



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

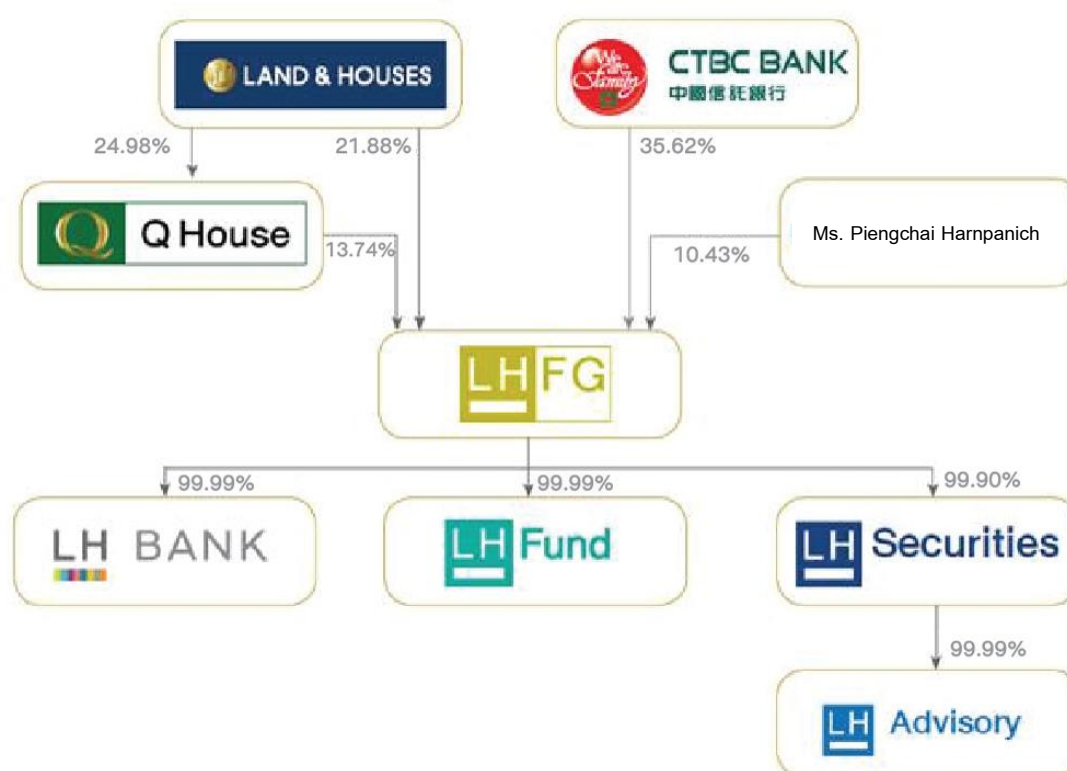
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES TO THE UNREVIEWED CONSOLIDATED FINANCIAL STATEMENT)**

## 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. 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 Private Sector Collective Action Coalition Against Corruption Council. Land and Houses Securities Public Company Limited has also signed a declaration of intent to join 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 2020 by Thaipat Institute for the 6<sup>th</sup> consecutive year and the company's securities have also been included in the Universe of ESG 100 securities group of 2020.

**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 5<sup>th</sup> consecutive year.

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

In the third quarter of 2020, Thai economy had less contraction from the previous quarter after the gradual relaxation of lockdown measures, contributing many economic activities to improve. For example, private consumption and private investment particular in machinery and equipment, industrial production, manufacturing capacity, and the value of merchandise exports were also better. Rising government expenditure is another significant driver supporting the Thai economy. However, tourism sector remains highly contracted for the second consecutive quarter due to no entry of foreign tourists during international travel restrictions of Thailand.

The Bank of Thailand revised down the projection of overall economy for 2020 to contract 7.8% (as of September 2020) from the earlier forecast of 8.1%. But the fragile labor market, uncertain employment and thin income would be a major obstacle for Thai economy in the next phase.

For the banking sector in the third quarter of 2020, the commercial bank loans benefited grew from big corporate and retail loans. Meanwhile, SMEs loans contracted less due to the implementation of various relief measures by the Bank of Thailand. Under the current economic situation and deteriorating quality of loans, the bank reserves was likely to increase, affecting the commercial banks' performance. However, the overall Thai commercial bank system remains sound, thanks to close monitoring of credit quality together with robust capital fund and reserves.

