



Management Discussion and Analysis

For the first quarter ended March 31, 2018 (Unreviewed)

Kiatnakin Bank Public Company Limited

Investor Relations

Email: investor_relations@kiatnakin.co.th

Tel. +66-2841-5925

Website: www.kiatnakin.co.th

Management Discussion and Analysis (MD&A)

For the first quarter ended March 31, 2018 comparing operating performance and financial position for the first quarter of 2018 with those of 2017. This report discusses principal changes in the unreviewed consolidated financial statements.

Overall market environment

The Thai economy for the first quarter of 2018 continued to expand from the external sectors namely exports and tourism in line with the expansion of the global economy. Public spending also increased, recovering from a decline during the end of 2017 due to the Government Procurement and Supplies Management Act B.E. 2560 that is more stringent and resulted in government agencies becoming more cautious in spending. For domestic sectors, consumption and investment continued to recover, though not yet at broad-based level. Domestic consumption recovered in the durable goods section especially in the vehicles and service sector from tourism related while non-durable and semi-durable goods, food and apparels still declined, signaling a still weak grass-root economy consistent with the decline in agricultural sector income. Private investment increased in the machinery and equipment segment especially for export related industries while investments in construction still contracted.

Although the economy continues to show positive signs of improvements but certain limitations still remain 1) Structural problems in the Thai economy leading to a still low level of private consumption 2) The appreciation of Thai Baht due to the high current account surplus impacting exporters' revenue in Baht terms and negating the positive impacts from the domestic economic expansions. Additionally, trade policies of the United States and relating countries still need to be monitored for possible impacts to trade orders and subsequent slowdown in exports resulting from such trade policies.

For the auto industry, the first quarter of 2018 continued to show improvement especially in the small passenger car segment from the new car purchase as a result of the end of the first car scheme. The number of new car sales for first two months of 2018 expanded by 13.0% yoy with the growth for the passenger car segment and the commercial vehicle segment growing at 21.9% and 6.3% respectively. The Bank in-house research projected the new car sales for the year 2018 to be around 923,000 units, a growth of 6.0%.

In the equity market, the average daily turnover (SET and mai) for the first quarter of 2018 increased from Baht 50,114 million in 2017 to Baht 71,182 million, a 42.0% increased. The SET index at the end of the first quarter of 2018 closed at 1,776.26 points, a slight increase of 1.3% from 1,753.71 points at the end of 2017.

Overall Business Operations

The Bank's loan portfolio continued to expand during 1Q18 with growth of 5.7% from the end of 2017. The Bank loan portfolio registered growth in most segments with hire-purchase portfolio also growing at 0.7% after contracting since the year 2014. For asset quality, the Non-Performing Loans (NPLs) to total loans ratio at the end of 1Q18 declined to 4.7% from 5.0% at the end of 2017. On Special

Asset Management business, the Bank sold non-performing assets (NPAs) totaling Baht 317 million and had gain of Baht 160 million. In the Financial Market business, the Bank generated revenue of Baht 79 million. The market shares (SET and mai excluding proprietary trading) of Phatra Securities Plc. (PSEC) was at 4.7%, at same level as in 2017, ranking 7th from total 38 brokers.

For products and services during 1Q18, the Bank launched KK SME3X, a new financial product focusing on small and medium-sized enterprises, using property as collateral with maximum credit line of three times the collateral value with maximum loan amount of Baht 15 million. For services, the Bank introduced “KK Magic Mirror”, an interactive financial advisory service through LED format with live video call capability to provide customers with an innovative and alternative channel to access the Bank financial planning and investment services.

