



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

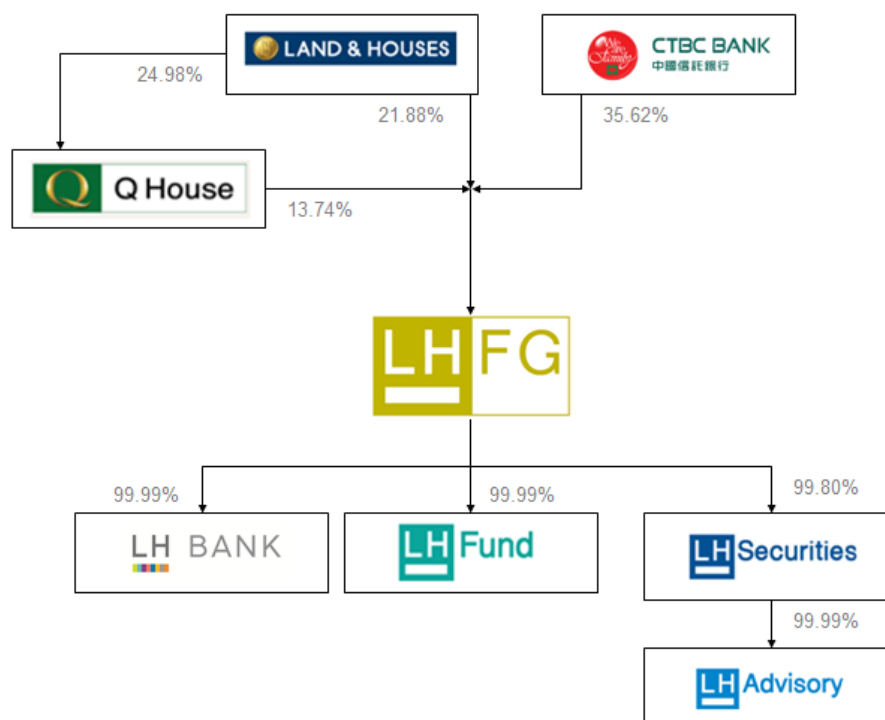
(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE UNREVIEWED AND UNAUDITED CONSOLIDATED FINANCIAL STATEMENT)

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

On June 8, 2016, the company has entered into a Share Subscription Agreement with CTBC Bank Company Limited (“CTBC Bank”) in order to introduce a strategic investment partner to expand the business potential of Land and Houses financial business group. The company agrees in principle to issue 7,544,961,342 new ordinary shares at Baht 2.20 per share totaling Baht 16,598,914,952.40 to offer CTBC Bank through private placement or 35.6169% of the total paid-up capital and on July 27, 2017, the company has received the subscription of the newly issued ordinary shares current from CTBC Bank, totaled Baht 16,598,914,952.40 and the company used proceeds from the capital increase to increased the capital in the Land and Houses Bank Public Company Limited. As a result the current shareholders structure as follows:



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

LH Financial Group Public Company Limited, Land and Houses Bank Public Company Limited and Land and Houses Fund Management Company Limited, are certified as a member of the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) by the Private Sector Collective Action Coalition Against Corruption Council in October 2014. 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) in 2014.

ESG100 Certificate of the Year 2017

LH Financial Group Public Company Limited is ranked among the top 100 for outstanding ESG performance in terms of environmental, social and governance (ESG 100) by Thaipat Institute which the company was voted for the third consecutive years.

However, the company's securities has selected in the SET High Dividend 30 Index or SETHD from the Stock Exchange of Thailand which the price index reference 30 shares group in the SET100 index that has value following the market capitalization and has the high and continuous yielding dividend 3 years ago.

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

Thai Investors Association had assessed the Annual General Meeting of Shareholders of LH Financial Group Public Company Limited and rated the company in "Excellent" level with the full assessment score of 100 for five consecutive years under quality assessment for the arrangement of its 2016 Annual General Meeting of the Shareholders. And also on July 27, 2016 the company has received award in "Investors' Choice Awards 2016" from Thai Investors Association.

Performance Evaluation of Corporate Governance

Thai Institute of Directors Association (IOD) disclosed the result of the 2016 Corporate Governance Report evaluation of Thai Listed Companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars".

Overview of Economy and Competition in Commercial Banking

The Thai economy in the third quarter of 2017 accelerated from the earlier period. The main impulsion were continued expansion both merchandise exports and tourism. The value of merchandise exports, consistent with the faster economic growth among Thailand's trading partners. Tourism sector continued to expand from the increasing number of tourists in the most nationalities, especially tourists from China and ASEAN countries. Private consumption and public spending continued to grow from the previous quarter. Meanwhile, the private investment is on the path of recovery.

As the growth of economics from the above mentions, the Thai economy was expected to gain further growth which the Bank of Thailand projected to record the growth of 3.8% in 2017 (as of September 2017). However, the economic growth in the next period still challenge with uncertainties from both domestic and the international, such as the impacts from the measure of organizing on the immigrant workers, the US economic and international trading policies and geopolitical risks which effect to the expanding of the export sector.

