023, basic earnings per share stood at Baht 0.21 per share, decreased by 20.8% when compared to the first quarter of 2023, and increased by 317.1% when compared to the second quarter of 2022.

In the 6-month period of 2023, basic earnings per share stood at Baht 0.47 per share, increased by 113.6% when compared to the 6-month period of 2022.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Interest income	2,749.8	2,752.8	(0.1)	2,066.1	33.1	5,502.6	4,057.8	35.6
Interest expense	(1,037.2)	(1,022.2)	1.5	(547.6)	89.4	(2,059.4)	(1,076.0)	91.4
Net interest income	1,712.6	1,730.6	(1.0)	1,518.5	12.8	3,443.2	2,981.8	15.5
Fees and service income	92.3	91.5	0.9	87.7	5.2	183.9	169.7	8.4
Fees and service expense	(30.7)	(29.9)	2.7	(15.3)	100.7	(60.6)	(33.2)	82.6
Net fees and service income	61.6	61.6	-	72.4	(14.9)	123.3	136.5	(9.7)
Gains (losses) on financial instruments measured at fair value through profit or loss	8.9	(2.1)	523.8	(13.6)	165.4	6.8	(27.7)	124.5
Gains on investments	-	10.9	(100.0)	-	-	10.9	-	100.0
Dividend income	109.9	115.7	5.0	102.9	6.8	225.6	213.2	5.8
Other operating incomes	22.2	8.6	158.1	3.4	552.9	30.7	11.5	167.0
Operating income	1,915.2	1,925.3	(0.5)	1,683.6	13.8	3,840.5	3,315.3	15.8
Other operating expenses	860.1	806.8	6.6	750.4	14.6	1,666.9	1,472.7	13.2
Expected credit losses	537.9	472.8	13.8	820.7	(34.5)	1,010.7	1,330.0	(24.0)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Income tax	100.1	119.2	(16.0)	12.3	713.8	219.3	81.8	168.1
Profits from operations before expected credit losses and income tax	1,055.1	1,118.5	(5.7)	933.2	13.1	2,173.6	1,842.6	18.0
Profits from operations before income tax	517.2	645.7	(19.9)	112.5	359.7	1,162.9	512.6	126.9
Net profits	417.1	526.5	(20.8)	100.2	316.3	943.6	430.8	119.0
Basic earnings per share (Baht)	0.21	0.26	(20.8)	0.05	317.1	0.47	0.22	113.6
ROA						0.67	0.34	
ROE						5.33	2.49	

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Employees' expenses	413.2	375.2	10.1	361.2	14.4	788.4	719.8	9.5
Premises and equipment expenses	166.1	165.4	0.4	148.0	12.2	331.5	195.3	12.3
Other expenses	280.8	266.2	5.5	241.2	16.4	547.0	457.6	19.5
Total	860.1	806.8	6.6	750.4	14.6	1,666.9	1,472.7	13.2

Analysis of Financial Position

Total Assets

As of 30 June 2023, total assets amounted to Baht 287,430.5 million, decreased by Baht 8,415.6 million or 2.8% when compared to the end of the year 2022. Core assets comprised of loans to customers - net at 73.7% of total assets, followed by investments - net at 15.5% of total assets, interbank and money market items - net at 6.3% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2023	2022	Amount	(%YTD)
Interbank and money market items - net	18,017.4	35,933.7	(17,916.3)	(49.9)
Investments - net	44,474.8	44,375.8	99.0	0.2
Loans to customers - net	211,971.8	210,256.4	1,715.4	0.8
Other assets - net	12,966.5	5,280.2	7,686.3	145.6
Total assets	287,430.5	295,846.1	(8,415.6)	(2.8)

Loans to Customers

As of 30 June 2023, loans to customers net of deferred revenue and modification gain or loss (Interbank and money market items included) amounted to Baht 237,855.3 million, decreased by Baht 13,240.1 million or 5.3% when compared to the end of the year 2022.

Loans to Customers Classified by Business Sector

Conglomerate & corporate loans amounted to Baht 101,714.5 million, decreased by Baht 7,572.2 million or 6.9% when compared to the end of the year 2022.

Commercial & SME loans amounted to Baht 87,058.7 million, decreased by Baht 12,367.3 million or 12.4 % when compared to the end of the year 2022.

Retail loans amounted to Baht 49,082.1 million, increased by Baht 6,699.4 million or 15.8% when compared to the end of the year 2022.

