



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020

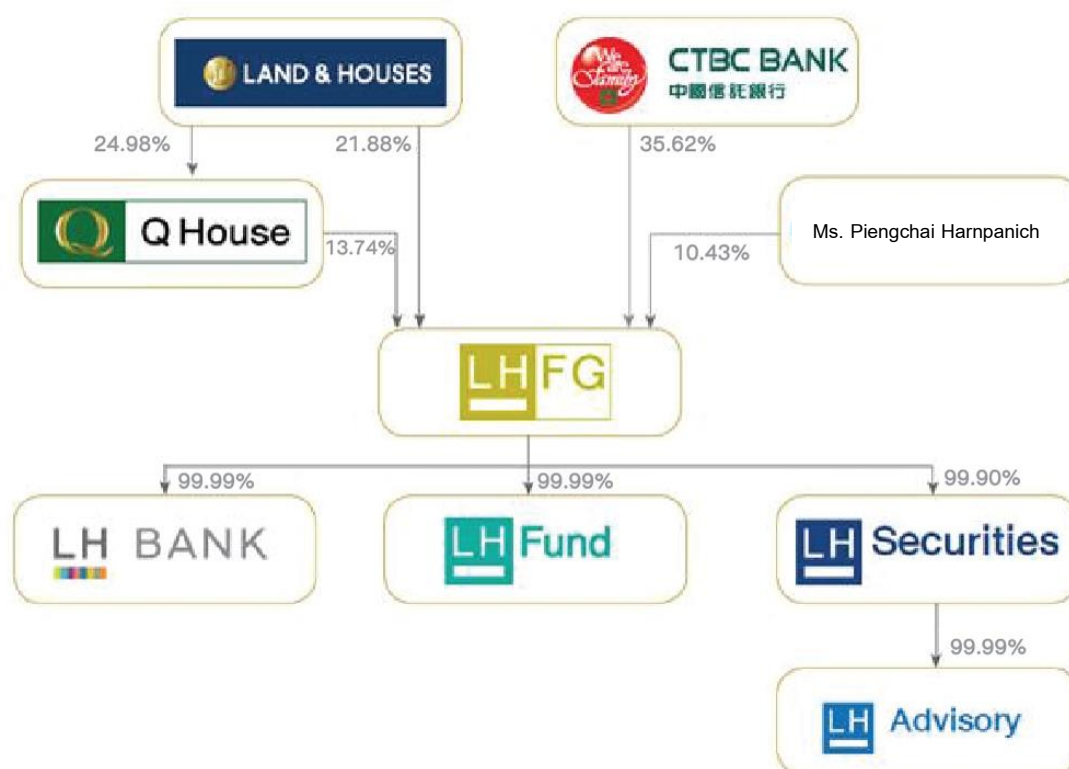
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES TO THE REVIEWED AND AUDITED
CONSOLIDATED FINANCIAL STATEMENT)**

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 Certificate

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

ESG100 Certificate

LH Financial Group Public Company Limited was 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 included in the Universe of ESG 100 securities group of 2019.

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

The Thai Investors Association has assessed the 2019 Annual General Meeting of Shareholders 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 Industry

In the second quarter of 2020, the Thai economy severely contracted from the same period last year as the coronavirus pandemic and the implementation of government measures to contain the coronavirus outbreak in many countries including Thailand had disrupted global economic activities, particularly merchandise exports. Business sector had been impacted by the disruptions of supply chain and shipping routes. Service industry significantly contracted since there were no foreign tourist arrivals throughout this quarter due to the implementation of Thailand's inbound travel restrictions. As a result, businesses and labor in tourism-related sectors were severely affected. Domestic demand contracted at a higher rate from the same period last year. Private consumption contracted in all spending categories due to weakening household purchasing power. People avoided going outside, and a wide range of economic activities was suspended. Private investment slumped mainly due to the decline in investments in machinery and equipment together with a lot of excess production capacity. Meanwhile, public expenditure expanded and was a key economic driver when other economic factors were muted.

From the above situation and many uncertainties, the Bank of Thailand revised down Thailand’s economic growth projection for 2020 to contract 8.1% (as of June 2020). Nonetheless, the Thai economic outlook remained subject to several risks, such as

- The global economy could contract more or recover more slowly than expected and Thailand’s tourism sector could take a long time to recover if the pandemic become more severe or re-emerging
- Re-intensifying trade tension between US and China
- Geopolitical risks
- Debt servicing ability of businesses and households significantly deteriorated

For the banking sector in the second quarter of 2020, commercial bank loans expanded both big corporate & corporate loans and retail loans, partly as a result of the implementation of Bank of Thailand’s financial and credit measures via various programs. Although, the credit quality is likely to deteriorate from the impact of coronavirus pandemic. Nonetheless, the overall Thai commercial bank system remained sound as the commercial banks continued to closely monitor credit quality and had robust capital fund and loan loss provision level.

