



**LH FINANCIAL GROUP PUBLIC COMPANY LIMITED**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

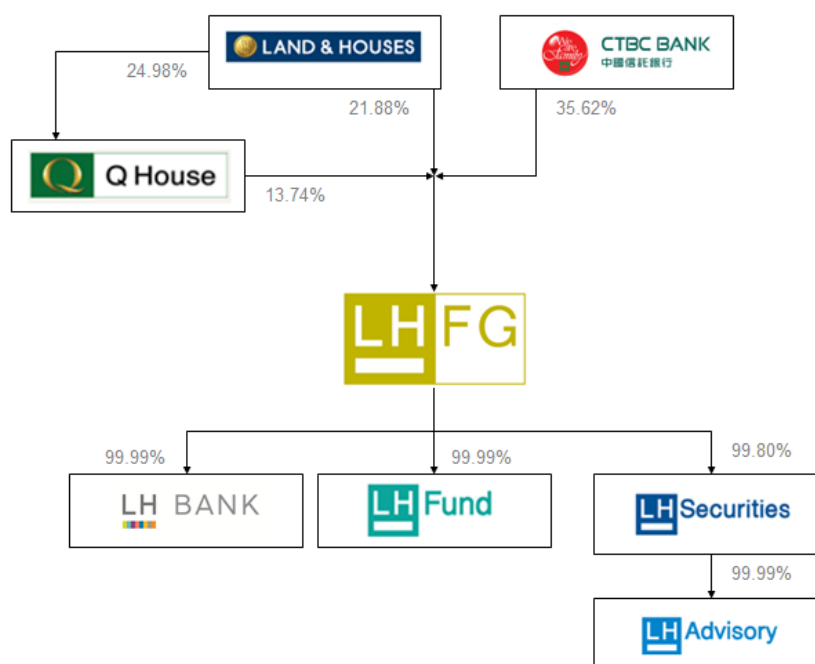
**(THIS REPORT DISCUSSES PRINCIPAL CHANGES ON THE UNREVIEWED CONSOLIDATED FINANCIAL STATEMENT)**

## 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

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 year.

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 fourth consecutive year.

### **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 third consecutive year.

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

In the first quarter of 2018, the Thai economy expanded well, driven by both growth in the foreign sector and gradual improvements in domestic demand. Merchandise exports improved both in terms of export quantity thanks to a stronger growth of trading partners' economy, and in terms of prices on the back of rising global crude oil price. Tourism sector continued to expand, private consumption gradually increased partly because the overall household purchasing power was not sufficiently strong and household debt remained elevated. Private investment picked up in line with the improved economic outlook, and with additional support from the government project. Meanwhile, government spending remains the main supporting factor for the Thai economy even in this quarter slowed down as the delayed in budget disbursement. As the momentum from the above mentions, the Thai economy in 2018 was expected to continue expanding which the Bank of Thailand projected to record growth of 4.1 percent (as of March 2018). However, the growth outlook still challenge with uncertainties on the external front particular on pertaining to the US foreign trade policies, retaliatory measures from its trading partners.

For the banking sector in the first quarter of 2018, overall loan growth accelerated and extended across broader range of businesses and wider geographical areas. Meanwhile, consumer loans expanded in all purposes, particularly auto loans. However, commercial banks remained cautious in lending as their concern on a deterioration in debt serviceability of household and SMEs. Although the deterioration in credit quality of commercial bank loans affected profitability, but Thai commercial banking system's remained strong as banks continued to closely monitor credit quality and maintained high levels of capital fund and loan-loss provisions to facilitate credit expansion going forward.

### **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 first quarter of 2018, Land and Houses Bank Public Company Limited has the total 133 branches, the number of branches is equal to the year of 2017.

### **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 and iPad. 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 transfer money between bank account and transfer money from the bank to another bank, payment for commodities, services and loans, cheque status checking, stop cheque, account status checking, and fund and insurance information checking.

**3.3 LH Bank PromptPay Service** is a new transfer service for reduce the cash using, 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 first quarter of 2018, 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 and the customers canuse this service all branches.