The consolidated net profit for 1Q18 totaled Baht 1,513 million, an increase of 16.0% from Baht 1,305 million from the previous quarter of 4Q17. When comparing yoy, the net income for 1Q18 declined slightly by 0.7% comparing to net profit for 1Q17 of Baht 1,524 million. The consolidated comprehensive income for 1Q18 totaled Baht 1,476 million, an increase of 10.2% comparing to Baht 1,340 million in 4Q17. When comparing yoy, the comprehensive income declined by 5.5% comparing to comprehensive income of Baht 1,563 million for 1Q17. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Summary of Performance of the Bank and subsidiaries

Percentage	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Loan growth	1.3	2.8	0.2	4.8	9.3	5.7
NPLs/ Total Loans (excluding interbank)	5.6	5.8	5.6	5.0	5.0	4.7
Total loan loss reserve/ Total NPLs (coverage ratio)	110.0	104.6	105.6	109.8	109.8	110.9
Total loan loss reserve/ Total mandatory reserve	188.1	185.1	185.4	188.6	188.6	186.1

Profit and Loss Transaction

For the three month period ended March 31, (BAHT'000)	CONSOLIDATED		Change	
	2018	2017	Amount	%
Interest income	3,789,635	3,590,912	198,723	5.5
Interest expenses	1,143,392	1,044,855	98,537	9.4
Interest income, net	2,646,243	2,546,057	100,186	3.9
Fees and services income	1,249,562	1,022,796	226,766	22.2
Fees and services expenses	106,479	94,999	11,480	12.1
Fees and services income, net	1,143,083	927,797	215,286	23.2
Gain on trading and foreign exchange transactions, net	162,815	63,243	99,572	157.4
Gain on financial liabilities designated at fair value through profit or loss, net	15,923	0	15,923	n.a
Gain (Loss) on investments, net	(1,173)	0	(1,173)	n.a
Dividend income and profit sharing	275,156	141,197	133,959	94.9
Other operating income	96,520	124,660	(28,140)	(22.6)
Total operating income	4,338,567	3,802,954	535,613	14.1
Other operating expenses				
Employee's expenses	1,374,024	1,120,682	253,342	22.6
Directors' remuneration	11,153	31,817	(20,664)	(64.9)
Premises and equipment expenses	238,457	241,932	(3,475)	(1.4)
Taxes and duties	90,224	82,528	7,696	9.3
Reversal loss from revaluation of foreclosed assets	(78,310)	(63,397)	(14,913)	23.5
Loss (Gain) from sale of foreclosed assets	(10,799)	(49,577)	38,778	(78.2)
Other expenses	435,315	403,752	31,563	7.8
Total other operating expenses	2,060,064	1,767,737	292,327	16.5
Impairment loss on loans and debt securities	433,670	167,093	266,577	159.5
Profit from operating before income tax expenses	1,844,833	1,868,124	(23,291)	(1.2)
Income tax expenses	326,851	337,160	(10,309)	(3.1)
Net profit	1,517,982	1,530,964	(12,982)	(0.8)
Net profit attributable to:				
Equity holders of the Bank	1,513,060	1,523,952	(10,892)	(0.7)
Non-controlling interests	4,922	7,012	(2,090)	(29.8)
Total comprehensive income attributable to:				
Equity holders of the Bank	1,476,178	1,562,681	(86,503)	(5.5)
Non-controlling interests	4,845	5,499	(654)	(11.9)
Earnings per share of Equity holders of the Bank				
Basic earnings per share (Baht)	1.79	1.80	(0.01)	(0.6)

Operating results of the Bank and subsidiaries for 1Q18 comparing with 1Q17

The consolidated net profit for 1Q18 totaled Baht 1,513 million, a slight decrease of 0.7% yoy, of which Baht 411 million was the net profit from Capital Market Business operated by Phatra Capital Plc. (Phatra), and subsidiaries i.e. PSEC and PASSET. Meanwhile, the consolidated comprehensive income for 1Q18 totaled Baht 1,476 million, decreased by 5.5% yoy. The Capital Market business comprehensive income was Baht 294 million. The comprehensive income included revaluation of available-for-sale securities as a result of the capital market volatility.

Interest income was Baht 3,790 million, increased by 5.5% yoy. Interest income on loans increased by 22.3% yoy in line with the growth in loan portfolio where loans across all segments excluding hire purchase registered growth comparing to 1Q17. Interest income from hire purchase and financial lease declined slightly by 3.0% as a results of loan contractions yoy.

