

LH Financial Group Public Company Limited/Land and Houses Bank Public Company Limited

Key Rating Drivers

Shareholder Support Drives Ratings: The ratings of Land and Houses Bank Public Company Limited (LH Bank) and LH Financial Group Public Company Limited (LHFG) are driven by Fitch Ratings' expectation of extraordinary shareholder support from Taiwan-based CTBC Bank Co., Ltd. (CTBC, A/Stable/a), if needed. This expectation incorporates our view of CTBC's high ability – but moderate propensity – to provide support. CTBC owns a 46.6% stake in LHFG and exercises management control over the Thai group.

National Rating Relativities: The ratings also reflect our assessment of the two entities' credit profiles compared with that of other issuers on the Thai national rating scale, and denote our expectation of a very low level of default risk relative to other entities in Thailand.

Enhancing CTBC's Network: CTBC, the largest privately owned bank in Taiwan, has a strong domestic franchise and a growing international presence. LHFG helps CTBC expand and strengthen its network, and bolster its cross-border services. Taiwan-based corporations are increasingly investing in south-east Asia, including Thailand, making them a natural target segment for LHFG.

High Support Ability: CTBC's ability to support LHFG is underpinned by the bank's standalone credit profile, as reflected in its Viability Rating (VR). We believe any support for LHFG would be manageable for CTBC as LHFG's balance sheet is modest relative to that of its parent. LHFG's assets are about 5% of those of CTBC.

Improving Integration: Fitch expects the operational integration between CTBC and its Thai subsidiaries to improve over time. LHFG and LH Bank are consolidated into CTBC's balance sheet, reflecting the parent's control and influence over the subsidiaries' board and management. CTBC shares its product expertise, such as in wealth management and trade finance, enhancing LH Bank's capabilities.

Client referrals from CTBC, although modest currently, are likely to increase significantly over time. CTBC also ensures that the LH group adheres to its risk management and operational standards and complies with the group's legal and regulatory frameworks.

Parent's Liquidity Support: LHFG's funding and liquidity profile is characterised by LH Bank's relatively small deposit base, which makes it more vulnerable during systemic stress compared with larger and more entrenched banks. However, ordinary funding support from CTBC, through deposits or interbank lending, helps to mitigate liquidity risk. Nonetheless, this support may be lower than that provided to other foreign bank subsidiaries that benefit from stronger shareholding ties and higher levels of operational integration.

Weaker Linkages than Peers: Fitch believes the reputational linkage between LHFG and CTBC is limited by the parent's below 50% stake in LHFG. There are some signs of improving co-ordination on branding. However, the linkage remains weaker than that of other foreign bank subsidiaries in Thailand whose parents own a much higher stake, and which have full name- and brand-sharing.

Ratings

LH Financial Group Public Company Limited

National Rating

National Long-Term Rating AA+(tha)
National Short-Term Rating F1+(tha)

Outlook

National Long-Term Rating Stable

Land and Houses Bank Public Company Limited

National Rating

National Long-Term Rating AA+(tha)
National Short-Term Rating F1+(tha)

Outlook

National Long-Term Rating Stable

Applicable Criteria

Bank Rating Criteria (March 2024)
National Scale Rating Criteria (December 2020)

Related Research

CTBC Bank Co., Ltd. (February 2025)
EM Banks Tracker (January 2025)
Asia-Pacific Emerging Market Banks Outlook 2025 (November 2024)
Thai Bank Credit Metrics Unlikely to be Hit by Debt Relief Scheme (December 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The National Ratings could be downgraded if support assumptions weaken. For example, a downgrade in CTBC's VR would indicate reduced ability to support and affect LHFG's and LH Bank's National Ratings.

Furthermore, significantly reduced linkages between LHFG or LH Bank and CTBC would signal the parent's lower propensity to extend support and lead to negative rating action on the National Ratings. This could occur if CTBC's shareholding decreases, resulting in a loss of its control over LHFG, combined with reduced operational integration and financial support. Failure to further integrate the Thai business with CTBC and/or severe financial underperformance could prompt CTBC to reevaluate its strategic commitment. In such scenarios, Fitch would reassess the rating approach for LHFG and LH Bank, potentially shifting from the shareholder support-driven approach to using their standalone credit profiles. Such a shift could lead to multi-notch downgrades. Nevertheless, Fitch does not expect any decline in support propensity in the medium term.

Any rating action would also take into consideration the two entities' support-driven credit profiles relative to that of other entities on the Thai national rating scale.

LHFG's and LH Bank's National Short-Term Ratings would be downgraded to 'F1(tha)' if their National Long-Term Ratings were downgraded to 'A-(tha)', or if there were substantial changes to the assumptions behind CTBC's support of the Thai subsidiaries.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

There could be upside to the Long-Term National Ratings for LH Bank and LHFG if there is an upgrade in CTBC's VR without any reduction in the propensity to support, indicating an enhanced ability to provide support to its Thai subsidiaries.

Positive rating action could also occur if Fitch observes an increased willingness by CTBC to support LH Bank and LHFG. This scenario may arise if the linkages and integration with CTBC improve significantly. This would be reflected by increased brand-sharing, a higher stake, or increased business synergies that improve the bank's competitiveness versus local peers and raise the bank's strategic contribution to the parent.