**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 first quarter of 2018 and the first quarter of 2017;

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2018	1/2017	Amount	(%YoY)
Net interest income	1,209.7	1,195.5	14.2	1.2
Net non-interest income	732.6	345.3	387.3	112.2
Operating income	1,942.3	1,540.8	401.5	26.1
Other operating expenses	686.4	673.2	13.2	2.0
Bad debts, doubtful accounts and impairment loss	330.0	155.0	175.0	112.9
Income tax expenses	154.8	126.0	28.8	22.9
Profits before bad debts and doubtful accounts, and income tax expenses	1,255.9	867.6	388.3	44.8
Profits before income tax expenses	925.9	712.6	213.3	29.9
Net profits	771.1	586.6	184.5	31.5
Earnings per share (Baht)	0.036	0.043	(0.007)	(16.3)

The company and its subsidiaries' the operation had net profits on the first quarter of 2018 amounted of Baht 771.1 million, increased by 31.5% when compared to the first quarter of 2017. The result from net non-interest income increased by 112.2% and bad debts and doubtful accounts increased by 112.9%.

Earnings per share for the first quarter of 2018 were Baht 0.036 per share, when compared to the first quarter of 2017 decreased by Baht 0.007 per share or down to 16.3%.

### Net Interest Income

They had net interest income amounted of Baht 1,209.7 million, increased by 1.2% when compared to the first quarter of 2017, following the continuous loan growth.

### Net Non-Interest Income

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

Net non-interest income amounted of Baht 732.6 million, increased by 112.2% when compared to the first quarter of 2017. Mainly from gains on investments and dividend income.

### **Other Operating Expenses**

Other operating expenses amounted of Baht 686.4 million, increased by 2.0% when compared to the first quarter of 2017, almost of the increase of employees' expenses that provide for business expansion. The ratio of operating expenses to total operating income was at 35.3%, which was decreased when compared to the first quarter of 2017 was at 43.7%.

**Table: Other Operating Expenses**

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2018	1/2017	Amount	(%YoY)
Employees' expenses	360.6	351.6	9.0	2.6
Premises and equipment expenses	184.0	182.3	1.7	0.9
Other expenses	141.8	139.3	2.5	1.8
<b>Total</b>	<b>686.4</b>	<b>673.2</b>	<b>13.2</b>	<b>2.0</b>

### **Profit before Bad Debts and Doubtful Accounts and Income Tax Expenses**

In the first quarter of 2018, the company and its subsidiaries had profits before bad debts and doubtful accounts and income tax expenses amounted of Baht 1,255.9 million, increased by 44.8% when compared to the first quarter of 2017.

### **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 March 2018 and 31 December 2017.

#### **Total Assets**

As of 31 March 2018, total assets amounted of Baht 234,045.7 million, increased by Baht 934.2 million when compared at the end of the year 2017 or up to 0.4%. Core assets comprise loans to customers – net at 61.8% of total assets, followed by investments - net at 26.1% of total assets.



**Table: Total Assets**

(Unit: Million Baht)

Items	March	December	Variance	
	2018	2017	Amount	(%YTD)
Interbank and money market items - net	24,121.9	19,084.6	5,037.3	26.4
Investments - net	61,101.1	59,622.7	1,478.4	2.5
Loans to customers - net	144,751.3	150,523.9	(5,772.6)	(3.8)
Loans to customers net of deferred revenue	148,158.8	153,684.4	(5,525.6)	(3.6)
Other assets - net	4,071.4	3,880.3	191.1	4.9
<b>Total assets</b>	<b>234,045.7</b>	<b>233,111.5</b>	<b>934.2</b>	<b>0.4</b>

### Total Liabilities

As of 31 March 2018, total liabilities amounted of Baht 194,767.3 million, increased by Baht 210.8 million when compared at the end of the year 2017, or up to 0.1%. Almost of total liabilities were deposits, which were 78.2% of total liabilities.

### Owners' Equity

As of 31 March 2018, owners' equity amounted of Baht 39,278.4 million, increased by Baht 723.4 million when compared at the end of the year 2017, or up to 1.9%.