**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**

In the third quarter of 2020, the operating results of the company and its subsidiaries showed the net profit of Baht 522.9 million, decreased by 31.8% when compared to the third quarter of 2019 with the net profit of Baht 766.9 million, mainly from the increase in expected credit losses by 57.8%.

For the 9-month period of 2020, the operating results of the company and its subsidiaries, showed the net profit of Baht 1,852.7 million, decreased by 20.6% when compared to a net profit of Baht 2,334.7 million from the 9-month period of 2019, mainly from the increase in expected credit losses by 60.1%.

**Net Interest Income**

In the third quarter of 2020, net interest income amounted to Baht 1,135.5 million or increased by 3.5% from the third quarter of 2019. Interest income was Baht 1,889.6 million, decreased by 12.6% and interest expenses were Baht 754.1 million, decreased by 29.2% from the third quarter of 2019.

For the 9-month period of 2020, net interest income amounted to Baht 3,542.1 million, increased by 4.9% from the 9-month period of 2019. Interest income was Baht 5,988.3 million, decreased by 8.1% and interest expenses were Baht 2,446.2 million, decreased by 22.1% from the 9-month period of 2019.

Interest income decreased because the bank, its subsidiary, reduced the loan interest rate to assist customers impacted by COVID-19 pandemic together with more conservative loan approval. However, the bank’s interest expenses dropped 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 during the year 2020-2021.

**Net Non-Interest Income**

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

In the third quarter of 2020, net non-interest income amounted to Baht 902.7 million, decreased by 10.8% from the third quarter of 2019.

For the 9-month period of 2020, net non-interest income amounted to Baht 2,425.4 million, decreased by 7.2% from the 9-month period of 2019, due mainly to the decrease from gains on investments.

### Other Operating Expenses

In the third quarter of 2020, other operating expenses amounted to Baht 695.4 million, decreased by 5.8% from the third quarter of 2019.

For the 9-month period of 2020, other operating expenses amounted to Baht 2,099.2 million, decreased by 5.8% when compared to the 9-month period of 2019.

Other operating expenses reduced largely from the decrease in employees' expenses, advertising and promotional expenses and effective management of expenses during the COVID-19 pandemic.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)		(%YoY)	2020	2019	(%YoY)
Interest income	1,889.6	1,954.1	(3.3)	2,161.9	(12.6)	5,988.3	6,517.2	(8.1)
Interest expenses	(754.1)	(826.0)	(8.7)	(1,065.1)	(29.2)	(2,446.2)	(3,139.1)	(22.1)
<b>Net interest income</b>	<b>1,135.5</b>	<b>1,128.1</b>	<b>0.7</b>	<b>1,096.8</b>	<b>3.5</b>	<b>3,542.1</b>	<b>3,378.1</b>	<b>4.9</b>
Fees and service income	229.7	202.2	13.6	270.1	(15.0)	659.2	704.9	(6.5)
Fees and service expenses	(43.6)	(39.8)	9.5	(61.7)	(29.3)	(133.6)	(153.6)	(13.0)
<b>Net fees and service income</b>	<b>186.1</b>	<b>162.4</b>	<b>14.6</b>	<b>208.4</b>	<b>(10.7)</b>	<b>525.6</b>	<b>551.3</b>	<b>(4.7)</b>
Gains (losses) on financial instruments measured at fair value through profit or loss	(9.3)	18.5	(150.3)	0.2	n/a	31.9	4.4	625.0
Gains on investments	384.2	259.9	47.8	434.9	(11.7)	792.3	910.0	(12.9)
Dividend income	333.1	323.0	3.1	359.6	(7.4)	1,053.8	1,126.7	(6.5)
Other operating incomes	8.6	5.0	72.0	8.7	(1.1)	21.8	21.3	2.3
<b>Operating income</b>	<b>2,038.2</b>	<b>1,896.9</b>	<b>7.4</b>	<b>2,108.6</b>	<b>(3.3)</b>	<b>5,967.5</b>	<b>5,991.8</b>	<b>(0.4)</b>
<b>Other operating expenses</b>	<b>695.4</b>	<b>700.1</b>	<b>(0.7)</b>	<b>738.1</b>	<b>(5.8)</b>	<b>2,099.2</b>	<b>2,228.5</b>	<b>(5.8)</b>
Expected credit losses	710.0	628.4	13.0	450.0	57.8	1,632.9	1,020.0	60.1
Income tax	109.9	67.5	62.8	153.6	(28.5)	382.7	408.6	(6.3)
<b>Profit from operations before expected credit losses and income tax</b>	<b>1,342.8</b>	<b>1,196.8</b>	<b>12.2</b>	<b>1,370.5</b>	<b>(2.0)</b>	<b>3,868.3</b>	<b>3,763.3</b>	<b>2.8</b>