For the banking sector, in the third quarter of 2017, the overall of commercial bank lending increased from the previous quarter. The main focus is on the export sector according to the economic direction. However, the commercial banks remained cautious in loan credits as their concern on loan portfolio quality which is non-performing, especially household and small business loan. Although, the non-performing loans affected profitability, but the Thai commercial banking system still remained sturdy.

Credit Rating

Land and Houses Bank Public Company Limited is assigned the company rating of "A-" (Single A Minus), affirms the rating of LH BANK's hybrid Tier 2 capital securities at "BBB" and the results also affirmed the rating on credit alert with a "positive" by TRIS Rating.

Branch Networking

As of 30 September 2017, Land and Houses Bank Public Company Limited has the total 133 branches, the number of branches is equal to the year of 2016. Most of the provincial branches have been opened in HomePro. The bank allied with Home Product Center Public Company Limited to expand branches in all provinces where HomePro located. The bank's branch expansion strategy is to have the nationwide service points for expanding the customer base.

Products and Services

Land and Houses Bank Public Company Limited has continuously developed the financial products and services to respond the needs of the customer. The bank's products and services can be divided into 4 main categories as follows;

1. Deposit Service

The bank has continued to develop and design new financial products, which are suitable for occupations and financial positions of various customer groups by offering the return of an investment incentives and various benefits for the customers which is boost the competitive of the bank. In addition, the bank holds various recreational activities to reward the customers to maintain the deposit customers, which receive the well feedback from the customers.

The bank provides various categories of the deposits as follows: Saving Super Shield, Saving Deposit, Non-Fixed Deposit, Current Deposit, Fixed Deposit and Tax Free Deposit.

2. Loan Service

The bank categorizes customers into the different groups to continue develop the good relationship with all customer groups and to propose the complete financial products and services to respond the demanding of each customer group. The bank shall consider the loan type, interest rate, credit type, repayment period which is suitable for each business of the customer, with the fast process of loan approval. Moreover, the bank categorizes its loan services into 3 business sectors such as; loan service for big corporate & corporate, loan service for SMEs & SSME and retail loan.

3. Electronic Service

At present, Thailand is entering to the Digital Transformation and the government policy in implementing plan to Digital Economy which the bank give the prioritize to promote the product innovation development and digital financial service for helping customers' save traveling time, reduce their expenses and service convenience such as;

3.1 LH Bank M Choice Service is a financial transaction service with the security equal to the global standard on smartphone, iPad and tablet. This service provides an easy-to-use and response in various applications, especially, convenient, faster and unlimited transaction in everywhere that it will help to ensure in transactions. The service offers a variety of facilities such as check balance, funds transfer, payment of goods and services, finding the location of the nearest branch or ATM machine of the bank etc. under the slogan "**LH Bank M Choice is financial transaction in one application**".

3.2 LH Bank Speedy is an internet banking service which accommodates the financial transactions that can perform transactions on anywhere and anytime with a double security system and easy-to-use menu to make sure for the financial transactions. It provides the services of money transfer within the bank and other bank, payment for goods and services, loan payment, cheque status checking, stop cheque, and account status checking.

3.3 LH Bank PromptPay Service is a new service to transfer funds for reducing the cash handing by linking the citizen ID card or mobile phone numbers with LH Bank's account number to transfer or receive money easily.

3.4 Automatic Teller Machine Service (ATM) is a withdrawal services, money transfer within the bank, money transfer to the account of other bank, and payment for goods and services, including the bank's ATM support to withdraw Baht currency all of the bank in Thailand and accepts to JCB (Japan Credit Bureau) and UPI (UnionPay International) cards to provide service for foreign businessman and traveler. As of the end of third quarter of 2017, there are 204 Automatic Teller Machines.

3.5 ATM Chip Card Service and Debit Chip Card Service are ATM cards which enhance security of ATM service by using chip card to record customer's data and can provide more convenience for financial transactions 24 hours a day. The services provide customers to do the following transactions; withdrawal, money transfer, loan payment, and product and service payment including the bank partnered with UnionPay International to provide the convenience for financial transactions. The debit card can be used in overseas via ATM machines and UnionPay International shop members covered many countries around the world.

4. Other services

4.1 Cash Management Service is a financial service to support the financial management that is convenient and fast, reduces document work, reduce management costs and increase efficiency in business management, including salary payroll, bulk payment for retail fund transfer to another bank, bill payment for products and services via the bank and direct debit / direct credit and an automatic transfer system (ATS).

4.2 Insurances Service is a service to provide life insurance brokerage services and insurance against loss which the customer can choose the insurance on the needs of customers.

4.3 Mutual Fund Selling Agent Service is a selling agent of the unit trusts for many asset management companies, which offer mutual funds of various types from debt instruments, equity instruments, equity to Retirement Mutual Funds (RMF) and Long-Term equity Funds (LTF).

4.4 LH Bank Privilege Banking Service is a new service to privileged financial service for high end customers with various benefits consists of financial consulting and planning services with effective management to achieve high returns. This service also provides the discount of transaction fee and various privileges.

