**Land and Houses Bank Public Company Limited**

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**For the three-month and nine-month periods ended 30 September 2022 and 2021**

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**Land and Houses Bank Public Company Limited**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2022 and 2021**

# General information

**1.1 The Bank’s information**

Land and Houses Bank Public Company Limited (“the Bank”) was incorporated as a public limited company under Thai laws and has been operating a commercial bank business in Thailand. The Bank’s registered office is located at No. 1, on the G, 1st, 5th, 6th and 32nd floors of Q-House Lumpini Building, South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok.

**1.2 Coronavirus disease 2019 pandemic**

The Coronavirus disease 2019 pandemic is directly and indirectly impacting various businesses and industry sectors, which results in an economic slowdown and a fluctuation in the money market and the capital market. This situation has impacted on the Bank’s value of loans to customers, value of investments, operating results and cash flows at present, and is expected to do so in the future. However, the Bank’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

# Basis for preparation of interim financial information

This interim financial information is prepared in accordance with Thai Accounting Standards No. 34 Interim Financial Reporting with reference to the regulations stipulated by the Bank of Thailand (BOT), with the Bank choosing to present condensed interim financial information. However, the Bank has presented each line item in the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows, in the same format as those presented in the annual financial statements, and their presentation has been made in compliance with the BOT’s notification No. Sor Nor Sor. 21/2561 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 31 October 2018.

The interim financial information is intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. This interim financial information should therefore be read in conjunction with the latest annual financial statements.

The interim financial information in Thai language is the official statutory financial statements of the Bank. The interim financial information in English language have been translated from the Thai language interim financial information.

# New and revised financial reporting standards

**3.1 New financial reporting standards that became effective in the current period**

The revised financial reporting standards which are effective for fiscal years beginning on or after 1 January 2022, do not have any significant impact on the Bank’s financial statements.

**3.2 Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19**

The Federation of Accounting Professions has announced Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19. Its objectives are to provide temporary relief measures and an alternative for all entities providing assistance to debtors in accordance with guidelines of the Bank of Thailand. The accounting guidance is applicable for provisions of assistance to such debtors made during the period from 1 January 2022 to 31 December 2023 or until the Bank of Thailand makes changes.

Under this accounting guidance, the Bank may elect to adopt accounting treatments consistent with the circular of the Bank of Thailand No. BOT.RPD2.C.802/2564 dated 3 September 2021 “Guidelines regarding the provision of financial assistance to debtors affected by COVID-19 (Sustainable debt resolution)”. The assistance to debtors can be classified into 2 groups by debt restructuring method as follows:

* For debt restructuring for the purpose of reducing the debt burden of debtors that involves more than just a payment timeline extension, the Bank may elect to apply the temporary relief measures relating to staging assessment and setting aside of provisions. (Assistance type 1)
* For debt restructuring involving only a payment timeline extension, the Bank is required to perform staging assessment and set aside provisions in accordance with the relevant financial reporting standards. (Assistance type 2)

The Bank provides both types of assistance to debtors. For assistance type 1, the Bank has elected to apply all temporary relief measures under this accounting guidance relating to staging assessment and setting aside of provisions.

# Significant accounting policies

The interim financial information is prepared using the same accounting policies and methods of computation as those were used for the financial statements for the year ended 31 December 2021, except the adoption of the new financial reporting standards and the accounting guidance as described in Note 3 to the interim financial statements.

# Investments

**5.1 Type of investments**

Investments as at 30 September 2022 and 31 December 2021 consist of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2022 | 31 December 2021 |
| Investments in debt instruments measured at fair value through other comprehensive income | 38,622,909 | 34,881,957 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,177,591 | 6,851,790 |
| Total investments - net | 44,800,500 | 41,733,747 |