There is no rating upside for the National Short-Term Ratings on LH Bank and LHFG, as they are at the highest point on the scale.

Other Debt and Issuer Ratings

Rating Level – LHFG	Rating
Senior unsecured	AA+(tha)
Source: Fitch Ratings	
Rating Level – LH Bank	Rating
Subordinated	AA-(tha)
Source: Fitch Ratings	

LHFG's senior debt is rated at the same level as its National Long-Term Rating to reflect the unsubordinated and unsecured nature of the obligations.

LH Bank's Basel II Tier 2-compliant securities are rated two notches below its National Long-Term Rating to reflect loss severity risk, as we believe the notes have poorer recovery prospects than senior unsecured instruments. There is no additional notching for non-performance risk, as the notes do not incorporate going-concern loss-absorption features. This rating approach is in line with the baseline notching in Fitch's criteria and is also consistent with similar notes issued by other banks in Thailand.

Other Debt and Issuer Ratings: Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

Any negative rating action on LHFG's or LH Bank's National Long-Term Rating would have a similar impact on the rating of their senior or subordinated notes.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

An upgrade on LHFG's or LH Bank's National Long-Term Rating would trigger a similar action on the ratings of their senior or subordinated notes.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(THBm)	(THBm)	(THBm)	(THBm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified (emphasis of matter)	Audited - unqualified (emphasis of matter)
Summary income statement					
Net interest and dividend income	212	7,273.1	7,976.9	7,351.4	7,031.7
Net fees and commissions	22	768.1	755.5	752.9	855.5
Other operating income	5	160.3	62.9	19.0	188.1
Total operating income	239	8,201.5	8,795.3	8,123.3	8,075.3
Operating costs	126	4,326.1	4,112.3	3,589.6	3,223.1
Pre-impairment operating profit	113	3,875.4	4,683.0	4,533.7	4,852.2
Loan and other impairment charges	39	1,329.9	2,163.4	2,703.8	3,275.5
Operating profit	74	2,545.5	2,519.6	1,829.9	1,576.7
Tax	15	498.5	423.3	251.1	193.0
Net income	60	2,047.0	2,096.3	1,578.8	1,383.7
Other comprehensive income	37	1,271.5	-2,794.2	-2,694.9	-675.6
Fitch comprehensive income	97	3,318.5	-697.9	-1,116.1	708.1
Summary balance sheet					
Assets					
Gross loans	7,523	257,722.6	242,116.9	219,189.3	180,758.7
- Of which impaired	226	7,747.3	6,935.8	5,648.7	5,384.6
Loan loss allowances	421	14,416.9	13,419.4	11,662.7	8,941.4
Net loans	7,102	243,305.7	228,697.5	207,526.6	171,817.3
Interbank	1,222	41,866.5	30,724.4	33,051.4	34,056.0
Derivatives	12	404.8	703.3	389.9	164.0
Other securities and earning assets	1,392	47,704.8	49,557.4	54,422.9	53,655.3
Total earning assets	9,728	333,281.8	309,682.6	295,390.8	259,692.6
Cash and due from banks	19	643.4	691.5	705.1	717.9
Other assets	378	12,937.4	12,948.4	5,460.6	4,225.7
Total assets	10,124	346,862.6	323,322.5	301,556.5	264,636.2
Liabilities					
Customer deposits	8,020	274,752.6	251,436.6	231,408.4	192,499.3
Interbank and other short-term funding	608	20,833.1	28,291.9	26,913.7	26,971.2
Other long-term funding	209	7,158.8	2,400.0	2,400.0	4,077.4
Trading liabilities and derivatives	16	545.0	578.6	187.9	33.5
Total funding and derivatives	8,853	303,289.5	282,707.1	260,910.0	223,581.4
Other liabilities	144	4,929.3	4,654.5	3,775.9	2,856.3
Total equity	1,128	38,643.8	35,960.9	36,870.6	38,198.5
Total liabilities and equity	10,124	346,862.6	323,322.5	301,556.5	264,636.2
Exchange rate	USD1 = THB34.26 USD1 = THB34.683 USD1 = THB34.801 USD1 = THB33.593				

Source: Fitch Ratings, Fitch Solutions, LHFG

Key Ratios

	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.0	1.0	0.7	0.7
Net interest income/average earning assets	2.4	2.8	2.7	2.8
Non-interest expense/gross revenue	52.8	46.8	44.2	39.9
Net income/average equity	5.5	5.8	4.2	3.6
Asset quality				
Impaired loans ratio	3.0	2.9	2.6	3.0
Growth in gross loans	6.5	10.5	21.3	11.4
Loan loss allowances/impaired loans	186.1	193.5	206.5	166.1
Loan impairment charges/average gross loans	0.5	0.7	1.3	1.9
Capitalisation				
Common equity Tier 1 ratio	13.0	12.4	13.4	15.9
Tangible common equity/tangible assets	10.6	10.5	11.7	14.0
Net impaired loans/common equity Tier 1	-19.1	-20.1	-17.7	-9.9
Funding and liquidity				
Gross loans/customer deposits	93.8	96.3	94.7	93.9
Customer deposits/total non-equity funding	90.8	89.1	88.8	86.1
Fitch Ratings, Fitch Solutions, LHFG				

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