Credit Rating

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

Analysis of Operating Results

The analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries showed the comparison of performance between the second quarter of 2020 and the second quarter of 2019 and the comparison between performance of the 6-month period of 2020 and the 6-month period of 2019.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Interest income	1,954.1	2,144.6	(8.9)	2,171.0	(10.0)	4,098.6	4,355.4	(5.9)
Interest expenses	(826.0)	(866.1)	(4.6)	(1,047.2)	(21.1)	(1,692.0)	(2,074.0)	(18.4)
Net interest income	1,128.1	1,278.5	(11.8)	1,123.8	0.4	2,406.6	2,281.4	5.5
Fees and service income	202.2	227.4	(11.1)	222.4	(9.1)	429.5	434.7	(1.2)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Fees and service expenses	(39.8)	(50.2)	(20.7)	(53.5)	(25.6)	(90.0)	(91.8)	(2.0)
Net fees and service income	162.4	177.2	(8.4)	168.9	(3.8)	339.5	342.9	(1.0)
Gains on financial instruments measured at fair value through profit or loss	18.5	22.7	(18.5)	2.7	585.2	41.2	4.2	881.0
Gains on investments	259.9	148.2	75.4	463.9	(44.0)	408.1	475.0	(14.1)
Dividend income	323.0	397.6	(18.8)	340.4	(5.1)	720.6	767.2	(6.1)
Other operating incomes	5.0	8.2	(39.0)	6.9	(27.5)	13.2	12.6	4.8
Operating income	1,896.9	2,032.4	(6.7)	2,106.6	(10.0)	3,929.2	3,883.3	1.2
Other operating expenses	700.1	703.7	(0.5)	759.1	(7.8)	1,403.8	1,490.5	(5.8)
Expected credit losses	628.4	294.6	113.3	470.0	33.7	922.9	570.0	61.9
Income tax	67.5	205.3	(67.1)	116.4	(42.0)	272.8	255.0	7.0
Profit from operations before expected credit losses and income tax	1,196.8	1,328.7	(9.9)	1,347.5	(11.2)	2,525.4	2,392.8	5.5
Profits from operations before income tax	568.4	1,034.1	(45.0)	877.5	(35.2)	1,602.5	1,822.8	(12.1)
Net profits	500.9	828.8	(39.6)	761.1	(34.2)	1,329.7	1,567.8	(15.2)
Basic earnings per share (Baht)	0.024	0.039	(38.5)	0.036	(33.3)	0.063	0.074	(14.9)

The operating results of the company and its subsidiaries in the second quarter of 2020 showed a net profit of Baht 500.9 million, decreased by 34.2% when compared to the second quarter of 2019 with a net profit of Baht 761.1 million.

The operating results of the company and its subsidiaries for the 6-month period of 2020, showed a net profit of Baht 1,329.7 million, decreased by 15.2 percent when compared to the 6-month period of 2019 with a net profit of Baht 1,567.8 million. The decrease was derived from gains on investments and increase in expected credit losses.

Net Interest Income

In the second quarter of 2020, net interest income amounted to Baht 1,128.1 million or increased by 0.4% from the second quarter of 2019. Interest income was Baht 1,954.1 million decreased by 10.0% from the second quarter of 2019. Interest expenses were Baht 826.0 million, decreased by 21.1%.

For the 6-month period of 2020, net interest income amounted to Baht 2,406.6 million or increased by 5.5% from the 6-month period of 2019. Interest income was Baht 4,098.6 million decreased by 5.9% from the 6-month period of 2019. Interest expenses were Baht 1,692.0 million, decreased by 18.4%.

The decrease in interest income was because the bank was more conservative when granting loans. Interest expenses dropped from the reduction of the contribution to the Financial Institution Development Fund (FIDF) from 0.46% per year to 0.23% per year according to the governmental measures during the year 2020-2021.

Net Non-Interest Income

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

In the second quarter of 2020, net fees and service income was Baht 162.4 million, decreased by 3.8% from the second quarter of 2019. In the second quarter of 2020, net non-interest income amounted to Baht 768.8 million, decreased by 21.8% from the second quarter of 2019.

For the 6-month period of 2020, net fees and service income was Baht 339.5 million, decreased by 1.0% from the 6-month period of 2019. For the 6-month period of 2020, net non-interest income amounted to Baht 1,522.6 million, decreased by 5.0% from the 6-month period of 2019. The main decrease was from gains on investments.