For the three month period ended	Consolidated		Change	
	Mar 31, 2018	Mar 31, 2017	Baht million	%
Interest income	3,790	3,591	199	5.5
Interest on loans	1,364	1,115	249	22.3
Interest on interbank and money market items	46	41	5	13.4
Hire purchase and financial lease income	2,194	2,262	(68)	(3.0)
Interest on securities	101	94	7	7.5
Interest on investment in loans	80	79	1	1.0
Others	5	1	4	517.7

Interest expenses totaled Baht 1,143 million, an increase of 9.4% yoy mainly from the increase in interest expense on deposits which increased by 8.9% from the growth in deposit amount consistent with the overall expansion in loan portfolio. Cost of fund declined slightly to 2.3% yoy from 2.4% attributed by the Bank's continued effort on cost management.

For the three month period ended	Consolidated		Change	
	Mar 31, 2018	Mar 31, 2017	Baht million	%
Interest expense	1,143	1,045	99	9.4
Interest on deposits	578	531	47	8.9
Interest on interbank and money market items	40	21	19	89.4
Interest on debt issued and borrowings	299	299	1	0.2
Fees and charges on borrowings	4	1	3	349.5
FIDF and DPA fees	210	184	26	14.3
Others	12	9	2	23.9

Net interest income amounted to Baht 2,646 million, an increase of Baht 100 million or 3.9% yoy from Baht 2,546 million in 1Q17. Yield on loan for 1Q18 declined from 7.6% to 7.2% yoy due to the high growth of loan portfolio in the low yield segment – housing loans which expanded by 149.0% yoy and corporate lending loans grew by 126.5% yoy. Meanwhile, cost of fund for 1Q18 dropped yoy from 2.4% to 2.3% resulting in declining loan spread from 5.2% in 1Q17 to 4.9% in 1Q18.

%	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Yield on loan	7.6	7.6	7.7	7.4	7.5	7.2
Cost of fund	2.4	2.3	2.1	2.3	2.3	2.3
Loan spread	5.2	5.3	5.6	5.1	5.2	4.9

Net fees and services income totaled Baht 1,143 million, increasing by Baht 215 million or 23.2% from 1Q17. Bancassurance fee amounted to Baht 250 million, increasing 2.7% yoy. For Capital Market business, brokerage income totaled Baht 483 million, increasing by Baht 129 million or 36.4% yoy in line with the increased in market trading volume during 1Q18 which grew 39.9% comparing to the volume for 1Q17. Fee from Asset Management business totaled Baht 195 million, an increase of 94.0% yoy from Baht 100 million from the continued growth in Asset under Management. Financial advisory and underwriting fees totaled Baht 66 million, decreasing by 17.8% from Baht 81 million in 1Q17.

Total operating income amounted to Baht 4,339 million, increased by Baht 536 million or growth of 14.1% yoy. In addition to net interest income and net fees and services income, the Bank recorded gain on trading and foreign exchange transactions in the amount of Baht 163 million, an increase of 157.4% comparing to gain of Baht 63 million in 1Q17. The Bank also recorded dividend income of Baht 275 million, also increasing by 94.9% from Baht 141 million yoy.

Other operating expenses were Baht 2,060 million, increased by 16.5% yoy. The increase is mainly from the personnel and marketing expenses. For 1Q18, the Bank recorded gain on sale of foreclosed assets totaled Baht 11 million comprised of loss from sale of repossessed cars totaled Baht 150 million, with loss increased slightly by Baht 14 million or 10.1% from loss of Baht 136 million yoy and from gain on sale of foreclosed properties totaled Baht 160 million, declining by 13.5% comparing to gain of Baht 186 million yoy. During 1Q18, the Bank sold foreclosed properties in the amount of Baht 317 million comparing to Baht 318 million in 1Q17.

When excluding loss from sale of foreclosed assets and loss from revaluation of foreclosed assets, operating expenses for 1Q18 totaled Baht 2,149 million, increasing by 14.3% from expenses of Baht 1,881 million during 1Q17. Cost-to-income ratio excluding loss from sale of foreclosed assets and loss from revaluations stood at 47.8% for 1Q18 comparing to 47.2% yoy.