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)	3/2019	(%YoY)	2020	2019	(%YoY)
Profits from operations before income tax	632.8	568.4	11.3	920.5	(31.3)	2,235.4	2,743.3	(18.5)
Net profits	522.9	500.9	4.4	766.9	(31.8)	1,852.7	2,334.7	(20.6)
Basic earnings per share (Baht)	0.025	0.024	4.2	0.036	(30.6)	0.088	0.110	(20.0)

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)	3/2019	(%YoY)	2020	2019	(%YoY)
Employees' expenses	361.8	359.8	0.6	398.4	(9.2)	1,084.2	1,193.4	(9.2)
Premises and equipment expenses	178.2	177.6	0.3	174.3	2.2	542.6	547.4	(0.9)
Other expenses	155.4	162.7	(4.5)	165.4	(6.0)	472.4	487.7	(3.1)
<b>Total</b>	<b>695.4</b>	<b>700.1</b>	<b>(0.7)</b>	<b>738.1</b>	<b>(5.8)</b>	<b>2,099.2</b>	<b>2,228.5</b>	<b>(5.8)</b>

### Profit from Operations Before Expected Credit Losses and Income Tax

In the third quarter of 2020, the company and its subsidiaries showed profit from operations before expected credit losses and income tax of Baht 1,342.8 million, decreased by 2.0% from the third quarter of 2019.

For the 9-month period of 2020, the company and its subsidiaries showed profit from operations before expected credit losses and income tax of Baht 3,868.3 million, increased by 2.8% from the 9-month period of 2019.

In the third quarter of 2020, basic earnings per share were Baht 0.025 per share, decreased by 30.6% when compared to third quarter of 2019 which was Baht 0.036 per share.

For the 9-month period of 2020, basic earnings per share were Baht 0.088 per share, decreased by 20.0% when compared to the 9-month period of 2019 which was Baht 0.110 per share.

### Analysis of the Financial Position

#### Total Assets

As of 30 September 2020, the company and its subsidiaries had total assets of Baht 247,230.7 million, increased by Baht 6,499.4 million or 2.7% when compared to the end of the year 2019. Core assets comprise loans to customers - net at 62.9% of total assets, followed by investments - net at 23.3% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	29,788.4	18,569.1	11,219.3	60.4
Investments - net	57,486.5	66,288.6	(8,802.1)	(13.3)
Loans to customers - net	155,469.1	152,040.7	3,428.4	2.3
Other assets - net	4,486.7	3,832.9	653.8	17.1
<b>Total assets</b>	<b>247,230.7</b>	<b>240,731.3</b>	<b>6,499.4</b>	<b>2.7</b>

### Total Liabilities

As of 30 September 2020, total liabilities amounted to Baht 208,606.3 million, increased by Baht 9,037.8 million or 4.5% when compared to the end of the year 2019. Most of total liabilities were deposits, accounting for 86.5% of total liabilities.

### Owners' Equity

As of 30 September 2020, owners' equity amounted of Baht 38,624.4 million, decreased by Baht 2,538.4 million or 6.2% 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	September	December	Variance	
	2020	2019	Amount	(%YTD)
Deposits	180,527.2	164,984.8	15,542.4	9.4
Interbank and money market items	12,903.8	10,467.0	2,436.8	23.3
Debts issued and borrowings - net	12,274.5	21,805.6	(9,531.1)	(43.7)
Other liabilities	2,900.8	2,311.1	589.7	25.5
<b>Total liabilities</b>	<b>208,606.3</b>	<b>199,568.5</b>	<b>9,037.8</b>	<b>4.5</b>
<b>Total owners' equity</b>	<b>38,624.4</b>	<b>41,162.8</b>	<b>(2,538.4)</b>	<b>(6.2)</b>

### Number of Employees

As of 30 September 2020, the company and its subsidiaries had 1,727 employees, increased by 3 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 third 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

In the third quarter of 2020, operating results of the bank showed net profit of Baht 355.4 million, decreased by 19.6% from the third quarter of 2019 which reported the net profit of Baht 441.8 million, mainly from the increase in expected credit losses by 57.6%.

For the 9-month period of 2020, operating results of the bank showed net profit of Baht 1,365.8 million, decreased by 11.5% when compared to the 9-month period of 2019, which reported net profit of Baht 1,542.7 million, mainly from the increase in expected credit losses by 59.4%.