Table: Loans to Customers Classified by Business Sector

(Unit: Million Baht)

Loans to customers classified by business sector	June	December	Variance	
	2023	2022	Amount	(%YTD)
Conglomerate & Corporate	101,714.5	109,286.7	(7,572.2)	(6.9)
Commercial & SME	87,058.7	99,426.0	(12,367.3)	(12.4)
Retail	49,082.1	42,382.7	6,699.4	15.8
Total loans to customers net *	237,855.3	251,095.4	(13,240.1)	(5.3)

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

Loans to Customers Classified by Type of Businesses

Loans to customers classified by type of businesses, major portion of loans included manufacturing and commercial sectors, followed by financial intermediation and housing loan at 25.1%, 22.2% and 19.5% of total loans to customers, respectively.

Table: Loans to Customers Classified by Type of Businesses

(Unit: Million Baht)

Loans to customers classified by type of businesses	June	December	Variance	
	2023	2022	Amount	(%YTD)
Agricultural and mining	570.3	347.6	222.7	64.1
Manufacturing and commerce	59,742.7	61,882.3	(2,139.6)	(3.5)
Real estate and construction	27,797.0	25,667.5	2,129.5	8.3
Public utilities and services	42,536.8	46,228.2	(3,691.4)	(8.0)
Housing loans	46,312.5	39,665.6	6,646.9	16.8
Financial intermediation	52,765.5	60,711.4	(7,945.9)	(13.1)
Saving cooperative	5,362.0	13,902.8	(8,540.8)	(61.4)
Others	2,768.5	2,690.0	78.5	2.9
Total loans to customers net *	237,855.3	251,095.4	(13,240.1)	(5.3)

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

Non-Performing Loans

As of 30 June 2023, non-performing loans (Gross) amounted to Baht 5,521.5 million, increased by Baht 273.3 million or 5.2% when compared to the end of the year 2022.

NPL ratio was 2.32% of total loans (Interbank and money market items included) when compared to the end of the year 2022 which was 2.09%.

Investments

As of 30 June 2023, net investments had the book value of Baht 44,474.8 million, increased by Baht 99.0 million or 0.2% when compared to the end of the year 2022.

Total Liabilities

As of 30 June 2023, total liabilities amounted to Baht 251,692.5 million, decreased by Baht 8,823.9 million or 3.4% when compared to the end of the year 2022. Most of liabilities were deposits, accounting for 91.5% of total liabilities.

Total Owners' Equity

As of 30 June 2023, total owners' equity amounted to Baht 35,738.0 million, increased by Baht 408.3 million or 1.2% when compared to the end of the year 2022.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2023	2022	Amount	(%YTD)
Deposits	230,251.7	231,432.0	(1,180.3)	(0.5)
Interbank and money market items	13,800.5	23,616.8	(9,816.3)	(41.6)
Debts issued and borrowings - net	3,050.1	2,396.1	654.0	27.3
Other liabilities	4,590.2	3,071.5	1,518.7	49.4
Total liabilities	251,692.5	260,516.4	(8,823.9)	(3.4)
Total owners' equity	35,738.0	35,329.7	408.3	1.2

Deposits

As of 30 June 2023, the bank had total deposits of Baht 230,251.7 million, decreased by Baht 1,180.3 million or 0.5% when compared to the end of the year 2022. Major portion of deposits were time deposits at 55.2% and savings deposits at 30.2% of total deposits.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Deposits Classified by Type of Deposits	June	December	Variance	
	2023	2022	Amount	(%YTD)
Demand deposits	2,916.0	2,676.7	239.3	8.9
Savings deposits	69,623.1	83,296.4	(13,673.3)	(16.4)
Time deposits	127,121.7	104,437.2	22,684.5	21.7
Fixed deposits receipt	30,591.0	41,021.7	(10,430.8)	(25.4)
Total deposits	230,251.7	231,432.0	(1,180.3)	(0.5)

Capital Adequacy Ratio and BIS Ratio

As of 30 June 2023, the capital to risk-weighted assets ratio (BIS ratio) was 15.791%, which was higher than the Bank of Thailand's minimum requirement of 11.000% and increased from 15.774% as at 31 December 2022.

Tier-1 capital ratio to risk-weighted assets was 13.588%, which was higher than the Bank of Thailand's minimum rate of 8.500% and increased from 13.498% as at 31 December 2022.