Bad debts and doubtful accounts and loss on debt restructuring totaled Baht 434 million, increased from Baht 167 million in 1Q17. The increase is mainly from the additional provisions for the growth of loan portfolio. Loan loss provisions (excluding general reserve) and including loss from sale of

repossessed cars stood at 1.18% of average loan for 1Q18. Allowance for doubtful accounts and allowance for troubled debt restructuring amounted to Baht 10,691 million with outstanding Baht 4,500 million in general reserve. The total loan loss reserve to total mandatory reserve ratio stood at 186.1% comparing to 188.6% at the end of 2017. Meanwhile, total loan loss reserve to total NPLs ratio (coverage ratio) is at 110.9% for 1Q18 increasing from 109.8% at the end of 2017.

Corporate Income Tax totaled Baht 327 million or 17.7% tax rate. Basic earnings per share at Baht 1.79 per share.

Annualized Ratios	1Q17	2Q17	3Q17	4Q17	2017	1Q18
Net Profit (Baht million)	1,524	1,185	1,723	1,305	5,737	1,513
ROAE (%)	14.8	11.6	17.3	12.8	14.1	14.4
ROE (%)	15.1	11.3	17.3	13.0	14.2	14.6
ROAA (%)	2.6	1.9	2.7	2.1	2.3	2.3
Comprehensive income (Baht million)	1,563	1,416	1,796	1,340	6,115	1,476
ROAE (%)	15.2	13.9	18.0	13.2	15.0	14.0
ROE (%)	15.5	13.5	18.0	13.4	15.2	14.3
ROAA (%)	2.6	2.2	2.8	2.1	2.5	2.2

Statements of Financial Position

Assets, as of March 31, 2018, totaled Baht 273,819 million, increased by Baht 14,484 million or 5.6% from the end of 2017. Total loans net deferred revenue amounted to Baht 203,049 million, an increase of 5.7% from Baht 192,107 million at the end of 2017.

<u>ASSETS</u> (BAHT'000)	<u>CONSOLIDATED</u>		<u>Change</u>	
	<u>Mar 31, 2018</u>	<u>Dec 31, 2017</u>	<u>Amount</u>	<u>%</u>
Cash	1,025,384	1,424,564	(399,180)	(28.0)
Interbank and money market items, net	8,205,466	11,510,827	(3,305,361)	(28.7)
Derivatives assets	5,186,940	3,373,938	1,813,002	53.7
Investments in securities, net	40,428,821	34,048,463	6,380,358	18.7
Investments in receivables, net	2,171,487	2,170,438	1,049	0.0
Investments in properties, net	56,342	148,233	(91,891)	(62.0)
Loans to customers and accrued interest receivables, net				
Loans to customers	223,388,959	211,741,726	11,647,233	5.5
Accrued interest receivables	1,003,611	980,205	23,406	2.4
Total loans to customers and accrued interest receivables	224,392,570	212,721,931	11,670,639	5.5
<u>Less</u> Deferred revenue	(20,339,660)	(19,634,968)	(704,692)	3.6
<u>Less</u> Allowance for doubtful accounts	(10,688,929)	(10,573,666)	(115,263)	1.1
<u>Less</u> Allowance for troubled debt restructuring	(2,303)	(2,294)	(9)	0.4
Total loans to customers and accrued interest receivables, net	193,361,678	182,511,003	10,850,675	5.9
Properties foreclosed, net	4,078,349	4,094,492	(16,143)	(0.4)
Land, premises and equipment, net	2,787,485	2,744,165	43,320	1.6
Other intangible assets, net	805,114	795,761	9,353	1.2
Goodwill	3,066,035	3,066,035	0	0.0
Deferred tax assets	1,559,461	1,703,440	(143,979)	(8.5)
Accounts receivable from clearing house and broker - dealers	2,631,483	3,992,555	(1,361,072)	(34.1)
Securities and derivative business receivables	4,365,030	4,741,374	(376,344)	(7.9)
Other assets, net	4,089,885	3,009,956	1,079,929	35.9
Total assets	273,818,960	259,335,244	14,483,716	5.6

Liabilities amounted to Baht 230,790 million, increasing 6.0% from the end of 2017. Deposits were Baht 134,141 million, increasing by 1.0%. Deposits comprised of 58.5% of term deposits and 41.5% of current and saving accounts (CASA), an increase comparing with CASA of 40.6 % at the end of 2017.