5.1.1 Investments in debt instruments measured at fair value through other comprehensive income

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 30 September 2022 | 31 December 2021 | |
|  | Fair value | Fair value | |
|  |  |  | |
| Government and state enterprise instruments | 25,998,730 | 22,202,126 | |
| Private sector debt instruments | 9,553,907 | 9,761,201 | |
| Other debt instruments | 3,272,956 | 3,120,971 | |
| Total | 38,825,593 | 35,084,298 | |
| Less: Allowance for expected credit losses | (202,684) | (202,341) | |
| Total investments in debt instruments measured at fair value through other comprehensive income | 38,622,909 | 34,881,957 | |

5.1.2 Investments in equity instruments designated at fair value through other comprehensive income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | (Unit: Thousand Baht) | |
|  | 30 September 2022 | | 31 December 2021 | |
|  | Fair value | Dividend received | Fair value | Dividend received |
| Domestic marketable equity instruments - investment units | 6,170,688 | 315,326 | 6,844,887 | 436,645 |
| Domestic non-marketable equity instruments | 6,903 | 16 | 6,903 | 359 |
| Total investments in equity instruments designated at fair value through other comprehensive income | 6,177,591 | 315,342 | 6,851,790 | 437,004 |

During the nine-month periods ended 30 September 2022 and 2021, the Bank derecognised investments in equity instruments designated at fair value through other comprehensive income as a result of the sale of such investments. Accumulated gains or losses on derecognition were recognised in retained earnings as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the nine-month period ended 30 September 2022 | | | |
|  | Fair value on derecognition date | Dividend received | Gains on derecognition net of income tax | Reason of derecognition |
| Derecognised investments in equity instruments | |  |  |  |
| Domestic marketable equity instruments | |  |  |  |
| - Investment units | 34,039 | 775 | 1,592 | Sale for Liquidity Management |
| Total | 34,039 | 775 | 1,592 |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the nine-month period ended 30 September 2021 | | | |
|  | Fair value on derecognition date | Dividend received | Losses on derecognition net of income tax | Reason of derecognition |
| Derecognised investments in equity instruments | |  |  |  |
| Domestic marketable equity instruments | |  |  |  |
| - Investment units | 371,753 | 364,299 | (303,062) | Fund Dissolution |
| Total | 371,753 | 364,299 | (303,062) |  |

**5.2 Investments in companies having problems relating to financial position and operating results**

|  |  | | | (Unit: Thousand Baht) | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 30 September 2022 | | | 31 December 2021 | | |
|  | Number of companies | Cost | Fair value | Number of companies | Cost | Fair value |
| Companies whose auditors’ report indicating going concern issues | 1 | 25 | - | 1 | 25 | - |
|  | 1 | 25 | - | 1 | 25 | - |

# Loans to customers and accrued interest receivables

**6.1 Classified by loan types**

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2022 | 31 December 2021 |
|  |  |  |
| Overdrafts | 3,950,545 | 3,493,111 |
| Loans | 150,575,521 | 132,192,303 |
| Bills | 45,923,345 | 41,375,087 |
| Hire purchase receivables | 139,450 | 59,992 |
| Total loans to customers | 200,588,861 | 177,120,493 |
| Less: Deferred revenue | (42,038) | (37,114) |
| Loans to customers net of deferred revenue | 200,546,823 | 177,083,379 |
| Add: Accrued interest receivables and undue interest receivables | 2,936,612 | 2,000,929 |
| Total loans to customers and accrued interest receivables | 203,483,435 | 179,084,308 |
| Less: Allowance for expected credit losses | (10,819,314) | (8,940,300) |
| Loans to customers and accrued interest receivables - net | 192,664,121 | 170,144,008 |

As at 30 September 2022, the Bank’s loans to customers include restructured loans, for which the Bank has elected to apply the Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Sustainable debt resolution) where this assistance is the 1st type of financial assistance amounting to Baht 10,362 million and the 2nd type of financial assistance amounting to Baht 25,144 million.