4.5 Currency Exchange Service is the service of currency exchange, namely USD (US Dollar), EUR (Euro), GBP (British Pound), AUD (Australian Dollar), JPY (Yen), SGD (Singapore Dollar), HKD (Hong Kong Dollar), CNY (Chinese Yuan) and KRW (South Korean Won).

4.6 Credit Bureau Checking Service is a service with more convenient for customer and people who need to check their credit bureau which available in all branches nationwide.

4.7 Goods and Services Payment Service includes the utility charges, credit card, insurance premium, other expenses and automatic transfer system. The bank is also an agent of Counter Service and True Money, accepting payments for more than 500 items of goods and services.

4.8 Revenue Tax Payment Service provides the convenience and offer the available various channels to customers and the general public in tax payment via any channels, such as the bank's counters at all branches across the country, LH Bank ATM, internet banking service (LH Bank Speedy) and banking service on smartphone (LH Bank M Choice). The service is respond to the customer and the other people to pay the tax with the convenient and faster.

Analysis of the Operating Results

The management discussion and analysis of operating results of LH Financial Group Public Company Limited and its subsidiaries performance are the comparative performance of the third quarter of 2017 and the third quarter of 2016;

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---|---------|---------|----------|---------|----------|------------------------|---------|----------|
| | 3/2017 | 2/2017 | (%QoQ) | 3/2016 | (%YoY) | 2017 | 2016 | (%YoY) |
| Net interest income | 1,270.2 | 1,228.8 | 3.4 | 1,188.7 | 6.9 | 3,694.5 | 3,607.0 | 2.4 |
| Net non-interest income | 363.1 | 387.5 | (6.3) | 530.5 | (31.6) | 1,096.0 | 1,700.2 | (35.5) |
| Operating income | 1,633.3 | 1,616.3 | 1.1 | 1,719.2 | (5.0) | 4,790.5 | 5,307.2 | (9.7) |
| Other operating expenses | 675.7 | 689.0 | (1.9) | 661.9 | 2.1 | 2,037.9 | 1,939.9 | 5.1 |
| Bad debts, doubtful accounts and impairment loss | 140.0 | 192.1 | (27.1) | 200.0 | (30.0) | 487.2 | 805.0 | (39.5) |
| Income tax expenses | 146.9 | 118.7 | 23.8 | 158.9 | (7.6) | 391.6 | 490.2 | (20.1) |
| Profits before bad debts and doubtful accounts, and income tax expenses | 957.6 | 927.3 | 3.3 | 1,057.3 | (9.4) | 2,752.6 | 3,367.3 | (18.3) |
| Profits before income tax expenses | 817.6 | 735.2 | 11.2 | 857.3 | (4.6) | 2,265.4 | 2,562.3 | (11.6) |
| Net profits | 670.7 | 616.5 | 8.8 | 698.4 | (4.0) | 1,873.8 | 2,072.1 | (9.6) |
| Earnings per share (Baht) | 0.04 | 0.05 | (20.0) | 0.05 | (20.0) | 0.12 | 0.15 | (20.0) |

The company and its subsidiaries' the operation had net profits in the third quarter of 2017 amounted of Baht 670.7 million, decreased by 4.0% when compared to the third quarter of 2016. The result from net non-interest income decreased by 31.6%.

The company and its subsidiaries' the operation had net profits for the nine-month period of 2017 amounted of Baht 1,873.8 million, decreased by 9.6% when compared to the nine-month period of 2016 were Baht 2,072.1 million. The result from net non-interest income decreased by 35.5% and bad debt and doubtful accounts decreased by 39.5% due to the allowances for bad debt and doubtful accounts of the bank are adequate as seen from high proportion of loan loss reserves ratio is at 184.32%.

Earnings per share for the third quarter and the nine-month period of 2017 were Baht 0.04 per share and Baht 0.12 per share, respectively. When compared to the third quarter and the nine-month period of 2016 were Baht 0.05 per share and Baht 0.15 per share, respectively.

Net Interest Income

In the third quarter of 2017, they had net interest income amounted of Baht 1,270.2 million, increased by 6.9% when compared to the third quarter of 2016, following the continues loan growth.

Net Non-interest Income

Net non-interest income are including net fees and service income, gains (losses) on trading and foreign exchange transactions, gains on investments, dividend income and other operating income.

In the third quarter of 2017, net non-interest income amounted of Baht 363.1 million, decreased by 31.6% when compared to the third quarter of 2016. Almost of net non-interest income are net fees and service income and dividend income.

Other Operating Expenses

In the third quarter of 2017, the company and its subsidiaries had other operating expenses amounted of Baht 675.7 million, increased by 2.1% when compared to the third quarter of 2016, almost of the increase of employees' expenses and premises and equipment expenses that provide for business expansion. The ratio of operating expenses to total operating income was at 41.4%, which was increased when compared to the third quarter of 2016 was at 38.5%.

For the nine-month period of 2017, the company and its subsidiaries had other operating expenses amounted of Baht 2,037.9 million, increased by 5.1% when compared to the nine-month period of 2016, almost of the increase of employees' expenses and premises and equipment expenses that provide for business expansion.