Meanwhile, debts and borrowings were Baht 66,328 million, increased by 17.1% from the end of 2017. During 1Q18, the Bank issued debentures totaling Baht 28,079 million. Loan to deposits and borrowings ratio stood at 101.7%, almost at the same level of 101.8% at the end of 2017.

LIABILITIES (BAHT'000)	CONSOLIDATED		Change	
	Mar 31, 2018	Dec 31, 2017	Amount	%
Deposits	134,140,820	132,878,106	1,262,714	1.0
Current Account	404,826	414,598	(9,772)	(2.4)
Saving Account	55,219,081	53,472,240	1,746,841	3.3
Term Deposit	77,754,439	78,238,356	(483,917)	(0.6)
Certificate of Deposit	762,474	752,912	9,562	1.3
Interbank and money market items, net	10,060,483	8,289,723	1,770,760	21.4
Liabilities payable on demand	881,501	557,819	323,682	58.0
Financial liabilities designated at fair value through profit or loss	304,562	0	304,562	n.a
Derivatives liabilities	5,508,441	4,303,925	1,204,516	28.0
Debt issued and borrowings	66,327,902	56,657,584	9,670,318	17.1
Senior securities	60,327,902	50,657,584	9,670,317	19.1
Subordinated bond	6,000,000	6,000,000	0	0.0
Provisions	662,427	632,129	30,298	4.8
Deferred tax liabilities	139,590	160,138	(20,548)	(12.8)
Accounts payable to clearing house and broker - dealers	333,716	422,323	(88,607)	(21.0)
Securities and derivative business payables	4,725,189	4,514,754	210,435	4.7
Accrued interest expenses	667,953	499,498	168,455	33.7
Other accounts payable	2,126,682	2,924,233	(797,551)	(27.3)
Legal Execution Department payable	575,380	575,380	0	0.0
Income tax payable and specific business tax payable	718,534	558,172	160,362	28.7
Other liabilities	3,616,707	4,813,228	(1,196,521)	(24.9)
Total liabilities	230,789,887	217,787,012	13,002,875	6.0

Shareholders' equity was Baht 43,029 million, increased 3.6% from the end of 2017. Total issued and paid-up capital totaled Baht 8,468 million. Share premium totaled Baht 9,356 million. Unappropriated retained earnings at Baht 22,637 million.

The Dividend payment

The Board of Directors' Meeting No. 2/2018, held on February 22, 2018, agreed to propose to the Annual General Meeting of shareholders on April 24, 2018 to approve the annual dividend payment for

2017 at the rate of Baht 5.00 per share. The interim dividend was paid on September 22, 2017 at the rate of Baht 2.00 per share with the remaining Baht 3.00 per share to be paid on May 21, 2018. The record date of dividend payout will be on May 3, 2018.

Capital Adequacy Ratio (BIS ratio)

As at March 31, 2018, the Capital Adequacy Ratio (BIS ratio) under Basel III which included profit for the year 2016 was at 15.96% while Tier-1 ratio was at 12.87%. When including profit up to end of 1Q18, the BIS ratio will increase to 18.05% while Tier-1 ratio will be 14.96%.

Business Segment Performance

The Kiatnakin Phatra Financial Group (“the Group”) business is divided into two main areas: the commercial banking business operated by the Bank and capital market business operated by its subsidiaries which are comprised of PHATRA, PTSEC and PASSET.

