



LH FINANCIAL GROUP PUBLIC COMPANY LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 31 DECEMBER 2017

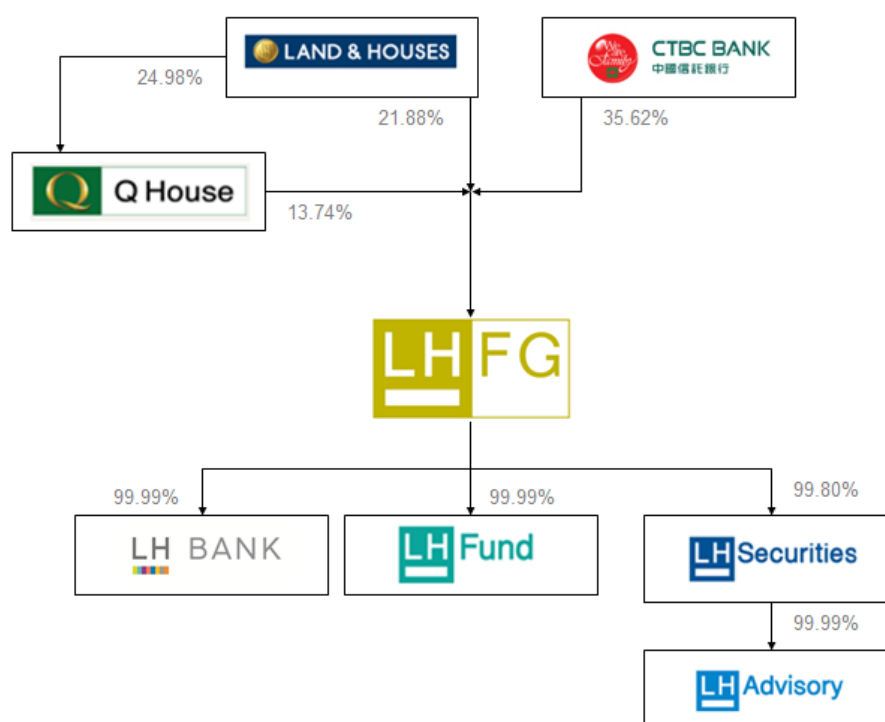
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE AUDITED
CONSOLIDATED FINANCIAL STATEMENT)**

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

On July 27, 2017, CTBC Bank Company Limited has entered into the shareholder of the company amount of 7,544,961,342 shares or 35.6169% of the paid-up capital. 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. 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 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 four consecutive years.

Performance Evaluation of Corporate Governance

Thai Institute of Directors Association (IOD) disclosed the result of the 2017 Corporate Governance Report evaluation of Thai Listed Companies, LH Financial Group Public Company Limited was rated in the top level of "Excellence : 5 Stars" for three consecutive years.

Overview of Economy and Competition in Commercial Banking

In 2017, the Thai economy continued to gain further traction underpinned by an accelerated expansion of merchandise exports and tourism. The value of merchandise exports in 2017 grew around 10%, compared to 0.5% in 2016. Tourism sector also grew in line with the higher number of foreign tourists in almost all nationality groups, especially the number of Chinese tourists. Meanwhile, domestic demand expanded at a gradual pace both the private consumption and investment. Public expenditure remained an important economic growth driver.

For the banking sector in the year 2017, overall commercial bank loans expanded at a greater pace than the previous year, in both corporate and consumer loans, in line with Thailand's economic expansion. However, the commercial banks remain cautious in lending as the loan quality continued to deteriorate especially SME loans reflecting the impact of past economic slowdown. The ratio of non-performing loans to total loans (NPL ratio) increased from 2.83% at the end of 2016 to 2.97% at the end of the third quarter 2017. However, Thai commercial banking system's remained resilient with high level of loan loss provision and capital fund to facilitate further credit expansion.

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 the end of 2017, Land and Houses Bank Public Company Limited has the total 133 branches, the number of branches is equal to the year of 2016.

Products and Services

Land and Houses Bank Public Company Limited has continuously developed for the financial products and services to meet the needs of the customer which the products and the services of the bank can be divided into 4 categories as follows:

1. Deposit Account Service

The bank has designed the new deposit account services continuously which had the various products to meet the appropriate of the customers. The bank has provided the products by offering the incentives rate alongside the any benefits which increased the competitiveness. Including the bank has provided the reward for customers by organized the activities to maintain the customers base and well received by the customers.