Table: Other Operating Expenses

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---------------------------------|--------------|--------------|--------------|--------------|------------|------------------------|----------------|------------|
| | 3/2017 | 2/2017 | (%QoQ) | 3/2016 | (%YoY) | 2017 | 2016 | (%YoY) |
| Employees' expenses | 344.8 | 349.6 | (1.4) | 336.8 | 2.4 | 1,046.0 | 980.7 | 6.7 |
| Premises and equipment expenses | 185.7 | 185.1 | 0.3 | 179.2 | 3.6 | 553.1 | 527.6 | 4.8 |
| Other expenses | 145.2 | 154.3 | (5.9) | 145.9 | (0.5) | 438.8 | 431.6 | 1.7 |
| Total | 675.7 | 689.0 | (1.9) | 661.9 | 2.1 | 2,037.9 | 1,939.9 | 5.1 |

Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the third quarter of 2017, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 957.6 million, decreased by 9.4% when compared to the third quarter of 2016.

Analysis of the Financial Position

The management discussion and analysis of the financial position of LH Financial Group Public Company Limited and its subsidiaries are comparative performance of the financial position as of 30 September 2017 and 31 December 2016.

Total Assets

As of 30 September 2017, the company and its subsidiaries had total assets amounted of Baht 225,207.7 million, increased by Baht 13,060.5 million when compared at the end of the year 2016 or up to 6.2%. Core assets comprise of loans to customers-net at 63.9% of total assets, followed by investments-net at 25.1% of total assets.

Table: Total Assets

(Unit: Million Baht)

| Items | September | December | Variance | |
|--|------------------|------------------|-----------------|------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Interbank and money market items - net | 20,481.4 | 17,326.4 | 3,155.0 | 18.2 |
| Investments - net | 56,603.2 | 52,675.8 | 3,927.4 | 7.5 |
| Loans to customers - net | 143,956.4 | 138,200.0 | 5,756.4 | 4.2 |
| Loans to customers net of deferred revenue | 147,259.9 | 141,070.3 | 6,189.6 | 4.4 |
| Other assets - net | 4,166.7 | 3,945.0 | 221.7 | 5.6 |
| Total assets | 225,207.7 | 212,147.2 | 13,060.5 | 6.2 |

Total Liabilities

As of 30 September 2017, the company and its subsidiaries had total liabilities amounted of Baht 187,629.3 million, decreased by Baht 4,202.3 million when compared at the end of the year 2016, or down to 2.2%. Almost of total liabilities were deposits, which were 78.3% of total liabilities.

Owners' Equity

As of 30 September 2017, owners' equity amounted of Baht 37,578.4 million, increased by Baht 17,262.8 million when compared at the end of the year 2016, or up to 85.0%. The increased amount came from capital increase of CTBC Bank amounted of Baht 16,598.9 million at the end of July 2017.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

| Items | September | December | Variance | |
|-----------------------------------|------------------|------------------|------------------|--------------|
| | 2017 | 2016 | Amount | (% YTD) |
| Deposits | 146,943.3 | 149,097.1 | (2,153.8) | (1.4) |
| Interbank and money market items | 8,979.5 | 20,009.9 | (11,030.4) | (55.1) |
| Debts issued and borrowings - net | 29,212.7 | 20,327.5 | 8,885.2 | 43.7 |
| Other liabilities | 2,493.8 | 2,397.1 | 96.7 | 4.0 |
| Total liabilities | 187,629.3 | 191,831.6 | (4,202.3) | (2.2) |
| Total owners' equity | 37,578.4 | 20,315.6 | 17,262.8 | 85.0 |

Number of Employees

As of 30 September 2017, the company and its subsidiaries had 1,777 employees, decreased by 73 employees when compared to 31 December 2016.

The Subsidiaries Performance Analysis

1. COMMERCIAL BANKING BUSINESS

Land and Houses Bank Public Company Limited

Analysis of the Operating Results

The management discussion and analysis of operating results of Land and Houses Bank Public Company Limited performance is comparative performance of the third quarter of 2017 and the third quarter of 2016;

Table: Operating Results

(Unit: Million Baht)