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

(Unit: Million Baht)

Items	March	December	Variance	
	2018	2017	Amount	(%YTD)
Deposits	152,383.7	143,730.7	8,653.0	6.0
Interbank and money market items	9,820.6	15,346.1	(5,525.5)	(36.0)
Debts issued and borrowings - net	30,153.1	32,895.6	(2,742.5)	(8.3)
Other liabilities	2,409.9	2,584.1	(174.2)	(6.7)
<b>Total liabilities</b>	<b>194,767.3</b>	<b>194,556.5</b>	<b>210.8</b>	<b>0.1</b>
<b>Total owners' equity</b>	<b>39,278.4</b>	<b>38,555.0</b>	<b>723.4</b>	<b>1.9</b>

### Number of Employees

As of 31 March 2018, the company and its subsidiaries had 1,690 employees, decreased by 59 employees when compared to 31 December 2017.

## 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 first quarter of 2018 and the first quarter of 2017:

**Table: Operating Results**

(Unit: Million Baht)

Items	Quarter		Variance	
	1/2018	1/2017	Amount	(%YoY)
Net interest income	1,220.0	1,196.0	24.0	2.0
Net non-interest income	368.9	205.4	163.5	79.6
Operating income	1,588.9	1,401.4	187.5	13.4
Other operating expenses	582.5	594.1	(11.6)	(2.0)
Bad debts, doubtful accounts and impairment loss	330.0	155.0	175.0	112.9
Income tax expenses	114.0	120.0	(6.0)	(5.0)
Profits before bad debts and doubtful accounts, and income tax expenses	1,006.4	807.3	199.1	24.7
Profits before income tax expenses	676.4	652.3	24.1	3.7
Net profits	562.4	532.3	30.1	5.7
Earnings per share (Baht)	0.28	0.38	(0.1)	(26.3)

Land and Houses Bank Public Company Limited's the operating results had net profits in the first quarter of 2018 amounted of Baht 562.4 million, increased by 5.7% when compared to the first quarter of 2017. The result from net non-interest income increased by 79.6% and bad debts and doubtful accounts increased by 112.9%.

#### Bad Debts, Doubtful Accounts and Impairment Loss

The bank had bad debts and doubtful accounts following the Bank of Thailand's guidelines and evaluation on the position of debtors from experience. The bank has set aside of reserves for bad debts, doubtful accounts and impairment loss in the first quarter of 2018 amounted of Baht 330.0 million, increased by 112.9% when compared to the first quarter of 2017, high proportion of loan loss reserves ratio at 184.76%.

Earnings per share for the first quarter of 2018 were Baht 0.28 per share, decreased by 26.3% when compared to the first quarter of 2017.

### **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 March 2018 and 31 December 2017.

#### **Total Assets**

As of 31 March 2018, total assets amounted of Baht 230,288.9 million, decreased by Baht 107.4 million when compared at the end of the year 2017. Core assets comprise loans to customers - net at 63.1% of total assets, followed by investments - net at 23.7% of total assets.

**Table: Total Assets**

(Unit: Million Baht)

Items	March	December	Variance	
	2018	2017	Amount	(%YTD)
Interbank and money market items - net	26,784.7	20,928.1	5,856.6	28.0
Investments - net	54,686.1	55,236.6	(550.5)	(1.0)
Loans to customers - net	145,346.5	150,874.6	(5,528.1)	(3.7)
Loans to customers net of deferred revenue	148,730.7	154,020.3	(5,289.6)	(3.4)
Other assets - net	3,471.6	3,357.0	114.6	3.4
<b>Total assets</b>	<b>230,288.9</b>	<b>230,396.3</b>	<b>(107.4)</b>	<b>0.0</b>

#### **Loans to Customers**

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

As of 31 March 2018, the bank had loans to customers (excluding interbank and money market items) amounted of Baht 148,730.7 million, decreased by Baht 5,289.6 million when compared at the end of the year 2017, or down to 3.4%. Almost of total loans to customers were Big Corporate & Corporate at 65.5%, followed by Retail at 18.8% and SMEs & SSME at 15.7% of total loans.

When classified by type of business loans, the most portion of them was public utilities and services at 26.8%, followed by manufacturing and commerce sector at 22.2% and financial intermediation sector at 17.8% of total loans.

### Big Corporate & Corporate

As of 31 March 2018, the bank had total loans to customers of Big Corporate & Corporate amounted of Baht 97,408.1 million, decreased by Baht 3,412.2 million when compared at the end of the year 2017, or down to 3.4%.