Other Operating Expenses

In the second quarter of 2020, other operating expenses amounted to Baht 700.1 million, decreased by 7.8% from the second quarter of 2019.

For the 6-month period of 2020, other operating expenses amounted to Baht 1,403.8 million, decreased by 5.8% when compared to the 6-month period of 2019.

Other operating expenses reduced mainly from the decrease in employees' expenses, advertising and promotional expenses and the result of effective management of expenses during the outbreak of coronavirus.

Table: Other Operating Expenses

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Employees' expenses	359.8	362.6	(0.8)	393.5	(8.6)	722.4	795.1	(9.1)
Premises and equipment expenses	177.6	186.8	(4.9)	186.6	(4.8)	364.4	373.1	(2.3)
Other expenses	162.7	154.3	5.4	179.0	(9.1)	317.0	322.3	(1.6)
Total	700.1	703.7	(0.5)	759.1	(7.8)	1,403.8	1,490.5	(5.8)

Profit from Operations Before Expected Credit Losses and Income Tax

In the second quarter of 2020, the company and its subsidiaries showed profit from operations before expected credit losses and income tax of Baht 1,196.8 million, decreased by 11.2% from the second quarter of 2019.

For the 6-month period of 2020, the company and its subsidiaries showed profit from operations before expected credit losses and income tax of Baht 2,525.4 million, increased by 5.5% from the 6-month period of 2019.

Basic earnings per share for the second quarter of 2020 were Baht 0.024 per share, decreased by 33.3% when compared to second quarter of 2019 which was Baht 0.036 per share.

Basic earnings per share for the 6-month period of 2020 were Baht 0.063 per share, decreased by 14.9% when compared to the 6-month period of 2019 which were Baht 0.074 per share.

Analysis of the Financial Position

The analysis of the financial position of LH Financial Group Public Company Limited and its subsidiaries showed the comparison of financial positions as of 30 June 2020 and 31 December 2019.

Total Assets

As of 30 June 2020, the company and its subsidiaries had total assets of Baht 251,039.3 million, increased by Baht 10,308.0 million or 4.3% when compared to the end of the year 2019. Core assets comprise of loans to customers - net at 61.6% of total assets, followed by investments - net at 23.1% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	33,234.7	18,569.1	14,665.6	79.0
Investments - net	57,972.5	66,288.6	(8,316.1)	(12.5)
Loans to customers - net	154,725.6	152,040.7	(2,684.9)	(1.8)
Other assets - net	5,106.5	3,832.9	1,273.6	33.2
Total assets	251,039.3	240,731.3	10,308.0	4.3

Total Liabilities

As of 30 June 2020, total liabilities amounted to Baht 212,297.6 million, increased by Baht 12,729.1 million or 6.4% when compared to the end of the year 2019. Most of total liabilities were deposits, accounting for 82.4% of total liabilities.

Owners' Equity

As of 30 June 2020, owners' equity amounted of Baht 38,741.7 million, decreased by Baht 2,421.1 million or 5.9% when compared to the end of the year 2019. During this period the treasury stock had been purchased in the value of Baht 335.4 million and dividend paid in the amount of Baht 941.4 million.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2020	2019	Amount	(%YTD)
Deposits	174,837.0	164,984.8	9,852.2	6.0
Interbank and money market items	19,261.8	10,467.0	8,794.8	84.0
Debts issued and borrowings - net	14,476.6	21,805.6	(7,329.0)	(33.6)
Other liabilities	3,722.2	2,311.1	1,411.1	61.1
Total liabilities	212,297.6	199,568.5	12,729.1	6.4
Total owners' equity	38,741.7	41,162.8	(2,421.1)	(5.9)

Number of Employees

As of 30 June 2020, the company and its subsidiaries had 1,744 employees, increased by 20 employees when compared to 31 December 2019.

The Subsidiaries Performance Analysis

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) with “Stable” outlook, and the rating of LH Bank’s Basel III Tier 2 capital securities is “BBB” (Triple B Straight).

Branch Network

As of the second quarter of 2020, Land and Houses Bank Public Company Limited had the total of 108 branches which remained stable when compared to the year of 2019.

Analysis of Operating Results

The analysis of operating results of Land and Houses Bank Public Company Limited performance showed the comparison of performance between the second quarter of 2020 and the second quarter of 2019 and the comparison of performance between the 6-month period of 2020 and the 6-month period of 2019.