| Items | Quarter | | Variance | Quarter | Variance | For nine-month periods | | Variance |
|---|---------|---------|----------|---------|----------|------------------------|---------|----------|
| | 3/2017 | 2/2017 | (%QoQ) | 3/2016 | (%YoY) | 2017 | 2016 | (%YoY) |
| Net interest income | 1,267.5 | 1,228.1 | 3.2 | 1,189.1 | 6.6 | 3,691.5 | 3,605.4 | 2.4 |
| Net non-interest income | 212.1 | 173.0 | 22.6 | 373.8 | (43.3) | 590.6 | 1,324.1 | (55.4) |
| Operating income | 1,479.6 | 1,401.1 | 5.6 | 1,562.9 | (5.3) | 4,282.1 | 4,929.5 | (13.1) |
| Other operating expenses | 579.9 | 588.9 | (1.5) | 595.5 | (2.6) | 1,762.9 | 1,748.5 | 0.8 |
| Bad debts, doubtful accounts and impairment loss | 140.0 | 192.1 | (27.1) | 200.0 | (30.0) | 487.1 | 805.0 | (39.5) |
| Income tax expenses | 139.4 | 110.5 | 26.2 | 147.1 | (5.2) | 369.9 | 462.1 | (20.0) |
| Profits before bad debts and doubtful accounts, and income tax expenses | 899.7 | 812.2 | 10.8 | 967.4 | (7.0) | 2,519.2 | 3,181.0 | (20.8) |
| Profits before income tax expenses | 759.7 | 620.1 | 22.5 | 767.4 | (1.0) | 2,032.1 | 2,376.0 | (14.5) |
| Net profits | 620.3 | 509.6 | 21.7 | 620.3 | - | 1,662.2 | 1,913.9 | (13.2) |
| Earnings per share (Baht) | 0.34 | 0.36 | (5.6) | 0.44 | (22.7) | 1.08 | 1.37 | (21.2) |

Land and Houses Bank Public Company Limited's the operating results had net profits in the third quarter of 2017 and the third quarter of 2016 amounted of Baht 620.3 million.

The bank's the operating results had net profits for the nine-month period of 2017 amounted of Baht 1,662.2 million, decreased by 13.2% when compared to the nine-month period of 2016. The decreases were the result of net non-interest income 55.4% and bad debt and doubtful accounts decreased by 39.5% due to the allowances for bad debt and doubtful accounts of the bank are adequate with the Bank of Thailand's guidelines.

Bad Debts, Doubtful Accounts and Impairment Loss

The bank had bad debts and doubtful accounts following the Bank of Thailand's guidelines and evaluate the position of debtors from experience. The bank has set aside of reserves for bad debts, doubtful accounts and impairment loss in the third quarter of 2017 amounted of Baht 140.0 million, decreased by 30.0% when compared to the third quarter of 2016, high proportion of loan loss reserves ratio at 184.32%.

Earnings per share for the third quarter of 2017 were Baht 0.34 per share, decreased by 22.7% when compared to the third quarter of 2016.

Analysis of the Financial Position

The Management Discussion and Analysis of the financial position of Land and Houses Bank Public Company Limited is comparative performance of the financial position as of 30 September 2017 and 31 December 2016.

Total Assets

As of 30 September 2017, the bank had total assets amounted of Baht 222,543.4 million, increased by Baht 12,848.4 million when compared at the end of the year 2016 or up to 6.1%. Core assets comprise of loans to customers - net at 64.5% of total assets, followed by investments - net at 24.2% of total assets.

Table: Total Assets

(Unit: Million Baht)

| Items | September | December | Variance | |
|--|------------------|------------------|-----------------|------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Interbank and money market items - net | 21,691.7 | 17,961.1 | 3,730.6 | 20.8 |
| Investments - net | 53,795.6 | 49,978.1 | 3,817.5 | 7.6 |
| Loans to customers - net | 143,550.6 | 138,280.2 | 5,270.4 | 3.8 |
| Loans to customers net of deferred revenue | 146,844.2 | 141,144.6 | 5,699.6 | 4.0 |
| Other assets - net | 3,505.5 | 3,475.6 | 29.9 | 0.9 |
| Total assets | 222,543.4 | 209,695.0 | 12,848.4 | 6.1 |

Loans to Customers

Loans to customers classified by business sector can be divided into Big Corporate & Corporate, SMEs & SSME and Retail.

As of 30 September 2017, the bank had loans to customers (excluding interbank and money market items) amounted of Baht 146,844.2 million, increased by Baht 5,699.6 million when compared at the end of the year 2016, or up to 4.0%. Almost of total loans to customers were Big Corporate & Corporate at 62.6%, followed by Retail at 20.6% and SMEs & SSME at 16.8% of total loans.

When classified by type of business loans, the most portion of them was public utilities and services at 24.9%, followed by manufacturing and commerce sector at 22.9% and housing loans sector at 19.2% of total loans.

Big Corporate & Corporate

As of 30 September 2017, the bank had total loans to customers of Big Corporate & Corporate amounted of Baht 91,882.6 million, increased by Baht 6,121.8 million when compared at the end of the year 2016, or up to 7.1%.

SMEs & SSME

As of 30 September 2017, the bank had total loans to customers of SMEs & SSME amounted of Baht 24,637.7 million, increased by Baht 386.3 million when compared at the end of the year 2016, or up to 1.6%.

Retail

As of 30 September 2017, the bank had total loans to customers of Retail amounted of Baht 30,323.9 million, decreased by Baht 808.5 million when compared at the end of the year 2016, or down 2.6%.