The bank has provided the services in the various deposit accounts such as Saving Super Shield Account, Saving Deposit Account, Non-Fixed Deposit Account, Current Account, Fixed Deposits Account and Tax-Free deposit Account etc.

2. Loan Services

The bank has divided the customers as the group to meet the needs of the customers, the bank pays attention the good relationship with all group customer and has offered the financial products and services completely for clearly respond the customers. The bank will consider provide the loan types, the interest rate, limit loan types and payment period to appropriate with the customer business types and provided the loans considering process fastly. The bank has divided the loan services into 3 business sectors consists of Big Corporate and Corporate Loan, SMEs and SME Loan, and Retail Loan.

3. Fianancial Electronic Services

Presently, Thailand will move to the Digital Transformation and the government policy in the Digital Economy operation plan. Therefore, the bank pays attention to the innovation products development and digital financial services for provide the time saving to the customers, expense saving and convenient service such as:

3.1 LH Bank M Choice Service is a financial transaction with security 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, locate 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 with

easy-to-use menu and to make sure for financial transactions. It provides services of payment for commodities and services transfer, cheque status checking, stop cheque, and account status checking. The Bank will send SMS to confirm results of all transactions with customers.

3.3 LH Bank PromptPay Service is a transfer service, which requires transferees to link their national ID or mobile phone number to Land and Houses Bank Public Company Limited's accounts. By doing so, transferors do not need the transferees' bank account details to transfer money.

3.4 Automatic Teller Machine Service (ATM) provides withdrawal services, money transfer within the bank, money transfer to the account of other bank, and payment for commodities 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 2017, there are 204 Automatic Teller Machines.

3.5 ATM Chip Card and Debit Chip Card is a security card with chip card in the information recording to increase the confidence and provided the convenient in the 24 hours financial transferring which the card can be withdrawal, fund transfer, loan payment, commodities and services payment including the bank has participated the UnionPay International, the customers can use the card at the ATM in aboard and UnionPay International member shop in various country.

4. Other Services

4.1 Cash Management 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 Insurance Services, the bank has provided the life insurance and non-life insurance brokerage which had the various insurance products for respond the customer needs.

4.3 Participating Dealer (PD), the bank was the PD for the fund management companies which had the various fund types consists of debt securities and equity instruments, retirement mutual fund and long term equity fund.

4.4 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).

4.5 Credit Bureau Checking Service is a service with more convenient for customer and people who need to check their credit bureau.

4.6 Goods and Services Payment Service includes utility charges, credit card, insurance premiums, 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.

4.7 Revenue Tax Payment Service provides convenience and offer 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 general public in tax payment with 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 year of 2017 and the year of 2016;

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2017	3/2017	(%QoQ)	4/2016	(%YoY)	2017	2016	(%YoY)
Net interest income	1,284.6	1,270.2	1.1	1,232.0	4.3	4,979.1	4,839.0	2.9
Net non-interest income	418.4	363.1	15.2	427.8	(2.2)	1,514.3	2,128.0	(28.8)
Operating income	1,703.0	1,633.3	4.3	1,659.8	2.6	6,493.4	6,967.0	(6.8)
Other operating expenses	682.8	675.7	1.1	661.6	3.2	2,720.6	2,601.5	4.6
Bad debts, doubtful accounts and impairment loss	130.0	140.0	(7.1)	220.0	(40.9)	617.2	1,025.0	(39.8)
Income tax expenses	160.6	146.9	9.3	153.8	4.4	552.2	644.1	(14.3)
Profits before bad debts and doubtful accounts, and income tax expenses	1,020.2	957.6	6.5	998.2	2.2	3,772.8	4,365.5	(13.6)
Profits before income tax	890.2	817.6	8.9	778.2	14.4	3,155.6	3,340.5	(5.5)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2017	3/2017	(%QoQ)	4/2016	(%YoY)	2017	2016	(%YoY)
expenses								
Net profits	729.6	670.7	8.8	624.4	16.8	2,603.4	2,696.4	(3.4)
Earnings per share (Baht)	0.03	0.04	(25.0)	0.05	(40.0)	0.15	0.20	(25.0)

The company and its subsidiaries' the operation had net profits on the fourth quarter of 2017 amounted of Baht 729.6 million, increased by 16.8% when compared to the fourth quarter of 2016. The result from net interest income increased by 4.3%.