##### Net Interest Income

In the third quarter of 2020, net interest income amounted to Baht 1,190.7 million or increased by 2.3% from the third quarter of 2019. Interest income of Baht 1,905.9 million decreased by 13.3% and interest expenses of Baht 715.2 million decreased by 30.8% from the third quarter of 2019.

For the 9-month period of 2020, net interest income amounted to Baht 3,718.7 million or increased by 4.3% from the 9-month period of 2019. Interest income of Baht 6,047.1 million decreased by 8.8% and interest expenses of Baht 2,328.4 million decreased by 24.0% from the 9-month period of 2019.

Interest income decreased because the bank was more conservative when granting loans. In addition, the bank has passed on 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 by reducing loan interest rate for customers, both retail and corporate, and offering special interest rate for customers who were impacted directly and indirectly by COVID-19 pandemic as well as providing assistance to customers who were impacted by other situations such as economy and drought under the relief measures from the Bank of Thailand.



For the 9-month period of 2020, net interest margin (NIM) increased from 2.11% to 2.18% when compared to the 9-month period of 2019.

#### **Net Non-Interest Income**

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

In the third quarter of 2020, net non-interest income amounted to Baht 572.5 million, increased by 23.9% from the third quarter of 2019, mainly from the increase in gains on investments.

For the 9-month period of 2020, net non-interest income amounted to Baht 1,413.6 million, increased by 13.3% from the 9-month period of 2019, mainly from the increase in gains on investments and the decrease from dividend income.

#### **Other Operating Expenses**

In the third quarter of 2020, other operating expenses were at Baht 604.0 million, decreased by 5.4% from the third quarter of 2019.

For the 9-month period of 2020, other operating expenses were at Baht 1,810.0 million, decreased by 5.8% from the 9-month period of 2019.

Other operating expenses decreased mainly from the decrease in employee expenses including accrued bonuses, advertising and promotional expenses and effective management of expenses during the COVID-19 pandemic.

#### **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.

In the third quarter of 2020, the bank showed the expected credit losses in the amount of Baht 709.1 million or increased by 57.6% when compared to Baht 450.0 million in the third quarter of 2019 according to the previous standard.

For the 9-month period of 2020, the bank showed the expected credit losses in the amount of Baht 1,626.1 million or increased by 59.4% from Baht 1,020.0 million in the 9-month period of 2019 according to the previous standard. Consequently, the bank had the coverage ratio at 107.1%.

In the third quarter of 2020, basic earnings per share were Baht 0.18 per share, decreased by 18.2% when compared to the third quarter of 2019.

For the 9-month period of 2020, basic earnings per share were Baht 0.68 per share, decreased by 11.7% when compared to the 9-month period of 2019.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)		(%YoY)	2020	2019	(%YoY)
Interest income	1,905.9	1,969.8	(3.2)	2,197.7	(13.3)	6,047.1	6,629.6	(8.8)
Interest expenses	(715.2)	(784.0)	(8.8)	(1,033.3)	(30.8)	(2,328.4)	(3,063.5)	(24.0)
<b>Net interest income</b>	<b>1,190.7</b>	<b>1,185.8</b>	<b>0.4</b>	<b>1,164.4</b>	<b>2.3</b>	<b>3,718.7</b>	<b>3,566.1</b>	<b>4.3</b>
Fees and service income	94.5	66.9	41.3	107.2	(11.8)	243.8	302.1	(19.3)
Fees and service expenses	(16.8)	(16.4)	2.4	(19.3)	(13.0)	(51.8)	(61.3)	(15.5)
<b>Net fees and service income</b>	<b>77.7</b>	<b>50.5</b>	<b>53.9</b>	<b>87.9</b>	<b>(11.6)</b>	<b>192.0</b>	<b>240.8</b>	<b>(20.3)</b>
Gains (losses) on financial instruments measured at fair value through profit or loss	(9.3)	18.5	(150.3)	(0.0)	n/a	32.0	3.9	720.5
Gains on investments	384.2	259.9	47.8	221.7	73.3	792.3	501.6	58.0
Dividend income	115.9	117.2	(1.1)	145.2	(20.2)	383.1	483.2	(20.7)
Other operating incomes	4.0	3.4	17.6	7.2	(44.4)	14.2	18.0	(21.1)
<b>Operating income</b>	<b>1,763.2</b>	<b>1,635.3</b>	<b>7.8</b>	<b>1,626.4</b>	<b>8.4</b>	<b>5,132.3</b>	<b>4,813.6</b>	<b>6.6</b>
<b>Other operating expenses</b>	<b>604.0</b>	<b>594.1</b>	<b>1.7</b>	<b>638.6</b>	<b>(5.4)</b>	<b>1,810.0</b>	<b>1,921.1</b>	<b>(5.8)</b>
<b>Expected credit losses</b>	<b>709.1</b>	<b>632.4</b>	<b>12.1</b>	<b>450.0</b>	<b>57.6</b>	<b>1,626.1</b>	<b>1,020.0</b>	<b>59.4</b>
<b>Income tax</b>	<b>94.7</b>	<b>56.2</b>	<b>68.5</b>	<b>96.0</b>	<b>(1.4)</b>	<b>330.4</b>	<b>329.8</b>	<b>0.2</b>
<b>Profits from operations before expected credit losses and income tax</b>	<b>1,159.2</b>	<b>1,041.2</b>	<b>11.3</b>	<b>987.8</b>	<b>17.4</b>	<b>3,322.3</b>	<b>2,892.5</b>	<b>14.9</b>