**6.2 Classified by loan classification**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 30 September 2022 | | 31 December 2021 | |
|  | Loans to customers  and accrued interest receivables | Allowance for  expected credit losses | Loans to customers  and accrued interest receivables | Allowance for  expected credit losses |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 187,821,204 | 3,488,043 | 168,856,006 | 2,831,820 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | 9,982,712 | 1,507,847 | 4,867,105 | 1,096,662 |
| Financial assets that are credit-impaired  (Non-performing) | 5,679,519 | 3,189,192 | 5,361,197 | 2,812,773 |
| Total | 203,483,435 | 8,185,082 | 179,084,308 | 6,741,255 |
| General provision |  | 2,634,232 |  | 2,199,045 |
| Total |  | 10,819,314 |  | 8,940,300 |

**6.3 Loans to customers that have repayment problems or defaulted payments**

As at 30 September 2022 and 31 December 2021, the Bank had loans to customers and accrued interest receivables due from companies and persons, which had repayment problems or defaulted payments, against which allowance for expected credit losses, were made as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 30 September 2022 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 1,060 | 15,662,231 | 4,697,039 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 31 December 2021 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 628 | 10,228,302 | 3,909,435 |

The Bank has inadequate information to disclose transactions in respect of companies whose auditors’ reports indicate that there is substantial doubt about their ability to continue their business as a going concern, and unlisted companies whose financial position and results of operations are the same as those of listed companies delisting criteria. However, the Bank has already considered the loan classification and set allowance for expected credit losses of those debtors.

**6.4 Troubled debt restructuring**

As at 30 September 2022 and 31 December 2021, the Bank had restructured debtors with outstanding debt balances as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | Total debts | | Restructured debts | |
|  | Number of debtors | Debt balances (principal and accrued interest receivables) | Number of debtors | Debt balances (principal and accrued interest receivables) |
|  |  |  |  |  |
| 30 September 2022 | 32,796 | 203,483,435 | 283 | 5,761,705 |
| 31 December 2021 | 11,148 | 179,084,308 | 271 | 6,027,360 |

As at 30 September 2022 and 31 December 2021, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

# Allowance for expected credit losses

|  | (Unit: Thousand Baht) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | For the nine-month period ended 30 September 2022 | | | | | |
|  | Financial assets where there has not been a significant increase in credit risk (Performing) | Financial assets where there has been a significant increase in credit risk (Under-performing) | | Financial assets  that are  credit-impaired  (Non-performing) | General provision | Total |
| **Interbank and money market items (assets)** | |  | |  |  |  |
| Balances - beginning of the period | 5,130 | - | | - | - | 5,130 |
| Changes due to revaluation of loss allowance | (18,988) | - | | - | - | (18,988) |
| New financial assets purchased or acquired | 51,064 | - | | - | - | 51,064 |
| Financial assets derecognised | (24,248) | - | | - | - | (24,248) |
| Balances - ending of the period | 12,958 | - | | - | - | 12,958 |
|  | | | |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  | |  |  |  |
| Balances - beginning of the period | 2,341 | 200,000 | | - | - | 202,341 |
| Changes due to revaluation of loss allowance | 285 | - | | - | - | 285 |
| New financial assets purchased or acquired | 65 | - | | - | - | 65 |
| Financial assets derecognised | (7) | - | | - | - | (7) |
| Balances - ending of the period | 2,684 | 200,000 | | - | - | 202,684 |
|  |  |  | |  |  |  |
| **Loans to customers and accrued interest receivables** | | |  |  |  |  |
| Balances - beginning of the period | 2,831,820 | 1,096,662 | | 2,812,773 | 2,199,045 | 8,940,300 |
| Changes due to transfers of loan classification | (392,299) | 121,045 | | 271,254 | - | - |
| Changes due to revaluation of loss allowance | 388,555 | 347,822 | | 143,564 | 435,187 | 1,315,128 |
| New financial assets purchased or acquired | 2,392,610 | 546,910 | | 168,577 | - | 3,108,097 |
| Financial assets derecognised | (1,732,643) | (604,592) | | (206,976) | - | (2,544,211) |
| Balances - ending of the period | 3,488,043 | 1,507,847 | | 3,189,192 | 2,634,232 | 10,819,314 |
|  |  |  | |  |  |  |
| **Other assets** |  |  | |  |  |  |
| Balances - beginning of the period | 1,077 | 266 | | 41,788 | - | 43,131 |
| Changes due to transfers of loan classification | 263 | 345 | | (608) | - | - |
| Changes due to revaluation of loss allowance | (280) | (138) | | 6,361 | - | 5,943 |
| New financial assets purchased or acquired | 669 | 195 | | 9,124 | - | 9,988 |
| Financial assets derecognised | (837) | (452) | | (11,065) | - | (12,354) |
| Balances - ending of the period | 892 | 216 | | 45,600 | - | 46,708 |