The company and its subsidiaries' the operation had net profits for the year of 2017 amounted of Baht 2,603.4 million, decreased by 3.4% when compared to the year of 2016 were Baht 2,696.4 million. The result from net non-interest income decreased by 28.8% and bad debt and doubtful accounts decreased by 39.8% 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 186.08%.

Earnings per share for the fourth quarter and for the year of 2017 were Baht 0.03 per share and Baht 0.15 per share, respectively. When compared to the fourth quarter and for the year of 2016 were Baht 0.05 per share and Baht 0.20 per share, respectively.

Net Interest Income

In the fourth quarter of 2017, they had net interest income amounted of Baht 1,284.6 million, increased by 4.3% when compared to the basic earnings per share in the fourth 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 fourth quarter of 2017, net non-interest income amounted of Baht 418.4 million, decreased by 2.2% when compared to the fourth quarter of 2016. Almost of net non-interest income are net fees and service income and dividend income.

Other Operating Expenses

In the fourth quarter of 2017, the company and its subsidiaries had other operating expenses amounted of Baht 682.8 million, increased by 3.2% when compared to the fourth 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 40.1%, which was increased when compared to the fourth quarter of 2016 was at 39.9%.

For the year of 2017, the company and its subsidiaries had other operating expenses amounted of Baht 2,720.6 million, increased by 4.6% when compared to the year 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 years		Variance
	4/2017	3/2017	(%QoQ)	4/2016	(%YoY)	2017	2016	(%YoY)
Employees' expenses	334.5	344.8	(3.0)	320.1	4.5	1,380.5	1,310.5	5.3
Premises and equipment expenses	185.9	185.7	0.1	182.5	1.9	739.0	710.0	4.1
Other expenses	162.4	145.2	11.8	159.0	2.1	601.1	581.0	3.5
Total	682.8	675.7	1.1	661.6	3.2	2,720.6	2,601.5	4.6

Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses

In the fourth quarter of 2017, the company and its subsidiaries had profit before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,020.2 million, increased by 2.2% when compared to the fourth 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 31 December 2017 and 31 December 2016.

Total Assets

As of 31 December 2017, the company and its subsidiaries had total assets amounted of Baht 233,111.5 million, increased by Baht 20,964.3 million when compared at the end of the year 2016 or up to 9.9%. Core assets comprise of loans to customers-net at 64.6% of total assets, followed by investments-net at 25.6% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	December	December	Variance	
	2017	2016	Amount	(% YTD)
Interbank and money market items - net	19,084.6	17,326.4	1,758.2	10.1
Investments - net	59,622.7	52,675.8	6,946.9	13.2
Loans to customers - net	150,523.9	138,200.0	12,323.9	8.9
Loans to customers net of deferred revenue	153,684.4	141,070.3	12,614.1	8.9
Other assets - net	3,880.3	3,945.0	(64.7)	(1.6)
Total assets	233,111.5	212,147.2	20,964.3	9.9

Total Liabilities

As of 31 December 2017, the company and its subsidiaries had total liabilities amounted of Baht 194,556.5 million, increased by Baht 2,724.9 million when compared at the end of the year 2016, or up to 1.4%. Almost of total liabilities were deposits, which were 73.9% of total liabilities.

Owners' Equity

As of 31 December 2017, owners' equity amounted of Baht 38,555.0 million, increased by Baht 18,239.4 million when compared at the end of the year 2016, or up to 89.8%. 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	December	December	Variance	
	2017	2016	Amount	(%YTD)
Deposits	143,730.7	149,097.1	(5,366.4)	(3.6)
Interbank and money market items	15,346.1	20,009.9	(4,663.8)	(23.3)
Debts issued and borrowings - net	32,895.6	20,327.5	12,568.1	61.8
Other liabilities	2,584.1	2,397.1	187.0	7.8
Total liabilities	194,556.5	191,831.6	2,724.9	1.4
Total owners' equity	38,555.0	20,315.6	18,239.4	89.8

Number of Employees

As of 31 December 2017, the company and its subsidiaries had 1,749 employees, decreased by 101 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 year of 2017 and the year of 2016;