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)	3/2019	(%YoY)	2020	2019	(%YoY)
Profits from operations before income tax	450.1	408.8	10.1	537.8	(16.3)	1,696.2	1,872.5	(9.4)
Net profits	355.4	352.6	0.8	441.8	(19.6)	1,365.8	1,542.7	(11.5)
Basic earnings per share (Baht)	0.18	0.18	-	0.22	(18.2)	0.68	0.77	(11.7)

### Analysis of Financial Position

#### Total Assets

As of 30 September 2020, the bank had total assets of Baht 238,906.6 million, increased by Baht 8,358.3 million or 3.6% from the end of the year 2019. Core assets comprised loans to customers - net at 65.3% of total assets, followed by investments - net at 19.2% of total assets and interbank and money market items - net at 13.8% of the total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	September	December	Variance	
	2020	2019	Amount	(%YTD)
Interbank and money market items - net	33,068.2	23,731.8	9,336.4	39.3
Investments - net	45,789.6	51,646.8	(5,857.2)	(11.3)
Loans to customers - net	156,103.4	151,783.0	4,320.4	2.8
Other assets - net	3,945.4	3,386.7	558.7	16.5
<b>Total assets</b>	<b>238,906.6</b>	<b>230,548.3</b>	<b>8,358.3</b>	<b>3.6</b>

#### Loans to Customers

As of 30 September 2020, the bank had loans to customers net of deferred revenue and modification gain or loss from the new standard (including interbank and money market items) in the amount of Baht 192,304.8 million, increased by Baht 13,406.4 million or 7.5% from the end of the year 2019.

#### Loans to Customers Classified by Business Sector

Big corporate & corporate amounted to Baht 149,941.3 million, increased by Baht 12,437.7 million or 9.0% from the end of the year 2019.

SMEs & SSME amounted to Baht 19,034.0 million, decreased by Baht 87.2 million or 0.5% from the end of the year 2019.

Retail loan amounted to Baht 23,329.5 million, increased by Baht 1,055.9 million or 4.7% 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	September	December	Variance	
	2020	2019	Amount	(%YTD)
Big Corporate & Corporate	149,941.3	137,503.6	12,437.7	9.0
SMEs & SSME	19,034.0	19,121.2	(87.2)	(0.5)
Retail	23,329.5	22,273.6	1,055.9	4.7
<b>Total loans to customers net *</b>	<b>192,304.8</b>	<b>178,898.4</b>	<b>13,406.4</b>	<b>7.5</b>

Note: \* 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

When classified by type of businesses, most portion of loans were financial intermediation sector at 30.7%, followed by public utilities and services sector at 20.3% and manufacturing and commerce sector at 20.0% of total loans.