### SMEs & SSME

As of 31 March 2018, the bank had total loans to customers of SMEs & SSME amounted of Baht 23,322.3 million, decreased by Baht 679.0 million when compared at the end of the year 2017, or down to 2.8%.

### Retail

As of 31 March 2018, the bank had total loans to customers of Retail amounted of Baht 28,000.3 million, decreased by Baht 1,198.4 million when compared at the end of the year 2017, or down to 4.1%.

**Table: Loans to Customers Classified by Business Sector**

(Unit: Million Baht)

Loans to customers classified by business sector	March	December	Variance	
	2018	2017	Amount	(%YTD)
Big Corporate & Corporate	97,408.1	100,820.3	(3,412.2)	(3.4)
SMEs & SSME	23,322.3	24,001.3	(679.0)	(2.8)
Retail	28,000.3	29,198.7	(1,198.4)	(4.1)
<b>Total loans to customers net of deferred revenue *</b>	<b>148,730.7</b>	<b>154,020.3</b>	<b>(5,289.6)</b>	<b>(3.4)</b>

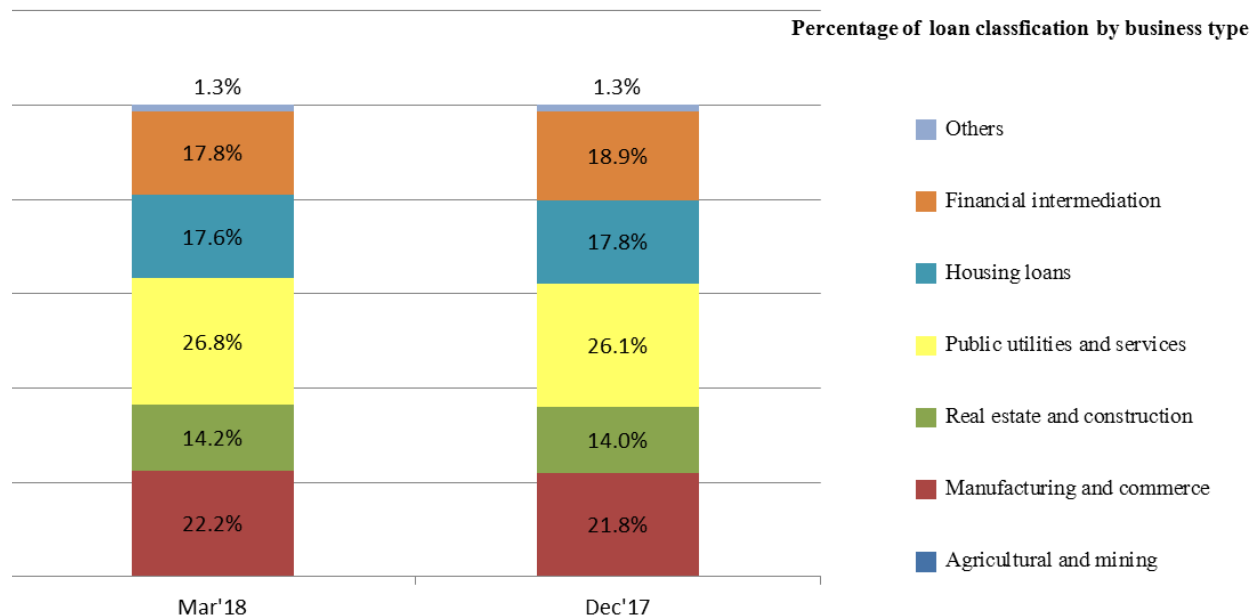
Note: \* Total loans to customers net of deferred revenue excluding interbank and money market items

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

(Unit: Million Baht)

Loans to customers classified by type of business loans	March	December	Variance	
	2018	2017	Amount	(%YTD)
Agricultural and mining	173.0	183.3	(10.3)	(5.6)
Manufacturing and commerce	33,056.5	33,602.2	(545.7)	(1.6)
Real estate and construction	21,057.0	21,590.0	(533.0)	(2.5)
Public utilities and services	39,820.8	40,245.3	(424.5)	(1.1)
Housing loans	26,215.5	27,342.4	(1,126.9)	(4.1)
Financial intermediation	26,522.0	29,106.2	(2,584.2)	(8.9)
Others	1,885.9	1,950.9	(65.0)	(3.3)
<b>Total loans to customers net of deferred revenue *</b>	<b>148,730.7</b>	<b>154,020.3</b>	<b>(5,289.6)</b>	<b>(3.4)</b>

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



### **Non-Performing Loans**

As of 31 March 2018, the bank had non-performing loans (Gross) amounted of Baht 3,361.9 million, increased by Baht 98.1 million when compared at the end of the year 2017 or up to 3.0%. The ratio of NPLs to total loans at 1.93% of total loans (including interbank and money market items).