Table: Operating Results

(Unit: Million Baht)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2017	3/2017	(%QoQ)	4/2016	(%YoY)	2017	2016	(%YoY)
Net interest income	1,288.6	1,267.5	1.7	1,232.6	4.5	4,980.2	4,838.0	2.9
Net non-interest income	223.4	212.1	5.3	312.1	(28.4)	814.0	1,636.3	(50.3)
Operating income	1,512.0	1,479.6	2.2	1,544.7	(2.1)	5,794.2	6,474.3	(10.5)
Other operating expenses	583.0	579.9	0.5	584.7	(0.3)	2,345.9	2,333.3	0.5
Bad debts, doubtful accounts and impairment loss	130.0	140.0	(7.1)	220.0	(40.9)	617.1	1,025.0	(39.8)

Items	Quarter		Variance	Quarter	Variance	For years		Variance
	4/2017	3/2017	(%QoQ)	4/2016	(%YoY)	2017	2016	(%YoY)
Income tax expenses	149.1	139.4	7.0	151.6	(1.6)	519.1	613.7	(15.4)
Profits before bad debts and doubtful accounts, and income tax expenses	929.0	899.7	3.3	960.0	(3.2)	3,448.3	4,141.0	(16.7)
Profits before income tax expenses	799.0	759.7	5.2	740.0	8.0	2,831.2	3,116.0	(9.1)
Net profits	649.9	620.3	4.8	588.4	10.5	2,312.1	2,502.3	(7.6)
Earnings per share (Baht)	0.33	0.34	(2.9)	0.42	(21.4)	1.40	1.79	(21.8)

Land and Houses Bank Public Company Limited's the operating results had net profits in the fourth quarter of 2017 amounted of Baht 649.9 million, increased by 10.5% when compared to the fourth quarter of 2016.

The bank's operating results had net profits for the year of 2017 amounted of Baht 2,312.1 million, decreased by 7.6% when compared to the year of 2016. The decreases were the result of net non-interest income 50.3% and bad debt and doubtful accounts decreased by 39.8% 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 fourth quarter of 2017 amounted of Baht 130.0 million, decreased by 40.9% when compared to the fourth quarter of 2016, high proportion of loan loss reserves ratio at 186.08%.

Earnings per share for the fourth quarter of 2017 were Baht 0.33 per share, decreased by 21.4% when compared to the fourth 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 31 December 2017 and 31 December 2016.

Total Assets

As of 31 December 2017, the bank had total assets amounted of Baht 230,396.3 million, increased by Baht 20,701.3 million when compared at the end of the year 2016 or up to 9.9%. Core assets comprise of loans to customers - net at 65.5% of total assets, followed by investments - net at 24.0% of total assets.

Table: Total Assets

(Unit: Million Baht)

Items	December	December	Variance	
	2017	2016	Amount	(% YTD)
Interbank and money market items - net	20,928.1	17,961.1	2,967.0	16.5
Investments - net	55,236.6	49,978.1	5,258.5	10.5
Loans to customers - net	150,874.6	138,280.2	12,594.4	9.1
Loans to customers net of deferred revenue	154,020.3	141,144.6	12,875.7	9.1
Other assets - net	3,357.0	3,475.6	(118.6)	(3.4)
Total assets	230,396.3	209,695.0	20,701.3	9.9

Loans to Customers

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

As of 31 December 2017, the bank had loans to customers (excluding interbank and money market items) amounted of Baht 154,020.3 million, increased by Baht 12,875.7 million when compared at the end of the year 2016, or up to 9.1%. Almost of total loans to customers were Big Corporate & Corporate at 65.5%, followed by Retail at 18.9% and SMEs & SSME at 15.6% of total loans.

When classified by type of business loans, the most portion of them was public utilities and services at 26.1%, followed by manufacturing and commerce sector at 21.8% and financial intermediation sector at 18.9% of total loans.

Big Corporate & Corporate

As of 31 December 2017, the bank had total loans to customers of Big Corporate & Corporate amounted of Baht 100,820.3 million, increased by Baht 15,059.5 million when compared at the end of the year 2016, or up to 17.6%.

SMEs & SSME

As of 31 December 2017, the bank had total loans to customers of SMEs & SSME amounted of Baht 24,001.3 million, decreased by Baht 250.1 million when compared at the end of the year 2016, or down to 1.0%.

Retail

As of 31 December 2017, the bank had total loans to customers of Retail amounted of Baht 29,198.7 million, decreased by Baht 1,933.7 million when compared at the end of the year 2016, or down to 6.2%.