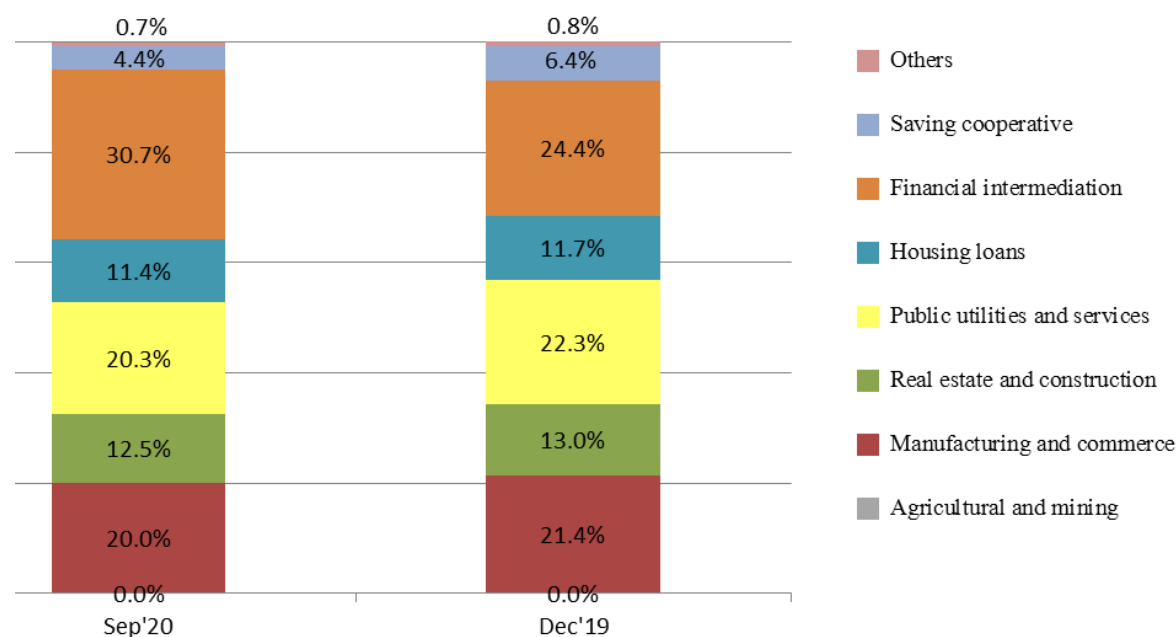
**Table: Loans to Customers Classified by Type of Businesses**

(Unit: Million Baht)

Loans to customers classified by type of businesses	September	December	Variance	
	2020	2019	Amount	(%YTD)
Agricultural and mining	37.4	12.9	24.5	189.9
Manufacturing and commerce	38,374.1	38,315.5	58.6	0.2
Real estate and construction	23,982.7	23,225.8	756.9	3.3
Public utilities and services	39,136.2	39,946.8	(810.6)	(2.0)
Housing loans	21,918.0	20,828.0	1,090.0	5.2
Financial intermediation	59,010.0	43,623.3	15,386.7	35.3
Saving cooperative	8,435.0	11,510.0	(3,075.0)	(26.7)
Others	1,411.4	1,436.1	(24.7)	(1.7)
<b>Total loans to customers net *</b>	<b>192,304.8</b>	<b>178,898.4</b>	<b>13,406.4</b>	<b>7.5</b>

Note: \* Total loans to customers net of deferred revenue and modification 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 September 2020, the bank had non-performing loans (Gross) in the amount of Baht 5,377.5 million, increased by Baht 2,234.1 million or 71.1% from the end of the year 2019, which reported at Baht 3,143.4 million. NPL ratio was at 2.80% of total loans (including interbank and money market items) when compared to the end of the year 2019 at 1.55%.

### **Investments**

As of 30 September 2020, the bank had net investments which had book value of Baht 45,789.6 million, decreased by Baht 5,857.2 million or 11.3% from the end of the year 2019.

### **Total Liabilities**

As of 30 September 2020, the bank had total liabilities amounted to Baht 202,359.1 million, increased by Baht 8,090.4 million or 4.2% from the end of the year 2019. Most liabilities were mainly from deposits at 89.2% of total liabilities.

### **Owners' Equity**

As of 30 September 2020, owners' equity amounted of Baht 36,547.5 million, increased by Baht 267.9 million or 0.7% from the end of the year 2019.

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

(Unit: Million Baht)

Items	September	December	Variance	
	2020	2019	Amount	(%YTD)
Deposits	180,535.4	165,018.4	15,517.0	9.4
Interbank and money market items	12,809.9	10,503.6	2,306.3	22.0
Debts issued and borrowings - net	6,431.7	16,721.2	(10,289.5)	(61.5)
Other liabilities	2,582.1	2,025.5	556.6	27.5
<b>Total liabilities</b>	<b>202,359.1</b>	<b>194,268.7</b>	<b>8,090.4</b>	<b>4.2</b>
<b>Total owners' equity</b>	<b>36,547.5</b>	<b>36,279.6</b>	<b>267.9</b>	<b>0.7</b>

### Deposits

As of 30 September 2020, the bank had total deposits of Baht 180,535.4 million, increased by Baht 15,517.0 million or 9.4% from the end of the year 2019.