Both the commercial banking business and the capital market business work closely together in order to achieve combined results in the three business objectives which the Group places focus upon 1) Credit Business 2) Private Banking and 3) Investment Banking. For Credit Business which will focus on loan expansions to retail and Small and Medium Enterprise segment, the goals will be on building efficiencies, creating standards, identifying new alternative channels to reach targeted client segment while maintaining an effective risk management and credit monitoring and control. For Private Banking, the goal is to grow the business by capitalizing on capital market group’s expertise in the wealth management business and through the commercial banking business distribution channels to increase fee income and assets under advice. The area of Investment Banking will combine the expertise of several functions within the Group to allow the Group to offer more comprehensive financial services to meet clients’ demands.

Commercial Banking Business including retail lending, commercial lending, corporate lending, Special Asset Management (SAM) or distressed asset management loan and other loans. The breakdown of total loan portfolio is as follows;

Type of loans	Mar 31, 2018		Dec 31, 2017		Change (%)
	Baht million	%	Baht million	%	
Retail Lending	129,085	63.3	125,954	65.3	2.5
Hire Purchase	104,609	51.3	103,926	53.9	0.7
Personal loan	5,941	2.9	5,745	3.0	3.4
Micro SMEs loan	5,485	2.7	5,031	2.6	9.0
Housing loan	13,051	6.4	11,252	5.8	16.0
Commercial Lending	47,868	23.5	44,283	23.0	8.1
Real Estate Development	23,782	11.7	21,276	11.0	11.8
SMEs loan	24,086	11.8	23,007	11.9	4.7
Corporate Lending	20,196	9.9	15,807	8.2	27.8
Special Asset Management loan	604	0.3	607	0.3	(0.4)
Lombard loan	6,076	3.0	6,273	3.3	(3.1)
Total loans and account receivables	203,830	100.0	192,924	100.0	5.7

Retail Lending totaled Baht 129,085 million, increased by 2.5% from the end of 2017. Retail loans include hire purchase loans, personal loans, Micro SMEs loans and housing loans.

Hire purchase loans amounted to Baht 104,609 million, expanded 0.7% from end of 2017. New hire purchase business volume booked during 1Q18 totaled Baht 11,119 million. The portion of new cars to used cars is currently at 42:58 with the hire purchase loan portion to total Bank loan portfolio at 51.3%, a continuous decline as a result of the increased in diversifications to other loan types in the Bank loan portfolio. Domestic new car sales for the first two month of 2018 totaled 142,011 units, increasing by 13.0% comparing to sales for the same period last year. The penetration rate of KK new cars lending to the domestic new car sales for the first two months of 2018 was at 2.4%, declining from 2.7% as of end of 2017. The Bank loan portfolio in other retail loans continued to grow during 1Q18 with total combined other retail loans portion to total Bank loan portfolio increasing to 12.0% as of end of 1Q18.

Commercial Lending business amounted to Baht 47,868 million, an increase of 8.1% from the end of 2017. Commercial Lending includes real estate development loans and SMEs loans, details are as follows:

Real estate development loans (RE) were Baht 23,782 million, expanded by 11.8% from the end of 2017 mainly as a result of the Bank expansion into larger customer segment during the year 2017.

SMEs loans were Baht 24,086 million, an increase of 4.7%. SMEs loan comprises of several business sectors including Apartment & Hotel, Logistics, Commercial & Industrial and Construction Machinery & Materials.

Corporate Lending provides lending services to listed companies clients and large corporate clients or financing for Investment Banking transaction of Capital Market Business. Current outstanding loans totaled Baht 20,196 million, expanded by 27.8% from the end of 2017.

Special asset management (SAM) is responsible for distressed asset management business and sale of foreclosed assets. Current outstanding financial claim loans totaled Baht 604 million.

Lombard Loan, a multi-purpose credit facility for Wealth Management clients using financial assets as collateral. Current outstanding loans totaled Baht 6,076 million, a slight decline of 3.1% from the end of 2017.