Table: Loans to Customers Classified by Business Sector

(Unit: Million Baht)

Loans to customers classified by business sector	December	December	Variance	
	2017	2016	Amount	(%YTD)
Big Corporate & Corporate	100,820.3	85,760.8	15,059.5	17.6
SMEs & SSME	24,001.3	24,251.4	(250.1)	(1.0)
Retail	29,198.7	31,132.4	(1,933.7)	(6.2)
Total loans to customers net of deferred revenue *	154,020.3	141,144.6	12,875.7	9.1

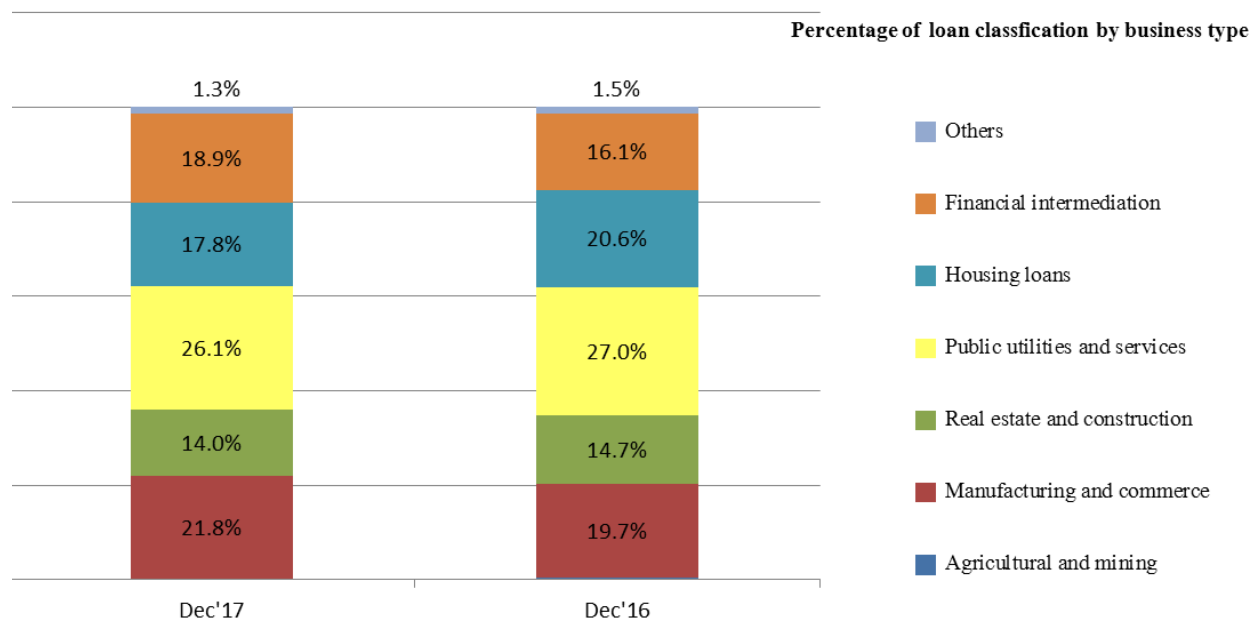
Note: *Total loans to customers net of deferred revenue excluding interbank and money market items

Table: Loans to Customers Classified by Type of Business

(Unit: Million Baht)

Loans to customers classified by type of business loans	December	December	Variance	
	2017	2016	Amount	(%YTD)
Agricultural and mining	183.3	488.4	(305.1)	(62.5)
Manufacturing and commerce	33,602.2	27,844.6	5,757.6	20.7
Real estate and construction	21,590.0	20,789.9	800.1	3.8
Public utilities and services	40,245.3	38,074.2	2,171.1	5.7
Housing loans	27,342.4	29,134.9	(1,792.5)	(6.2)
Financial intermediation	29,106.2	22,757.2	6,349.0	27.9
Others	1,950.9	2,055.4	(104.5)	(5.1)
Total loans to customers net of deferred revenue *	154,020.3	141,144.6	12,875.7	9.1

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



Non-Performing Loans

As of 31 December 2017, the bank had non-performing loans (Gross) amounted of Baht 3,263.8 million, increased by Baht 497.9 million when compared at the end of the year 2016 or up to 18.0%. The ratio of NPLs to total loans at 1.88% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,471.8 million, increased by Baht 283.4 million when compared at the end of the year 2016 or up to 13.0%. The ratio of NPLs (Net) at 1.43% of total loans after deducted allowance for doubtful debts of non-performing loans.