Non-performing loans (Net) amounted of Baht 2,455.0 million, decreased by Baht 16.8 million when compared at the end of the year 2017 or down to 0.7%. The ratio of NPLs (Net) at 1.42% of total loans after deducted allowance for doubtful debts of non-performing loans.

### **Allowance for Doubtful Debts**

As of 31 March 2018, the bank had allowance for doubtful debts amounted of Baht 3,625.6 million, increased by Baht 236.9 million when compared at the end of the year 2017, or up to 7.0%.

### **Investments in Securities**

As of 31 March 2018, the bank had net investments in securities which had book value amounted of Baht 54,686.1 million, decreased by Baht 550.5 million when compared at the end of the year 2017, or down to 1.0%.

### **Total Liabilities**

As of 31 March 2018, total liabilities amounted of Baht 194,541.1 million, decreased by Baht 732.9 million when compared at the end of the year 2017, or down to 0.4%, mainly from deposit at 78.3% of total liabilities.

### Deposits

As of 31 March 2018, the bank had deposits amounted of Baht 152,391.1 million, increased by Baht 8,649.2 million when compared at the end of the year 2017, or up to 6.0%.

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

(Unit: Million Baht)

Classified by type of deposits	March	December	Variance	
	2018	2017	Amount	(%YTD)
Demand deposits	5,432.0	3,623.0	1,809.0	49.9
Savings deposits	71,584.7	72,563.3	(978.6)	(1.3)
Time deposits	53,370.7	49,775.1	3,595.6	7.2
Fixed deposits receipt	22,003.7	17,780.5	4,223.2	23.8
<b>Total deposits</b>	<b>152,391.1</b>	<b>143,741.9</b>	<b>8,649.2</b>	<b>6.0</b>

### Owners' Equity

As of 31 March 2018, owners' equity amounted of Baht 35,747.8 million, increased by Baht 625.5 million when compared at the end of the year 2017, or up to 1.8%.

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

(Unit: Million Baht)

Items	March	December	Variance	
	2018	2017	Amount	(%YTD)
Deposits	152,391.1	143,741.9	8,649.2	6.0
Interbank and money market items	9,943.9	15,416.0	(5,472.1)	(35.5)
Debts issued and borrowings - net	30,236.7	32,979.1	(2,742.4)	(8.3)
Other liabilities	1,969.4	3,137.0	(1,167.6)	(37.2)
<b>Total liabilities</b>	<b>194,541.1</b>	<b>195,274.0</b>	<b>(732.9)</b>	<b>(0.4)</b>
<b>Total owners' equity</b>	<b>35,747.8</b>	<b>35,122.3</b>	<b>625.5</b>	<b>1.8</b>

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

As of 31 March 2018, the ratio of total capital fund to risk assets (BIS ratio) at 22.754%, higher than the 10.375% minimum rate required by the Bank of Thailand and increasing from 31 December 2017 at 21.857%.

The ratio of Tier I capital fund to risk assets was 19.482%, higher than the 7.875% 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	31 March 2018		31 December 2017	
	Million Baht	%	Million Baht	%
<b>Common Equity Tier-1 capital funds</b>				
The Bank	34,673.7	19.482	34,101.4	18.673
Minimum rates required by law *		6.375		5.750
The Difference		13.107		12.923
<b>Tier 1 capital funds</b>				
The Bank	34,673.7	19.482	34,101.4	18.673
Minimum rates required by law *		7.875		7.250
The Difference		11.607		11.423
<b>Total capital funds</b>				
The Bank	40,496.8	22.754	39,915.6	21.857
Minimum rates required by law *		10.375		9.750
The Difference		12.379		12.107

Note: \*The commercial bank are required to add-ons the ratio of capital buffer 0.625% per annum each year as from 1 January 2016 onwards until reaching 2.50% in 2019.