In the second quarter of 2020, operating results of the bank showed net profit of Baht 352.6 million, decreased by 23.2% from the second quarter of 2019 which reported the net profit of Baht 459.3 million, mainly from the increase in expected credit losses by 34.6%.

For the 6-month period of 2020, operating results of the bank showed net profit of Baht 1,010.4 million, decreased by 8.2% when compared to the 6-month period of 2019, mainly from the increase in expected credit losses by 60.9%.

Net Interest Income

In the second quarter of 2020, net interest income amounted to Baht 1,185.8 million or decreased by 0.1% from the second quarter of 2019. Interest income of Baht 1,969.8 million decreased by 10.9% from the second quarter of 2019. Interest expenses of Baht 784.0 million decreased by 23.4%.

For the 6-month period of 2020, net interest income amounted to Baht 2,528.0 million or increased by 5.3% from the 6-month period of 2019. Interest income of Baht 4,141.3 million decreased by 6.6% from the 6-month period of 2019. Interest expenses of Baht 1,613.3 million has decreased by 20.5%.

The decrease in interest income was because the bank was more conservative when granting loans. In addition, the bank has passed benefits to customers from the reduction of the contribution to the Financial Institutions Development Fund (FIDF) from 0.46% per year to 0.23% per year according to the governmental measures by reducing loan rate and offering special rate for customers who were impacted directly and indirectly by COVID-19 situations as well as providing assistance to customers who were impacted by COVID-19, economy and drought under the relief measures from the Bank of Thailand.

Net interest margin (NIM) for the 6-month period of 2020 increased from 2.00% to **2.25%** when compared to the 6-month period of 2019.

Net Non-Interest Income

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

In the second quarter of 2020, net non-interest income amounted to Baht 449.5 million, decreased by 8.5% from the second quarter of 2019, mainly from the decrease in dividend income.

For the 6-month period of 2020, net non-interest income amounted to Baht 841.1 million, increased by 7.1% from the 6-month period of 2019, mainly from the increase in gains on investments.

Other Operating Expenses

In the second quarter of 2020, other operating expenses were at Baht 594.1 million, decreased by 8.4% from the second quarter of 2019.

For the 6-month period of 2020, other operating expenses were at Baht 1,206.0 million, decreased by 6.0% from the 6-month period of 2019.

Other operating expenses decreased mainly from the decrease in employee expenses which are accrued bonuses, the decrease in advertising and promotional expenses and the result of effective management of expenses during the outbreak of coronavirus. Moreover, the increase was from supporting service expenses.

Expected Credit Losses

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

The bank has set the expected credit losses in the second quarter of 2020 in the amount of Baht 632.4 million or increased by 34.6% as a result of loans to the Thai Airways International PCL when compared to the second quarter of 2019 of which the reserve was at Baht 470.0 million according to the previous standard.

The bank has set the expected credit losses for the 6-month period of 2020 in the amount of Baht 917.0 million or increased by 60.9% from the 6-month period of 2019 of which the reserve was at Baht 570.0 million according to the previous standard.

Basic earnings per share for the second quarter of 2020 were Baht 0.18 per share, decreased by 21.7% when compared to the second quarter of 2019.

Basic earnings per share for the 6-month period of 2020 were Baht 0.51 per share, decreased by 7.3% when compared to the 6-month period of 2019.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Interest income	1,969.8	2,171.5	(9.3)	2,211.4	(10.9)	4,141.3	4,431.9	(6.6)
Interest expenses	(784.0)	(829.2)	(5.5)	(1,024.1)	(23.4)	(1,613.3)	(2,030.2)	(20.5)
Net interest income	1,185.8	1,342.3	(11.7)	1,187.3	(0.1)	2,528.0	2,401.7	5.3
Fees and service income	66.9	82.4	(18.8)	84.9	(21.2)	149.3	194.9	(23.4)
Fees and service expenses	(16.4)	(18.7)	(12.3)	(21.0)	(21.9)	(35.1)	(42.0)	(16.4)
Net fees and service income	50.5	63.7	(20.7)	63.9	(21.0)	114.2	152.9	(25.3)
Gains on financial instruments measured at fair value through profit or loss	18.5	22.8	(18.9)	2.6	611.5	41.4	3.9	961.5
Gains on investments	259.9	148.2	(75.4)	279.8	(7.1)	408.1	279.8	45.9
Dividend income	117.2	150.0	(21.9)	139.3	(15.9)	267.2	338.1	(21.0)
Other operating incomes	3.4	6.8	(50.0)	5.7	(40.4)	10.2	10.7	(4.7)
Operating income	1,635.3	1,733.8	(5.7)	1,678.6	(2.6)	3,369.1	3,187.1	5.7
Other operating expenses	594.1	611.9	(2.9)	648.9	(8.4)	1,206.0	1,282.4	(6.0)
Expected credit losses	632.4	284.6	122.2	470.0	34.6	917.0	570.0	60.9