Allowance for Doubtful Debts

As of 31 December 2017, the bank had allowance for doubtful debts amounted of Baht 3,388.7 million, increased by Baht 310.1 million when compared at the end of the year 2016, or up to 10.1%.

Investments in Securities

As of 31 December 2017, the bank had net investments in securities which had book value amounted of Baht 55,236.6 million, increased by Baht 5,258.5 million when compared at the end of the year 2016, or up to 10.5%.

Total Liabilities

As of 31 December 2017, the bank had total liabilities amounted of Baht 195,274.0 million, increased by Baht 3,076.9 million when compared at the end of the year 2016, or up to 1.6%, mainly from deposit at 73.6% of total liabilities.

Deposits

As of 31 December 2017, the bank had total deposits amounted of Baht 143,741.9 million, decreased by Baht 5,897.6 million when compared at the end of the year 2016, or down to 3.9%.

Table: Deposits Classified by Type of Deposits

(Unit: Million Baht)

Classified by type of deposits	December	December	Variance	
	2017	2016	Amount	(%YTD)
Demand deposits	3,623.0	5,061.1	(1,438.1)	(28.4)
Savings deposits	72,563.3	65,119.7	7,443.6	11.4
Time deposits	49,775.1	50,648.2	(873.1)	(1.7)
Fixed deposits receipt	17,780.5	28,810.5	(11,030.0)	(38.3)
Total deposits	143,741.9	149,639.5	(5,897.6)	(3.9)

Owners' Equity

As of 31 December 2017, owners' equity amounted of Baht 35,122.3 million, increased by Baht 17,624.4 million when compared at the end of the year 2016, or up to 100.7%. 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	December	December	Variance	
	2017	2016	Amount	(%YTD)
Deposits	143,741.9	149,639.5	(5,897.6)	(3.9)
Interbank and money market items	15,416.0	20,053.8	(4,637.8)	(23.1)
Debts issued and borrowings - net	32,979.1	20,464.7	12,514.4	61.2
Other liabilities	3,137.0	2,039.1	1,097.9	53.8
Total liabilities	195,274.0	192,197.1	3,076.9	1.6
Total owners' equity	35,122.3	17,497.9	17,624.4	100.7

Capital Adequacy and the Ratio of Capital Fund to Risk Assets

As of 31 December 2017, the ratio of total capital fund to risk assets (BIS ratio) at 21.857%, 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 18.673%, 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 31 December 2017		As of 31 December 2016	
	Million Baht	%	Million Baht	%
Common Equity Tier-1 capital funds				
The Bank	34,101.4	18.673	16,557.5	10.195
Minimum rates required by law *		5.750		5.125
The Difference		12.923		5.070
Tier 1 capital funds				
The Bank	34,101.4	18.673	16,557.5	10.195
Minimum rates required by law *		7.250		6.625
The Difference		11.423		3.570
Total capital funds				
The Bank	39,915.6	21.857	22,259.3	13.706
Minimum rates required by law *		9.750		9.125
The Difference		12.107		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
- Derivatives trading agent business
- Securities borrowing and lending service

- Sales and redemption representative of investment units

Overview of Economy and Stock Market in Thailand

In year 2017, SET index continued to edge higher despite the impact of both internal and external factors. SET closed at 1,753.71 points, posting a 2017 return of 13.66%, and almost passed the all time high of 1,753.73 on 4 January 1994. A positive support factor from the government's policy, the general election is expected to be held in November 2018. University of the Thai Chamber of Commerce reported the result of the surveys shown that spending of Thai population during New Year Festival will be Baht 132.5 billion, which is the highest since it has ever been surveyed in 13 years, as clear signal of economic recovery has boosted consumer confidence to spend and Optimism over corporate tax cuts have been boosted after Trump signed tax bill.

The average daily trading value at Baht 47,755.4 million per day, decreased by 4.95% from the average daily trading volume approximately Baht 50,244.9 million per day of 2016. Foreign investors were net sellers of shares totaled Baht 25,755 million and institutions were net buyers of shares totaled Baht 103,632 million.

Analysis of the Operating Results

The operating results of Land and Houses Securities Public Company Limited and its subsidiary in the fourth quarter of 2017 had net profit amounted Baht 18.87 million, increased by Baht 12.85 million when compared to the fourth quarter of 2016, or up to 213.34%.

The operating result of Land and Houses Securities Public Company Limited and its subsidiary for the year ended 31 December 2017 had net profit amounted Baht 104.83 million, decreased by Baht 1.16 million when compared to 2016, or down 1.09%.