## 2. FUND MANAGEMENT BUSINESS

### Land and Houses Fund Management Company Limited

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

### Overview of Fund Management Business

In the first quarter of 2018, the fund management business had total asset Baht 5.04 trillion, increased by 0.26% from the end of 2017. In the first quarter, equity funds increased, compared to 2017 year end, by approximately Baht 97,000 million or 7%. Mixed funds increased, compared to 2017 year end, by approximately Baht 22,000 million or 6%. Fixed income funds decreased, compared to 2017 year end, by approximately Baht 54,000 million or 2%. Property funds decreased, compared to 2017 year end, by approximately Baht 57,000 million or 28%. The main reason was the closure of property funds.

## **Analysis of the Operating Results**

The operating results of Land and Houses Fund Management Company Limited is comparative performance of the first quarter of 2018 compared to the first quarter of 2017 as follows;

The first quarter of 2018, the operating result of Land and Houses Fund Management Company Limited had net profit amounted Baht 31.1 million, increased by Baht 5.9 million when compared to the first quarter of 2017, or up to 23.4% due to the result of fee income, which the number and types of mutual funds under management increasing.

### **Fees and Service Income**

Fees and service income amounted of Baht 109.8 million, increased by Baht 36.9 million when compared to the first quarter of 2017, or up to 50.6%. The fees mainly derived from the mutual fund management 78.8 % of total fees and service income.

### **Net Asset Value under Management**

As of 31 March 2018, there were 58 funds under management which were increased 5 funds when compared to the same period of the previous year and the company had total net asset value Baht 54,582.0 million, increased by Baht 2,007.9 million or up to 3.8% when compared to the same period of the previous year. Therefore, the company had a market share of 1.08%, and has ranked of 12 from 23 companies. And they had the mutual funds under management consist of:

- Property fund and Real estate investment trust with a value of Baht 31,275.7 million
- Fixed income fund with a value of Baht 10,033.3 million
- Equity fund with a value of Baht 6,599.1 million
- Mixed fund with a value of Baht 2,618.1 million
- Fund of property fund with a value of Baht 4,055.8 million

In addition, in case included private funds and provident fund, the company had net asset value as of 31 March 2018 totaled Baht 63,576.7 million, which came from private fund totaled Baht 6,301.3 million and provident fund totaled Baht 2,693.4 million.



### 3. 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. The company provides financial services as follows;

- Securities brokerage business
- Securities underwriting business
- Derivatives trading agent business
- Securities borrowing and lending business
- Sales and redemption representative of investment units

#### **Overview of the Stock Exchange of Thailand**

SET Index in the first quarter of 2018 increased by 22.55 points or up to 1.29% which closed at 1,753.71 points. Thai stock market remained highly volatile cause worries about a potential trade war are growing while domestic factors also suppressed the market sentiment; Thai banks came under pressure after the large banks announced waiving fees for transaction via internet and mobile banking. The banks will sacrifice fee income in near term to build their mobile banking businesses and Thai National Legislative Assembly passed the Member of Parliament bill to the Constitutional Court for interpretation, putting the general election roadmap at risk.

#### **Analysis of the Operating Results**

The operating result of Land and Houses Securities Public Company Limited and its subsidiary in the first quarter of 2018 had net profit amounted Baht 147.73 million, increased by Baht 134.05 million when compared to the first quarter of 2017, or up to 979.90%.

#### **Total Incomes**

Total incomes were Baht 263.47 million, increased by Baht 191.04 million when compared to the first quarter of 2017, or up to 263.76%. 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 were Baht 51.24 million, increased by Baht 19.69 million when compared to the first quarter of 2017, or up to 62.41%.

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

Other incomes apart from brokerage fees income were included fees and services income, interest income on margin loan, gain and return on financial instrument and other incomes amounted Baht 0.35, 12.43, 199.26 and 0.18 million, respectively.

### **Total Operating Expenses**

Total operating expenses were Baht 81.59 million, increased by Baht 23.30 million when compared to the first quarter of 2017, or up to 39.97%. Total operating expenses were included employee benefit expenses, fee and service expenses, financial costs and other expenses.