Table: Loans to Customers Classified by Business Sector

(Unit: Million Baht)

| Loans to customers classified by business sector | September | December | Variance | |
|---|------------------|------------------|----------------|------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Big Corporate & Corporate | 91,882.6 | 85,760.8 | 6,121.8 | 7.1 |
| SMEs & SSME | 24,637.7 | 24,251.4 | 386.3 | 1.6 |
| Retail | 30,323.9 | 31,132.4 | (808.5) | (2.6) |
| Total loans to customers net of deferred revenue * | 146,844.2 | 141,144.6 | 5,699.6 | 4.0 |

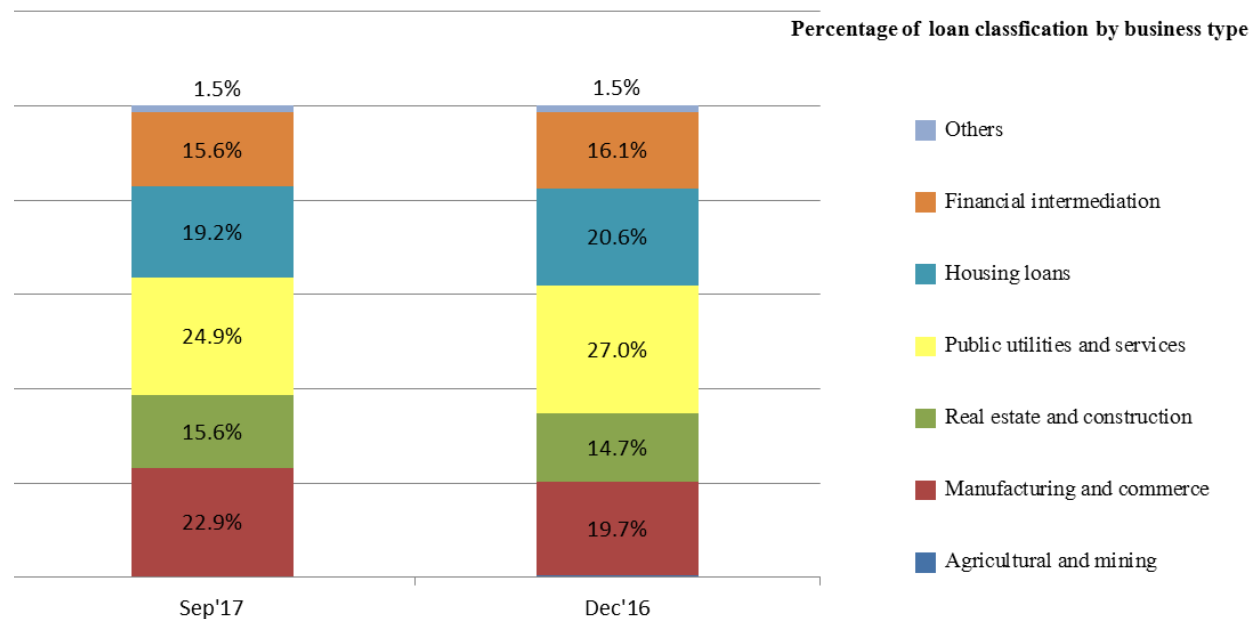
Note: * Total loans to customers net of deferred revenue excluding interbank and money market items

Table: Loans to Customers Classified by Type of Business

(Unit: Million Baht)

| Loans to customers classified by type of business loans | September | December | Variance | |
|--|------------------|------------------|----------------|------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Agricultural and mining | 430.1 | 488.4 | (58.3) | (11.9) |
| Manufacturing and commerce | 33,615.0 | 27,844.6 | 5,770.4 | 20.7 |
| Real estate and construction | 22,834.9 | 20,789.9 | 2,045.0 | 9.8 |
| Public utilities and services | 36,624.1 | 38,074.2 | (1,450.1) | (3.8) |
| Housing loans | 28,229.7 | 29,134.9 | (905.2) | (3.1) |
| Financial intermediation | 22,934.3 | 22,757.2 | 177.1 | 0.8 |
| Others | 2,176.1 | 2,055.4 | 120.7 | 5.9 |
| Total loans to customers net of deferred revenue * | 146,844.2 | 141,144.6 | 5,699.6 | 4.0 |

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



Non-Performing Loans

As of 30 September 2017, the bank had non-performing loans (Gross) amounted of Baht 3,442.5 million, increased by Baht 676.6 million when compared at the end of the year 2016 or up to 24.5%. The ratio of NPLs to total loans at 2.07% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,618.0 million, increased by Baht 429.6 million when compared at the end of the year 2016 or up to 19.6%. The ratio of NPLs (Net) at 1.58% of total loans after deducted allowance for doubtful debts of non-performing loans.

Allowance for Doubtful Debts

As of 30 September 2017, the bank had allowance for doubtful debts amounted of Baht 3,525.5 million, increased by Baht 446.9 million when compared at the end of the year 2016, or up to 14.5%.

Investments in Securities

As of 30 September 2017, the bank had net investments in securities which had book value amounted of Baht 53,795.6 million, increased by Baht 3,817.5 million when compared at the end of the year 2016, or up to 7.6%.

Total Liabilities

As of 30 September 2017, the bank had total liabilities amounted of Baht 187,218.8 million, decreased by Baht 4,978.3 million when compared at the end of the year 2016, or down to 2.6%, mainly from deposit at 78.5% of total liabilities.