Total Incomes

Total incomes in the fourth quarter of 2017 were Baht 98.50 million, increased by Baht 44.21 million when compared to the fourth quarter of 2016, or up to 81.43%.

Total incomes for the year ended 31 December 2017 were Baht 384.41 million, increased by Baht 87.45 million when compared to 2016, or up to 29.45%. 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 in the fourth quarter of 2017 were Baht 43.18 million, increased by Baht 18.45 million when compared to the fourth quarter of 2016, or up to 74.65%.

Brokerage fees income for the year ended 31 December 2017 were Baht 143.93 million, increased by Baht 52.62 million when compared to 2016, or up to 57.62%.

Other Incomes apart from Brokerage Fees Income

Other incomes apart from brokerage fees income for the year ended 31 December 2017 were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.85, 30.71, 207.49 and 1.43 million respectively.

Total Operating Expenses

Total operating expenses in the fourth quarter of 2017 were Baht 73.58 million, increased by Baht 23.62 million when compared to the fourth quarter of 2016, or up to 47.28%.

Total operating expenses for the year ended 31 December 2017 were Baht 262.91 million, increased by Baht 85.61 million when compared to 2016, or up to 48.28%. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs and other expenses.

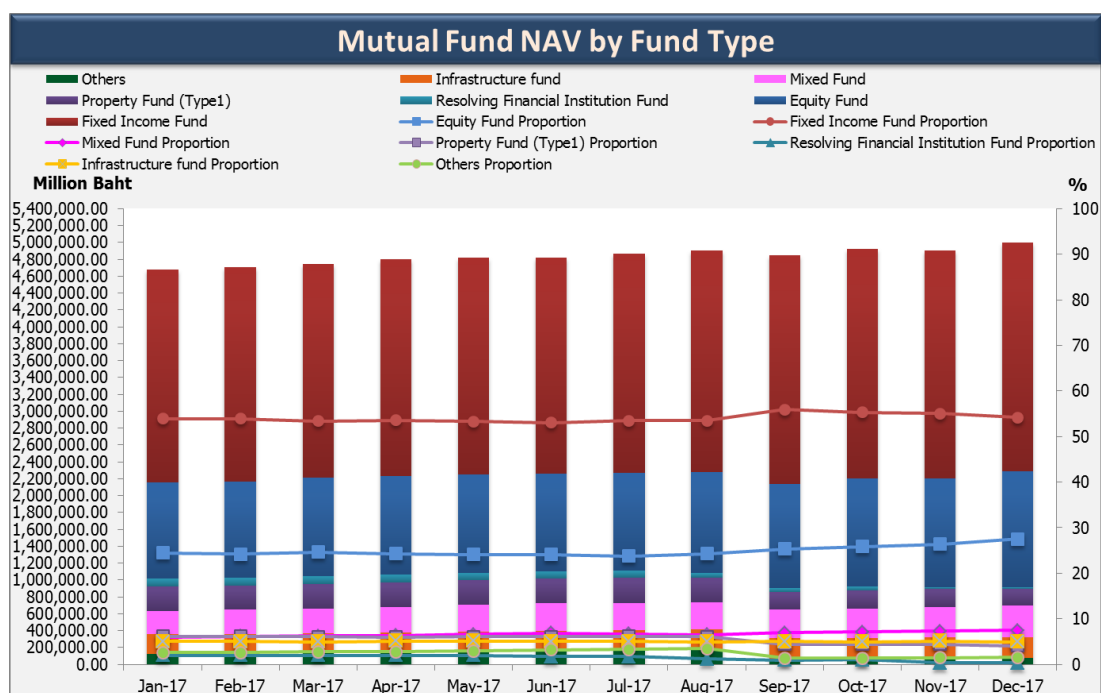
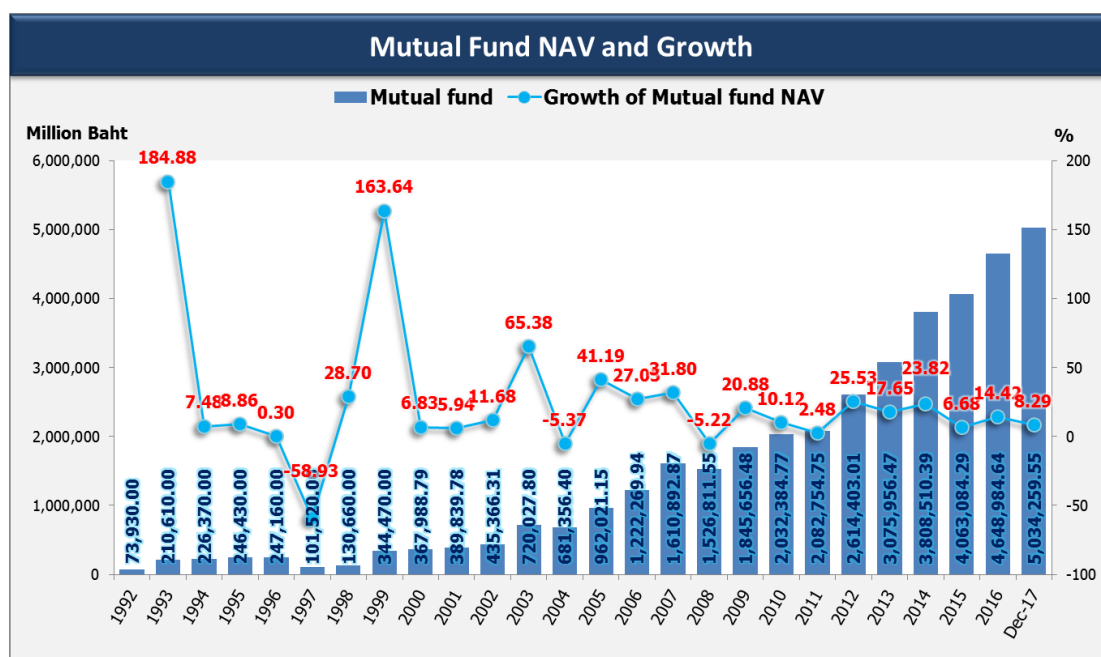
3. FUND MANAGEMENT BUSINESS**Land and Houses Fund Management Company Limited**