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Income tax	56.2	179.5	(68.7)	100.4	(44.0)	235.7	233.8	0.8
Profits from operations before expected credit losses and income tax	1,041.2	1,121.9	(7.2)	1,029.7	1.1	2,163.1	1,904.7	13.6
Profits from operations before income tax	408.8	837.3	(51.2)	559.7	(27.0)	1,246.1	1,334.7	(6.6)
Net profits	352.6	657.8	(46.4)	459.3	(23.2)	1,010.4	1,100.9	(8.2)
Basic earnings per share (Baht)	0.18	0.33	(45.5)	0.23	(21.7)	0.51	0.55	(7.3)

Analysis of Financial Position

The analysis of financial position of Land and Houses Bank Public Company Limited showed the comparison of financial positions as of 30 June 2020 and 31 December 2019.

Total Assets

As of 30 June 2020, the bank had total assets of Baht 241,651.7 million, increased by Baht 11,103.4 million or 4.8% from the end of the year 2019. Core assets comprised loans to customers - net at 64.4% of total assets, followed by investments - net at 18.8% of total assets and interbank and money market items - net at 15.0% of the total assets.

Table: Total Assets

(Unit: Million Baht)

Items	June	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	36,187.1	23,731.8	12,455.3	52.5
Investments - net	45,361.0	51,646.8	(6,285.8)	(12.2)
Loans to customers - net	155,597.8	151,783.0	3,814.8	2.5
Other assets - net	4,505.8	3,386.7	1,119.1	33.0
Total assets	241,651.7	230,548.3	11,103.4	4.8

Loans

As of 30 June 2020, the bank had loans to customers net of deferred revenue and modified gain or loss from the new standard (including interbank and money market items) in the amount of Baht 176,716.4 million, decreased by Baht 2,182.0 million or 1.2% from the end of the year 2019.

Loans to Customers Classified by Business Sector

Big corporate & corporate amounted to Baht 135,244.8 million, decreased by Baht 2,258.8 million or 1.6 % from the end of the year 2019.

SMEs & SSME amounted to Baht 18,881.5 million, decreased by Baht 239.7 million or 1.3% from the end of the year 2019.

Retail loan amounted to Baht 22,590.1 million, increased by Baht 316.5 million or 1.4% from the end of the year 2019.

Table: Loans to Customers Classified by Business Sector

(Unit: Million Baht)

Loans to customers classified by business sector	June	December	Variance	
	2020	2019	Amount	(%YTD)
Big Corporate & Corporate	135,244.8	137,503.6	(2,258.8)	(1.6)
SMEs & SSME	18,881.5	19,121.2	(239.7)	(1.3)
Retail	22,590.1	22,273.6	316.5	1.4
Total loans to customers net *	176,716.4	178,898.4	(2,182.0)	(1.2)

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

Loans to Customers Classified by Type of Businesses

When classified by type of businesses, most portion of loans were financial intermediation sector at 24.6%, followed by public utilities and services at 22.6% and manufacturing and commerce sector at 22.4% of total loans.

Table: Loans to Customers Classified by Type of Businesses

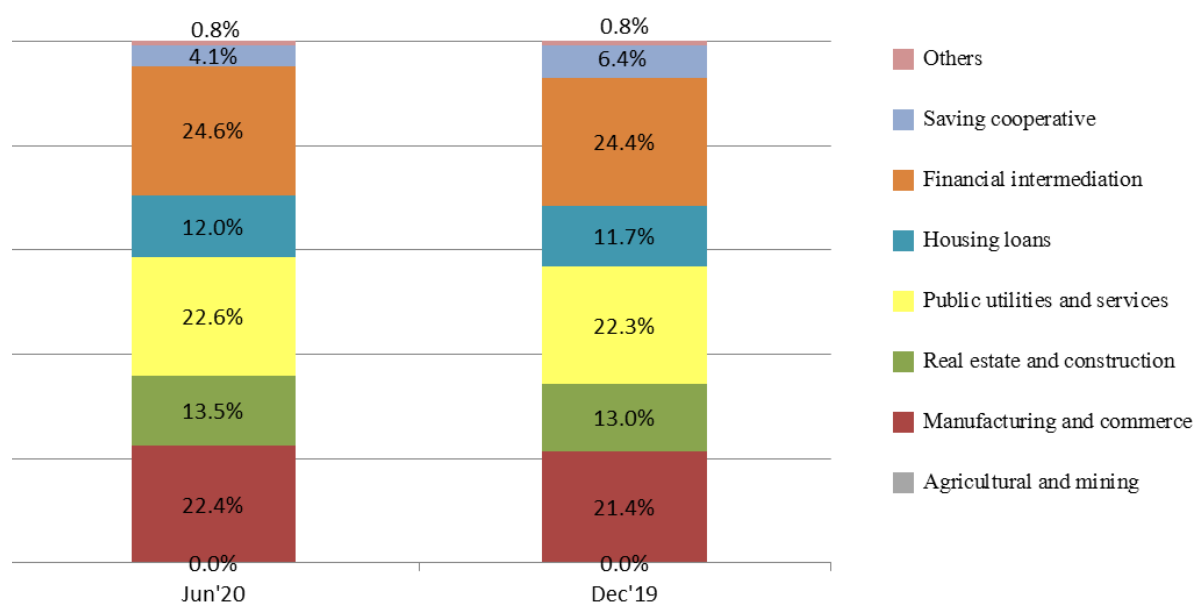
(Unit: Million Baht)