NPLs distribution by loan type (consolidated)

Type of loans	Mar 31, 2018			Dec 31, 2017		
	Baht million	%	% of loans	Baht million	%	% of loans
Retail Lending	3,027	31.3	2.3	2,985	30.9	2.4
Hire Purchase	2,110	21.8	2.0	2,223	23.0	2.1
Personal loan	206	2.1	3.5	166	1.7	2.9
Micro SMEs loan	482	5.0	8.8	431	4.5	8.6
Housing loan	229	2.4	1.8	165	1.7	1.5
Commercial Lending	6,062	62.7	12.7	6,075	63.0	13.7
Real Estate Development	4,543	47.0	19.1	4,558	47.2	21.4
SMEs loan	1,519	15.7	6.3	1,518	15.7	6.6
Corporate Lending	0	0.0	0.0	0	0.0	0.0
Special Asset Management loan	585	6.0	96.7	587	6.1	96.7
Lombard loan	0	0.0	0.0	0	0.0	0.0
Total	9,673	100.0	4.7	9,647	100.0	5.0

The Non-Performing Loans (NPLs) to total loans ratio at the end of 1Q18 declined to 4.7% from 5.0% at the end of 2017 with improvements in NPLs for both the real estate segment and the hire purchase segment.

Capital Market business comprises of brokerage business, investment banking business, investment business, and asset management business. Details are as follows:

- **Equity and Derivatives Brokerage Business**

Phatra Securities Plc. (“PSEC”) operates Agency Business providing both securities and derivatives brokerage services to local and foreign institutional investors, as well as high net worth individuals under Private Wealth Management. For high net worth clients, other wealth management products are provided such as mutual funds and structured products. For 1Q18, the market share¹ of PSEC was at 4.7%, ranking 7th from total 38 brokers. PSEC generated brokerage revenue totaling Baht 396

¹ Including SET and mai but excluding proprietary trading

million comprising of equity brokerage revenue of Baht 353 million, derivatives brokerage revenue of Baht 34 million and other brokerage revenue of Baht 9 million. Additionally, PSEC also had brokerage revenue from selling agent fees of Baht 143 million.²

- **Investment Banking Business**

Investment banking business, operated by PSEC, provides financial advisory service as well as underwriting service. In 1Q18, the revenue was Baht 67 million, contributed to financial advisory fee amounting Baht 60 million and underwriting fee amounting Baht 7 million.

- **Investment Business**

Investment Business is managed by 3 departments in which Phatra operates direct investment business, by Direct Investment Department (“DI”), with medium to long-term investment horizon, while PSEC manages short-term investment, by Investment and Trading Group, comprising of Equity and Derivatives Trading Department (“EDT”) and Hedge Fund Department (“HF”). EDT focuses on equity and equity-linked securities in the capital market and derivatives market, with short-term investment not more than 1 year by applying Arbitrage investment strategy as well as issuing and offering financial structured products. HF focuses on equity and derivatives trading with less than 1 year investment horizon, applying Market Neutral strategy and advanced statistical modeling.

In 1Q18, DI focusing on long-term investment with value based investment philosophy recorded loss on investment including loss on re-measuring available-for-sale securities totaling Baht 117 million. HF posted gain of Baht 98 million for the quarter.³ Meanwhile, EDT had gain on investment totaling Baht 233 million.⁴ Additionally, there were other investment incomes from treasury and liquidity management, resulting in overall investment income of Baht 234 million.

- **Asset Management Business**

Phatra Asset Management Co., Ltd. (“PASSET”), under mutual fund and private fund management licenses, offers fund management services to individuals and corporate customers. PASSET’s mutual fund AUM as of 31 March 2018 was Baht 63,998 million with total 24 funds under management consisting of 21 mutual funds and 3 property funds. PASSET’s market share in terms of mutual fund was 1.3%. In 1Q18, PASSET’s fee income from mutual fund business totaled Baht 129 million. As of 31 March 2018, asset under management from private fund was Baht 26,155 million. PASSET’s fee income from private fund business totaled Baht 70 million.

² Including selling agent fee which receive from subsidiary company

³ In addition to the investment revenue, HF also had foreign exchange gain and advisory fee revenue totaling gain Baht 1 million and hedging cost of Baht 2 million. In summary, total HF gain after cost of hedging was Baht 97 million

⁴ Income before deducting the cost of hedging, once deducting those costs, net gain was Baht 230 million