Deposits

As of 30 September 2017, the bank had total deposits amounted of Baht 146,983.4 million, decreased by Baht 2,656.1 million when compared at the end of the year 2016, or down 1.8%.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

| Classified by type of deposits | September | December | Variance | |
|--------------------------------|------------------|------------------|------------------|--------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Demand deposits | 2,747.6 | 5,061.1 | (2,313.5) | (45.7) |
| Savings deposits | 80,797.7 | 65,119.7 | 15,678.0 | 24.1 |
| Time deposits | 45,756.8 | 50,648.2 | (4,891.4) | (9.7) |
| Fixed deposits receipt | 17,681.3 | 28,810.5 | (11,129.2) | (38.6) |
| Total deposits | 146,983.4 | 149,639.5 | (2,656.1) | (1.8) |

Owners' Equity

As of 30 September 2017, owners' equity amounted of Baht 35,324.6 million, increased by Baht 17,826.7 million when compared at the end of the year 2016, or up to 101.9%. The increased amount came from capital increase of LH Financial Group Public Company Limited amounted of Baht 16,598.9 million at the end of July 2017, which came from capital increase of CTBC Bank.

Table: Total Liabilities and Owners' Equity

(Unit: Million Baht)

| Items | September | December | Variance | |
|-----------------------------------|------------------|------------------|------------------|--------------|
| | 2017 | 2016 | Amount | (%YTD) |
| Deposits | 146,983.4 | 149,639.5 | (2,656.1) | (1.8) |
| Interbank and money market items | 9,008.6 | 20,053.8 | (11,045.2) | (55.1) |
| Debts issued and borrowings - net | 29,296.2 | 20,464.7 | 8,831.5 | 43.2 |
| Other liabilities | 1,930.6 | 2,039.1 | (108.5) | (5.3) |
| Total liabilities | 187,218.8 | 192,197.1 | (4,978.3) | (2.6) |
| Total owners' equity | 35,324.6 | 17,497.9 | 17,826.7 | 101.9 |

Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 30 September 2017, the ratio of total capital fund to risk assets (BIS ratio) at 23.054%, higher than the 9.750% minimum rate required by the Bank of Thailand and increasing from 31 December 2016 at 13.706%.

The ratio of Tier I capital fund to risk assets was 19.690%, higher than the 7.250% minimum rate required by the Bank of Thailand.

Table: The Ratio of Capital Fund to Risk Assets

| The ratio of capital fund to risk assets | As of 30 September 2017 | | As of 31 December 2016 | |
|---|-------------------------|--------|------------------------|--------|
| | Million Baht | % | Million Baht | % |
| Common Equity Tier-1 capital funds | | | | |
| The Bank | 33,831.3 | 19.690 | 16,557.5 | 10.195 |
| Minimum rates required by law * | | 5.750 | | 5.125 |
| The Difference | | 13.940 | | 5.070 |
| Tier 1 capital funds | | | | |
| The Bank | 33,831.3 | 19.690 | 16,557.5 | 10.195 |
| Minimum rates required by law * | | 7.250 | | 6.625 |
| The Difference | | 12.440 | | 3.570 |
| Total capital funds | | | | |
| The Bank | 39,611.2 | 23.054 | 22,259.3 | 13.706 |
| Minimum rates required by law * | | 9.750 | | 9.125 |
| The Difference | | 13.304 | | 4.581 |

Note: * The commercial bank add-ons the ratio of capital buffer 0.625% per annum, which has started from 1 January 2016.

2. SECURITIES BUSINESS

Land and Houses Securities Public Company Limited

Land and Houses Securities Public Company Limited was a “broker No.5” of the Stock Exchange of Thailand and the services were as follows;

- Securities brokerage service
- Securities underwriting service
- Investment advisory service
- Derivatives trading agent business
- Securities borrowing and lending service
- Sales and redemption representative

Overview of the Stock Exchange of Thailand

Thai Stock Market in the third quarter of 2017 rallied to mark another year to date high at 1,673.16, gain 3.38% from last month or increased 7.01% YTD. Bank of Thailand raised its economic growth forecast for this year to 3.8% from 3.5%, upgraded its estimate for exports. In the medium to long term, we has a positive view toward equity market because of Thai economic recovery and performance of listed companies tend to continuously improve. Moreover, The Stock Exchange Thailand remains attractive compared to other stock markets in the region.

Analysis of the Operating Results

The operating results of Land and Houses Securities Public Company Limited and its subsidiary in the third quarter of 2017 had net profit amounted Baht 27.97 million, decreased by Baht 7.22 million when compared to the third quarter of 2016, or down 20.52%.

The operating result of Land and Houses Securities Public Company Limited and its subsidiary of the nine-month periods ended 30 September 2017 had net profit amounted Baht 85.96 million, decreased by Baht 14.01 million when compared to the same period of 2016, or down 14.01%.

Total Incomes

Total incomes in the third quarter of 2017 were Baht 98.60 million, increased by Baht 12.33 million when compared to the third quarter of 2016, or up 14.29%.

Total incomes of the nine-month periods ended 30 September 2017 were Baht 285.91 million, increased by Baht 43.24 million when compared to the same period of 2016, or up 17.82%. Total incomes were included brokerage fees income, fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes.