Loans to customers classified by type of businesses	June	December	Variance	
	2020	2019	Amount	(%YTD)
Agricultural and mining	37.6	12.9	24.7	191.5
Manufacturing and commerce	39,594.2	38,315.5	1,278.7	3.3
Real estate and construction	23,853.9	23,225.8	628.1	2.7
Public utilities and services	39,941.4	39,946.8	(5.4)	-

Loans to customers classified by type of businesses	June	December	Variance	
	2020	2019	Amount	(%YTD)
Housing loans	21,202.6	20,828.0	374.6	1.8
Financial intermediation	43,530.3	43,623.3	(93.0)	(0.2)
Saving cooperative	7,169.0	11,510.0	(4,341.0)	(37.7)
Others	1,387.4	1,436.1	(48.7)	(3.4)
Total loans to customers net *	176,716.4	178,898.4	(2,182.0)	(1.2)

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

Percentage of loan classification by business type



Non-Performing Loans

As of 30 June 2020, the bank had non-performing loans (Gross) in the amount of Baht 5,425.6 million, increased by Baht 2,282.2 million or 72.6% from the end of the year 2019, which reported at Baht 3,143.4 million. NPL ratio was at **2.79%** of total loans (including interbank and money market items).

Non-performing loans (Net) amounted to Baht 2,763.1 million, increased by Baht 849.9 million or 44.4% from the end of the year 2019. NPL ratio (Net) was at 1.59% of total loans after deducting expected credit losses of non-performing loans.

Investments in Securities

As of 30 June 2020, the bank had net investments in securities which had book value of Baht 45,361.0 million, decreased by Baht 6,285.8 million or 12.2% from the end of the year 2019.

Total Liabilities

As of 30 June 2020, the bank had total liabilities amounted to Baht 205,682.3 million, increased by Baht 11,413.6 million or 5.9% from the end of the year 2019. Most liabilities were mainly from deposits at 85.0% of total liabilities.

Owners' Equity

As of 30 June 2020, owners' equity amounted of Baht 35,969.4 million, decreased by Baht 310.2 million or 0.9% from the end of the year 2019.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

Items	June	December	Variance	
	2020	2019	Amount	(%YTD)
Deposits	174,869.0	165,018.4	9,850.6	6.0
Interbank and money market items	19,156.4	10,503.6	8,652.8	82.4
Debts issued and borrowings - net	8,429.7	16,721.2	(8,291.5)	(49.6)
Other liabilities	3,227.2	2,025.5	1,201.7	59.3
Total liabilities	205,682.3	194,268.7	11,413.6	5.9
Total owners' equity	35,969.4	36,279.6	(310.2)	(0.9)

Deposits

As of 30 June 2020, the bank had total deposits of Baht 174,869.0 million, increased by Baht 9,850.6 million or 6.0% from the end of the year 2019.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Classified by type of deposits	June	December	Variance	
	2020	2019	Amount	(%YTD)
Demand deposits	4,220.3	4,253.7	(33.4)	(0.8)
Savings deposits	84,577.3	62,044.9	22,532.4	36.3
Time deposits	59,347.5	65,147.7	(5,800.2)	(8.9)
Fixed deposits receipt	26,723.9	33,572.1	(6,848.2)	(20.4)
Total deposits	174,869.0	165,018.4	9,850.6	6.0

Capital Adequacy Ratio and Capital Fund to Risk Assets

As of June 30, 2020, the capital to risk-weighted assets ratio (BIS ratio) increased by 20.675% from 19.265% as at December 31, 2019, higher than the minimum rate at 11.000%, required by the Bank of Thailand.