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

(Unit: Million Baht)

Classified by type of deposits	September	December	Variance	
	2020	2019	Amount	(%YTD)
Demand deposits	3,938.6	4,253.7	(315.1)	(7.4)
Savings deposits	83,218.3	62,044.9	21,173.4	34.1
Time deposits	64,113.2	65,147.7	(1,034.5)	(1.6)
Fixed deposits receipt	29,265.3	33,572.1	(4,306.8)	(12.8)
<b>Total deposits</b>	<b>180,535.4</b>	<b>165,018.4</b>	<b>15,517.0</b>	<b>9.4</b>

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

As of 30 September 2020, the capital to risk-weighted assets ratio (BIS ratio) increased by 20.463% from 19.265% as at 31 December 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 17.685%, 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 September 2020		As of 31 December 2019	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	34,076.3	17.685	34,578.3	16.481
Minimum rates required by law		7.000		7.000
The Difference		10.685		9.481
<b>Tier 1 capital funds</b>				
The Bank	34,076.3	17.685	34,578.3	16.481
Minimum rates required by law		8.500		8.500
The Difference		9.185		7.981
<b>Total capital funds</b>				
The Bank	39,428.8	20.463	40,421.1	19.265
Minimum rates required by law		11.000		11.000
The Difference		9.463		8.265

## 2. SECURITIES BUSINESS

### Land and Houses Securities Public Company Limited

#### Overview of the Stock Exchange of Thailand

After SETI had posed a sustained rise to retest its recent high at 1,454.95 in early June, Thai stocks saw a sideways down market throughout the third quarter, resulting SETI to drop and close at 1,237.04.

Given such a non-trending market environment, average daily turnover in this quarter shrank by 20% to Baht 56,139 million from a preceding quarter. Foreign investors was stubbornly net seller. Other groups of investors were net buyers while retail investors remained the most active players.

#### Analysis of Operating Results

The operating results of the company and its subsidiary for the third quarter of 2020 showed net profit of Baht 56.0 million, increased by 2.6% when compared to the third quarter of 2019.

For the 9-month period of 2020, the operating result of the company and its subsidiary showed net profit of Baht 158.7 million, increased by 13.4% when compared to the 9-month period of 2019.

### **Total Income**

In the third quarter of 2020, total income was Baht 135.0 million, decreased by 12.8% when compared to the third quarter of 2019.

For the 9-month period of 2020, total income of was Baht 426.3 million, increased by 2.5% when compared to the 9-month period of 2019. Total income included brokerage fees income, interest income, gains and return on financial instruments and other incomes.

### **Brokerage Fees Income**

In the third quarter of 2020, brokerage fees income was Baht 39.4 million, decreased by 2.7% when compared to the third quarter of 2019.

For the 9-month period of 2020, brokerage fees income of was Baht 139.0 million, increased by 32.1% when compared to the 9-month period of 2019.

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

In the third quarter of 2020, other incomes apart from brokerage fees income included interest income, gains and return on financial instruments and other incomes were Baht 9.8, 81.8 and 4.0 million, respectively.

For the 9-month period of 2020, other incomes apart from brokerage fees income included interest income, gains and return on financial instruments and other incomes were Baht 27.9, 253.8 and 5.6 million, respectively.

### **Total Expenses**

Total expenses included employee benefit expenses, fees and service expenses, interest expenses and other expenses.

In the third quarter of 2020, total expenses were Baht 72.3 million, decreased by 21.2% when compared to the third quarter of 2019.

For the 9-month period of 2020, total operating expenses were Baht 236.9 million, decreased by 8.6% when compared to the 9-month period of 2019.



**Table: Operating Results**

(Unit: Million Baht)

Items	Quater		Variance	Quater	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)		(%YoY)	2020	2019	(%YoY)
Brokerage fees income	39.4	52.2	(24.5)	40.5	(2.7)	139.0	105.2	32.1
Interest income	9.8	8.3	18.1	11.5	(14.8)	27.9	35.9	(22.3)
Gains and return on financial instruments	81.8	69.5	17.7	101.8	(19.6)	253.8	272.5	(6.9)
Other incomes	4.0	0.6	566.7	1.1	263.6	5.6	2.2	154.5
Total income	135.0	130.6	3.4	154.9	(12.8)	426.3	415.8	2.5
Total expenses	72.3	70.0	3.3	91.7	(21.2)	236.9	259.1	(8.6)
Profits before income tax	62.7	60.6	3.5	63.2	(0.8)	189.4	156.7	20.9
Income tax	6.7	7.9	(15.2)	8.6	(22.1)	30.7	16.8	82.7
Net profits	56.0	52.7	6.3	54.6	2.6	158.7	139.9	13.4
Basic earnings per share (Baht)	0.05	0.05	0.0	0.09	(44.4)	0.15	0.22	(31.8)