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

Overview of Fund Management Business

In 2017, the net asset value of the industry was Baht 5.03 trillion which represent 8.29% year-on-year growth. The overall of net asset value was separated by fund type which maintain the same portion from the previous year which the 3 most popular funds were Fixed Income Fund, Equity Fund, and Flexible Fund represent 54%, 27%, and 7% respectively.

However, in overall the investors still prefer to invest in asset in the low to medium risk level which caused the high investment portion in Fixed Income Fund continuously. The equity assets and equity fund increased in third quarter, partly due to a good return of Stock Exchange of Thailand and the fund raising of the THAI CG Fund more than Baht 2 Billion and the tax-saving investment in the end of the past year. Moreover, investors had increasing interest on risk diversification which diversified toward foreign assets investment on both Fixed Income and Equity. As seen in the gradual rising portion of Net Asset Value of Foreign Investment Fund which was 11% from the beginning of the year.



Source: AIMC, the end of 2017

Analysis of the Operating Results

The company's performance is the comparative performance for the year 2017 and the year 2016 as follows;

The net profit of the year 2017 was Baht 83.4 million, which increased by Baht 9.2 million or up to 12%, comparing with the same period of previous year. The result was the increasing of the fees of funds under management in all categories.

Fees and Service Income

Fee and service income amounted Baht 297.3 million, which increased by Baht 29.2 million or up to 11%, comparing with the previous year. The fees mainly receive from management fee and registration fee of mutual funds, which was 75.3% of total fee and service income.

Net Asset Value under Management

As of 31 December 2017, there were 54 mutual funds under company's management which decreased by 1 fund from the previous year. Also, the company had net asset value of Baht 51,448.8 million, which decreased by Baht 12,827.4 million or down to 20%, comparing with the previous year, the result was changing the categories of the fund offering.

The mutual funds which under management, which present with net asset value, consists of:

- Property fund and real estate investment trust	Baht 30,910.2	million
- Fixed income fund	Baht 9,422.4	million
- Equity fund	Baht 2,133.7	million
- Mixed fund	Baht 2,172.6	million
- Foreign investment fund	Baht 2,686.4	million
- Fund of property fund	Baht 4,123.5	million

The company held 1.02% of the market share, and was ranked at 13 of 23 companies.

However, when included private funds and provident funds, the company had total net asset value on 31 December 2017 at Baht 59,773.6 million, consisting of Baht 5,683.1 million of private funds and Baht 2,641.7 million of provident funds.