Tier I capital ratio to risk-weighted assets was at 17.955%, higher than the minimum rate at 8.500%, required by the Bank of Thailand.

Table: Capital To Risk-Weighted Assets Ratio

Capital To Risk-Weighted Assets Ratio	As of 30 June 2020		As of 31 December 2019	
	Million Baht	%	Million Baht	%
Common Equity Tier-1 capital funds				
The Bank	34,278.0	17.955	34,578.3	16.481
Minimum rates required by law		7.000		7.000
The Difference		10.955		9.481
Tier 1 capital funds				
The Bank	34,278.0	17.955	34,578.3	16.481
Minimum rates required by law		8.500		8.500
The Difference		9.455		7.981
Total capital funds				
The Bank	39,472.2	20.675	40,421.1	19.265
Minimum rates required by law		11.000		11.000
The Difference		9.675		8.265

2. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Overview of the Stock Exchange of Thailand

Due to the onset of coronavirus pandemic since the beginning of the year 2020 resulting in global equity sell-off, SETI nosedived to mark its low at 969.08 in March 2020. Thanks to unprecedented fiscal stimulus and monetary easing by governments and central banks from all corners of the world that helped shore up investor sentiment, SETI rebounded to retest high at 1,454.95. And then the sell to take profits pulled SETI back to 1,339.03.

Foreign investors remained a net seller. Local institutional investors, however, turned a net buyer for the first time since March 2020. Retail investors stayed quite active as net buyer since the beginning of the year. Average daily market turnover in this quarter increased to Baht 70,418 million from Baht 66,901 million in a previous quarter.

Analysis of Operating Results

The analysis of operating results of Land and Houses Securities Public Company Limited and its subsidiary showed the comparison of performance between the second quarter of 2020 and the second quarter of 2019 and the comparison of performance between the 6-month period of 2020 and the 6-month period of 2019.

The operating results of the company and its subsidiary for the second quarter of 2020 showed net profit of Baht 52.7 million, decreased by 11.7% when compared to the second quarter of 2019.

The operating result of the company and its subsidiary for the 6-month period of 2020 showed net profit of Baht 102.7 million, increased by 20.3% when compared to the 6-month period of 2019.

Total Income

Total income in the second quarter of 2020 was Baht 130.6 million, decreased by 15.4% when compared to the second quarter of 2019.

Total income of the 6-month period of 2020 was Baht 291.2 million, increased by 11.6% when compared to the 6-month period of 2019. Total income included brokerage fees income, interest income, gains on financial instruments and other incomes.

Brokerage Fees Income

Brokerage fees income in the second quarter of 2020 was Baht 52.2 million, increased by 47.5% when compared to the second quarter of 2019.

Brokerage fees income of the 6-month period of 2020 was Baht 99.7 million, increased by 54.1% when compared to the 6-month period of 2019.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income in the second quarter of 2020 included interest income, gains on financial instruments and other incomes of Baht 8.3, 69.5 and 0.6 million, respectively.

Other incomes apart from brokerage fees income for the 6-month period of 2020 included interest income, gains on financial instruments and other incomes of Baht 18.0, 172.0 and 1.5 million, respectively.

Total Expenses

Total expenses in the second quarter of 2020 were Baht 70.0 million, decreased by 19.4% when compared to the second quarter of 2019.

Total operating expenses of the 6-month period of 2020 were Baht 164.6 million, decreased by 1.7% when compared to the 6-month period of 2019. Total expenses included employee benefit expenses, fees and service expenses, interest expenses and other expenses.

Table: Operating Results

(Unit: Million Baht)

Items	Quater		Variance	Quater	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Brokerage fees income	52.2	47.5	9.9	35.4	47.5	99.7	64.7	54.1
Interest income	8.3	9.7	(14.4)	11.7	(29.1)	18.0	24.4	(26.2)
Gains on financial instruments	69.5	102.5	(32.2)	106.5	(34.7)	172.0	170.7	0.8
Other incomes	0.6	0.9	(33.3)	0.7	(14.3)	1.5	1.1	36.4
Total income	130.6	160.6	(18.7)	154.3	(15.4)	291.2	260.9	11.6
Total expenses	70.0	94.6	(26.0)	86.8	(19.4)	164.6	167.4	(1.7)
Profits before income tax expenses	60.6	66.0	(8.2)	67.5	(10.2)	126.6	93.5	35.4
Income tax	7.9	16.0	(50.6)	7.8	1.3	23.9	8.1	195.1
Net profits	52.7	50.0	5.4	59.7	(11.7)	102.7	85.4	20.3
Basic earnings per share (Baht)	0.05	0.08	(37.5)	0.09	(44.4)	0.11	0.13	(15.4)

3. FUND MANAGEMENT BUSINESS

Land and Houses Fund Management Company Limited

Overview of Fund Management Business

In the second quarter of 2020, total net asset value of mutual funds increased by Baht 4.84 trillion from Baht 4.56 trillion in the previous quarter. Based on fund types, it is found that equity fund, fixed income fund, mixed fund and fund of property fund increased in size, meanwhile, property fund and REIT declined.