### 3. FUND MANAGEMENT BUSINESS

#### Land and Houses Fund Management Company Limited

##### Overview of Fund Management Business

In the third quarter of 2020, total net asset value of mutual funds was Baht 4.7 trillion, decreased from Baht 4.8 trillion in the previous quarter. Declining funds included equity fund, fixed income fund, mixed fund and fund of property fund declined, meanwhile, property fund and REIT increased in size.

##### Analysis of the Operating Results

In the third quarter of 2020, the operating result showed net profits of Baht 31.8 million, decreased by 18.3% when compared with the third quarter of 2019.

For the 9-month period of 2020, the operating results showed net profit of Baht 94.8 million, increased by 2.5% compared with the 9-month period of 2019.

### **Total Incomes**

In the third quarter of 2020, total incomes amounted to Baht 124.0 million, decreased by 21.4% when compared with the third quarter of 2019. The decrease was from fees and service income.

For the 9-month period of 2020, total incomes amounted to Baht 351.9 million, decreased by 6.7% when compared with the 9-month period of 2019. The decrease was from fees and service income.

### **Fees and Service Income**

In the third quarter of 2020, fees and service income amounted Baht 119.4 million, decreased by 20.7% when compared with the third quarter of 2019. The fee was mostly from mutual fund management which was 83.0% of fees and service income.

For the 9-month period of 2020, fees and service income amounted to Baht 337.2 million, decreased by 5.7% when compared with the 9-month period of 2019. The fee was mostly from mutual fund management which was 82.0% of fees and service income.

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

In the third quarter of 2020, other incomes apart from fees and service income included interest income, gains and return on financial instruments and other incomes were Baht 0.1, 3.3 and 1.2 million, respectively.

For the 9-month period of 2020, other incomes apart from fees and service income included interest income, gains and return on financial instruments and other incomes were Baht 0.2, 11.7, 2.8 million, respectively.

### **Total expenses**

In the third quarter of 2020, total expenses amounted to Baht 85.0 million, decreased by 22.6% when compared with the third quarter of 2019.

For the 9-month period of 2020, total expenses amounted to Baht 234.9 million, decreased by 11.1% when compared with the 9-month period of 2019.

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For 9-month periods		Variance
	3/2020	2/2020	(%QoQ)	3/2019	(%YoY)	2020	2019	(%YoY)
Fees and service income	119.4	102.0	17.1	150.6	(20.7)	337.2	357.4	(5.7)
Interest income	0.1	0.1	-	0.2	(50.0)	0.2	0.3	(33.3)
Gains and return on financial instruments	3.3	3.0	10.0	6.3	(47.6)	11.7	17.8	(34.3)
Other incomes	1.2	0.9	33.3	0.7	71.4	2.8	1.5	86.7
Total income	124.0	106.0	17.0	157.8	(21.4)	351.9	337.0	(6.7)
Total expense	85.0	70.3	20.9	109.8	(22.6)	234.9	264.1	(11.1)
Profits before income tax	39.0	35.7	9.2	48.0	(18.8)	117.0	112.9	3.6
Income tax	7.2	6.9	4.3	9.1	(20.9)	22.2	20.4	8.8
Net profits	31.8	28.8	10.4	38.9	(18.3)	94.8	92.5	2.5
Basic earnings per share (Baht)	10.60	9.61	10.3	12.95	(18.1)	31.59	30.82	2.5

### Net Asset Value under Management

As of 30 September 2020, the company had 96 funds under management, increased by 27 funds when compared with the end of year 2019 and had the total net asset value of Baht 57,998.9 million, decreased by 10.1% when compared with the end of year 2019. The company had the mutual funds under management consisting of:

- Property fund and REIT	Baht 31,711.0 million
- Fixed income fund	Baht 8,445.5 million
- Equity fund	Baht 6,951.7 million
- Mixed fund	Baht 2,507.0 million
- Fund of property fund	Baht 8,383.7 million

However, in case private fund worth Baht 7,811.2 million and provident fund worth Baht 3,587.2 million were included, the net asset value would be Baht 69,397.3 million.