Brokerage Fees Income

Brokerage fees income from securities business and derivatives business in the third quarter of 2017 were Baht 37.20 million, increased by Baht 13.16 million when compared to the third quarter of 2016, or up to 54.73%.

Brokerage fees income from securities business and derivatives business of the nine-month periods ended 30 September 2017 were Baht 100.75 million, increased by Baht 34.16 million when compared to the same period of 2016, or up to 51.30%.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income of the nine-month periods ended 30 September 2017 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.60, 19.67, 164.38 and 0.51 million, respectively.

Total Operating Expenses

Total operating expenses in the third quarter of 2017 were Baht 66.43 million, increased by Baht 22.17 million when compared to the third quarter of 2016, or up to 50.10%.

Total operating expenses of the nine-month periods ended 30 September 2017 were Baht 189.33 million, increased by Baht 61.99 million when compared to the same period of 2016, or up to 48.68%. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs and other expenses.

3. FUND MANAGEMENT BUSINESS

Land and Houses Fund Management Company Limited

Land and Houses Fund Management Company Limited runs a business to manage mutual fund, property fund, real estate investment trust, provident fund and private fund.

Overview of Fund Management Business

In the third quarter of 2017, for the overall in the old direction was that fixed income funds had 55.93% which was the largest proportion in the industry, followed by equity funds was 25.36% and mixed funds was 6%, respectively. The investors continue to invest or diversify their investment in foreign assets, especially fixed income foreign investment. As a result, the foreign investment funds (FIFs) overall maximum increased by 24% and net assets valued more than Baht 1.1 trillion.

In addition, the capital market during the period of after the middle year (after the second quarter of 2017) which has a positive impact on investment with more than 13 the fund asset management companies established the corporate fund (CG Fund) for raise funds through the 14 CG funds more than Baht 22,000 million. Of these 2 main factors, as a result, the proportion overall of the equity funds grew up 7.74%, or net assets valued more than Baht 88,000 million.

The investment overall above, as a result that the fund management business continued growth more than 4.34% from the end of 2016 with the total net assets valued Baht 4.85 trillion.

Analysis of the Operating Results

The operating results of Land and Houses Fund Management Company Limited is the comparative performance of the third quarter of 2017 compared to the third quarter of 2016 as follows;

The third quarter of 2017, the operating result of the company had net profit amounted to Baht 17.85 million, decreased by Baht 5.70 million when compared to the third quarter of 2016, or down to 24.19% due to the result of fees income and service income under management decreasing ,because of fund size of term fund decreasing.

For the nine-month period of 2017, the operating result of the company had net profit amounted to Baht 58.50 million, increased by Baht 2.11 million when compared to the nine-month period of 2016, or up to 3.74% due to the result of fees income and service income under management increasing.

Total Incomes

Total Incomes of the third quarter of 2017 amounted to Baht 74.76 million, decreased by Baht 8.59 million when compared to the third quarter of 2016, or down to 10.30%. The fee was mainly from fund management accounted for 74.03% of fee and service income.

Total incomes for the nine-month period of 2017 were Baht 221.94 million, increased by Baht 8.04 million when compared to the nine-month period of 2016, or up to 3.76%. Total incomes were included fees and services income and other incomes.

Fees and Service Income

Fees and service income for the third quarter of 2017 amounted to Baht 68.55 million, decreased by Baht 9.13 million when compared to the third quarter of 2016, or down by 11.76%.

Fees and service income for the nine-month period of 2017 amounted to Baht 204.94 million or increased by Baht 15.29 million when compared to the the nine-month period of 2016 ,or up to 8.06%.

Other Income apart from fees and service income

Other incomes apart from fee and service income were included for the nine-month period of 2017 consists of other income amounted to Baht 17.00 million.

Total Expenses

Total expenses of the third quarter 2017 the amounted Baht 53.61 million, decreased by Baht 1.20 million when compared to the third quater of 2017, or down by 2.19%.

Total expenses for the nine-month period of 2017 amounted to Baht 152.38 million or increased by Baht 7.63 million when compared to the nine-month period of 2016 ,or up to 5.27%

Net Asset Value under Management

As of 30 September 2017, there were 54 funds under management which were unchanged funds when compared to the same period of the previous year. The company had the total net asset value of Baht 51,332.2 million, decreased by Baht 10,407.7 million or down 16.86% when compared to the same period of the previous year. Therefore, the company had the market share of 1.06%, ranked 12th from 23 companies. with the mutual funds under management consist of:

| | |
|--|-----------------------|
| - Property fund and real estate investment trust | Baht 30,879.8 million |
| - General fixed income fund | Baht 11,765.2 million |
| - Equity fund | Baht 1,720.5 million |
| - Mixed fund | Baht 2,684.5 million |
| - Fund of property fund | Baht 4,282.2 million |

In addition, in case included private fund and provident fund , the company had net asset value as of 30 September 2017 for Baht 59,397.8 million, which came from private fund for Baht 5,565.9 million and provident fund for Baht 2,499.7 million.