Analysis of the Operating Results

The operating results of Land and Houses Fund Management Company Limited showed the comparison of performance between the second quarter of 2020 and the second quarter of 2019 and the comparison of performance between the 6-month period of 2020 and the 6-month period of 2019.

The second quarter of 2020, the operating result showed net profits of Baht 28.8 million, decreased by 2.4% when compared with the second quarter of 2019.

The operating results for the 6-month period of 2020 showed net profit of Baht 63.0 million, increased by 17.5% compared with the 6-month period of 2019.

Total Incomes

Total incomes of the second quarter of 2020 amounted to Baht 106.0 million, decreased by 15.1% when compared with the second quarter of 2019. The decrease was from fees and service income, and gains on financial instruments.

Total incomes for the 6-month period of 2020 amounted to Baht 227.9 million, increased by 3.9% when compared with the 6-month period of 2019. The increase was from fees and service income.

Fees and Service Income

Fees and service income of the second quarter of 2020 amounted Baht 102.0 million, decreased by 14.6% when compared with the second quarter of 2019. The fee was mostly from mutual fund management which was 79.8% of fees and service income.

Fees and service income for the 6-month period of 2020 amounted Baht 217.8 million, increased by 5.3% when compared with the 6-month period of 2019. The fee was mostly from mutual fund management which was 80.8% of fees and service income.

Other Incomes apart from Fees and Service Income

Other incomes apart from fees and service income in the second quarter of 2020 included interest income, gains on financial instruments and other incomes of Baht 0.1, 3.0 and 0.9 million, respectively.

Other incomes apart from fees and service income for the 6-month period of 2020 included interest income, gains on financial instruments million and other incomes of Baht 0.2, 8.3, 1.6 million, respectively.

Total expenses

Total expenses for the second quarter of 2020 amounted to Baht 70.3 million, decreased by 20.9% when compared with the second quarter of 2019.

Total expenses for the 6-month period of 2020 amounted to Baht 149.9 million, decreased by 2.9% when compared with the 6-month period of 2019.

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 6-month periods		Variance
	2/2020	1/2020	(%QoQ)	2/2019	(%YoY)	2020	2019	(%YoY)
Fees and service income	102.0	115.8	(11.9)	119.5	(14.6)	217.8	206.9	5.3
Interest income	0.1	0.1	-	0.1	-	0.2	0.1	100.0
Gains and return on financial instruments	3.0	5.3	(43.4)	4.8	(37.5)	8.3	11.5	(27.8)
Other incomes	0.9	0.6	50.0	0.5	80.0	1.6	0.8	100.0
Total income	106.0	121.8	(13.0)	124.9	(15.1)	227.9	219.3	3.9
Total expense	70.3	79.5	(11.6)	88.9	(20.9)	149.9	154.3	(2.9)
Profits before income tax	35.7	42.3	(15.6)	36.0	(0.8)	78.0	65.0	20.0
Income tax	6.9	8.2	(15.9)	6.5	6.2	15.0	11.4	31.6
Net profits	28.8	34.1	(15.5)	29.5	(2.4)	63.0	53.6	17.5
Basic earnings per share (Baht)	9.61	11.38	(15.6)	9.84	(2.3)	20.99	17.87	17.5

Net Asset Value under Management

As of 30 June 2020, the company had 75 funds under management, increased by 6 funds when compared with the end of year 2019 and had the total net asset value of Baht 59,365.8 million, decreased by 8.0% when compared with the end of year 2019. The company had the mutual funds under management consisting of:

- Property fund and REIT with a value of	Baht 32,593.7 million
- Fixed income fund with a value of	Baht 8,852.9 million
- Equity fund with a value of	Baht 5,629.9 million
- Mixed fund with a value of	Baht 3,321.4 million
- Fund of property fund with a value of	Baht 8,967.9 million

However, in case private fund worth Baht 7,676.6 million and provident fund worth Baht 3,563.3 million were included, the net asset value would be Baht 70,605.7 million.