Table: Capital To Risk-Weighted Assets Ratio

Capital To Risk-Weighted Assets Ratio	As of 30 June 2023		As of 31 December 2022	
	Million Baht	%	Million Baht	%
Common Equity Tier-1 capital				
Bank	32,477.1	13.588	32,961.3	13.498
Minimum rates required by law		7.000		7.000
Difference		6.588		6.498
Tier 1 capital				
Bank	32,477.1	13.588	32,961.3	13.498
Minimum rates required by law		8.500		8.500
Difference		5.088		5.498
Total capital				
Bank	37,703.0	15.774	37,808.0	15.483
Minimum rates required by law		11.000		11.000
Difference		4.774		4.483

Branch Network

As of 30 June 2023, Land and Houses Bank Public Company Limited had a total of 74 branches, equal to the year 2022.

2. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Overview of the Stock Exchange of Thailand

In the second quarter of 2023, SET Index moved sideway down as the market was in the election period awaiting for the formation of a new government. Foreign investors remained net seller as THB/US\$ depreciated from 33.3 to 35.73 this quarter. SET Index ebbed to test a three-year low at 1,461 points before rebounding to stay above 1,500 points and close the second quarter at 1,503.1 points, down 6.6% from the previous quarter.

Average daily trading value shrank from Baht 66,684 million to Baht 49,964 million which was 25% thinner than the previous quarter and the thinnest turnover since the first quarter of 2019. Foreign investors remained net seller for 5 consecutive months with net sales value of over Baht 125 billion.

Analysis of Operating Results

In the second quarter of 2023, the operating results of the company and its subsidiaries showed net profit of Baht 38.9 million, decreased by 21.4% when compared to the first quarter of 2023 and decreased by 36.0% when compared to the second quarter of 2022.

In the 6-month period of 2023, the operating results of the company and its subsidiaries showed net profit of Baht 88.4 million, decreased by 36.0% when compared to the 6-month period of 2022.

Total Income

Total income included brokerage fees income, interest income, gains on financial instruments and other incomes.

In the second quarter of 2023, total income amounted to Baht 137.1 million, decreased by 13.8% when compared to the first quarter of 2023 and decreased by 6.4% when compared to the second quarter of 2022.

In the 6-month period of 2023, total income amounted to Baht 296.1 million, decreased by 6.4% when compared to the 6-month period of 2022.

Brokerage Fees Income

In the second quarter of 2023, brokerage fees income amounted to Baht 29.5 million, decreased by 31.4% when compared to the first quarter of 2023 and decreased by 30.6% when compared to the second quarter of 2022.

In the 6-month period of 2023, brokerage fees income amounted to Baht 72.5 million, decreased by 31.0% when compared to the 6-month period of 2022.

Other Incomes apart from Brokerage Fees Income

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

In the second quarter of 2023, other incomes apart from brokerage fees income amounted to Baht 107.6 million, decreased by 7.2% when compared to the first quarter of 2023 and increased by 3.6% when compared to the second quarter of 2022.

In the 6-month period of 2023, other incomes apart from brokerage fees income amounted to Baht 223.6 million, increased by 5.8% when compared to the 6-month period of 2022.

Total Expenses

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

In the second quarter of 2023, total expenses amounted to Baht 95.2 million, decreased by 8.2% when compared to the first quarter of 2023 and increased by 25.8% when compared to the second quarter of 2022.

In the 6-month period of 2023, total operating expenses amounted to Baht 198.9 million, increased by 25.6% when compared to the 6-month period of 2022.

Table: Operating Results

(Unit: Million Baht)

Items	Quater		Variance	Quater	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Brokerage fees income	29.5	43.0	(31.4)	42.5	(30.6)	72.5	105.1	(31.0)
Interest income	33.0	30.3	8.9	31.8	3.8	63.3	56.9	11.2
Gains on financial instruments	73.4	85.3	(14.0)	69.2	6.1	158.7	146.9	8.0
Other incomes	1.2	0.4	200.0	2.9	(58.6)	1.6	7.6	(78.9)
Total income	137.1	159.0	(13.8)	146.4	(6.4)	296.1	316.5	(6.4)
Total expenses	95.2	103.7	(8.2)	75.7	25.8	198.9	158.3	25.6
Profits before income tax expenses	41.9	55.3	(24.2)	70.7	(40.7)	97.2	158.2	(38.6)

Items	Quater		Variance	Quater	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Income tax	3.0	5.8	(48.3)	9.9	(69.7)	8.8	20.1	(56.2)
Net profits	38.9	49.5	(21.4)	60.8	(36.0)	88.4	138.1	(36.0)
Basic earnings per share (Baht)	0.03	0.04	(25.0)	0.05	(40.0)	0.07	0.11	(36.4)

3. FUND MANAGEMENT BUSINESS

Land and Houses Fund Management Company Limited

Overview of Fund Management Business

In the second quarter of 2023, Mutual Fund's net asset value (NAV) was Baht 4.97, increased 0.8% compared to the previous quarter. When categorized by the types of funds, it was found that equity fund's NAV decreased by 0.6%, fixed income fund's NAV increased by 2.6%, mixed funds' NAV decreased by 1.3%, property funds and REITs did not have any significant change, while other types of funds decreased by 0.5%.

Analysis of the Operating Results

The second quarter of 2023, the operating result showed net profit of Baht 20.2 million, decreased by 2.9% when compared to the first quarter of 2023 due to the decrease in fees and service incomes and also decreased by 16.5% when compared to the second quarter of 2022 due to the decrease in fees and service expenses.

In the 6-month period of 2023, the operating result showed net profit of Baht 41.0 million, decreased by 15.3% when compared to the 6-month period of 2022 due to the decrease in fees and service expenses.

Total Income

In the second quarter of 2023, total income of the company amounted to Baht 107.3 million, decreased by 2.3% when compared to the first quarter of 2023 due to the decrease in fees and service income and decreased by 4.8% when compared to the second quarter of 2022 due to the decrease in fees and service income.

In the 6-month period of 2023, total income amounted to Baht 217.1 million, decreased by 7.8% when compared to the 6-month period of 2022 due to the decrease in fees and service income.

Fees and Service Income

In the second quarter of 2023, fees and service income amounted to Baht 103.7 million, decreased by 1.5% when compared to the first quarter of 2023 and decreased by 5.2% when compared to the second quarter of 2022, mainly due to the contraction of mutual fund management fee.

In the 6-month period of 2023, fees and service income amounted to Baht 209.0 million, decreased by 8.5% when compared to the 6-month period of 2022, mainly due to the contraction of mutual fund management fee income.

Other Incomes apart from Fees and Service Income

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

In the second quarter of 2023, other incomes apart from fees and service income amounted to Baht 3.6 million, decreased by 20.0% when compared to the first quarter of 2023 and increased by 9.1% when compared to the second quarter of 2022.

In the 6-month period of 2023, other incomes apart from fees and service income amounted to Baht 8.1 million, decreased by 12.5% when compared to the 6-month period of 2022.

Total expenses

In the second quarter of 2023, total expenses amounted to Baht 82.3 million, decreased by 2.0% when compared to the first quarter of 2023 and decreased by 0.6% when compared to the second quarter of 2022.

In the 6-month period of 2023, total expenses amounted to Baht 166.3 million, decreased by 5.3% when compared to the 6-month period of 2022.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Fees and service income	103.7	105.3	(1.5)	109.4	(5.2)	209.0	228.3	(8.5)
Interest income	0.3	0.3	-	-	100.0	0.6	0.1	500.0
Gains and return on financial instruments	2.9	4.0	(27.5)	3.0	(3.3)	6.9	6.4	7.8
Other incomes	0.4	0.2	100.0	0.3	33.3	0.6	0.7	(14.3)
Total incomes	107.3	109.8	(2.3)	112.7	(4.8)	217.1	235.5	(7.8)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2023	1/2023	(%QoQ)	2/2022	(%YoY)	2023	2022	(%YoY)
Total expenses	82.3	84.0	(2.0)	82.8	(0.6)	166.3	175.6	(5.3)
Net profits before income tax	25.0	25.8	(3.1)	29.9	(16.4)	50.8	59.9	(15.2)
Income tax	4.8	5.0	(4.0)	5.7	(15.8)	9.8	11.5	(14.8)
Net profits	20.2	20.8	(2.9)	24.2	(16.5)	41.0	48.4	(15.3)
Earnings per share (Baht)	6.72	6.94	(3.2)	8.0	(16.2)	13.7	16.1	(15.3)

Net Asset Value under Management

As of 30 June 2023 , the company had 175 funds under management, increased by 19 funds when compared to the end of year 2022 and had total net asset value of Baht 55,643.7 million, decreased by 0.02% when compared to the end of year 2022. The company had mutual funds under management as follows:

- Property fund and real estate investment trust	Baht	30,757.9	million
- Fixed income fund	Baht	5,752.7	million
- Equity fund	Baht	11,878.1	million
- Mixed fund	Baht	2,454.6	million
- Fund of Property Fund	Baht	4,800.4	million

In case the net asset values of Baht 14,303.4 million in private funds and Baht 6,770.1 million in provident funds were included, the company's net asset value would be Baht 76,717.2 million.