As at 30 September 2022, the general provision of Baht 2,634 million consisted of (a) the Management Overlay provision amounting to Baht 1,317 million, arising from the first-time adoption of Thai Financial Reporting Standards No. 9 on 1 January 2020, which was reserved for the factors not captured by the ECL model and for the group of debtors whose credit quality may be further deteriorated as informed in the Bank’s letter to the BOT dated 15 May 2020, and (b) a general provision amounting to Baht 1,317 million, which was reserved for the group of debtors that the Bank has provided assistance under the relief measures to affected debtors as described in Note 6.1 to the interim financial statements.

# Deferred tax assets/liabilities and income tax

**8.1 Deferred tax assets/liabilities**

The components of deferred tax assets/liabilities included deferred income tax arose from the following transactions:

|  | (Unit: Thousand Baht) | | | |
| --- | --- | --- | --- | --- |
|  | 30 September | 31 December | Changes in deferred income tax for the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
| Deferred tax assets (liabilities) arose from: |  |  |  |  |
| Investments | 858,455 | 480,587 | 377,868 | 158,164 |
| Loans to customers and accrued interest receivables | 536,203 | 449,348 | 86,855 | 135,388 |
| Properties foreclosed | 532 | 532 | - | 300 |
| Right-of-use assets | 8,031 | 7,845 | 186 | 2,405 |
| Other assets | 9,342 | 8,626 | 716 | 1,169 |
| Provisions | 58,877 | 53,890 | 4,987 | 13,044 |
| Others | 18,594 | 12,492 | 6,102 | 5,410 |
| Deferred tax assets | 1,490,034 | 1,013,320 |  |  |
| Total |  |  | 476,714 | 315,880 |
| Changes in deferred income tax: |  |  |  |  |
| Recognised in profit or loss |  |  | 101,431 | 81,485 |
| Recognised in other comprehensive income (loss) | |  | 375,283 | 234,395 |
| Total |  |  | 476,714 | 315,880 |

**8.2 Income tax**

Income tax expenses reported in profit or loss for the three-month and nine-month periods ended 30 September 2022 and 2021 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
| **Current income tax:** |  |  |  |  |
| Corporate income tax for the periods | (157,676) | (116,688) | (254,368) | (346,688) |
| **Deferred income tax:** |  |  |  |  |
| Deferred income tax from temporary differences and reversal of temporary differences | 86,574 | (3,099) | 101,431 | 81,485 |
| Income tax expenses reported in profit or loss | (71,102) | (119,787) | (152,937) | (265,203) |

Reconciliations between income tax expenses and the product of accounting profits for the three-month and nine-month periods ended 30 September 2022 and 2021 multiplied by the applicable tax rate were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
|  |  |  |  |  |
| Accounting profits before income tax expenses | 413,116 | 643,874 | 925,733 | 1,477,581 |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Income tax calculated based on accounting profits | (82,624) | (128,775) | (185,147) | (295,516) |
| Tax effects of: |  |  |  |  |
| Tax-exempted revenues | 9,780 | 10,637 | 30,123 | 31,738 |
| Additional expense deductions allowed | 2,132 | 1,425 | 3,302 | 2,759 |
| Non-deductible expenses | (390) | (3,074) | (836) | (3,619) |
| Others | - | - | (379) | (565) |
| Income tax expenses reported in profit or loss | (71,102) | (119,787) | (152,937) | (265,203) |

The weighted average income tax rates for the three-month and nine-month periods ended 30 September 2022 was 17.21% and 16.52%, respectively. (For the three-month and nine-month periods ended 30 September 2021 was 18.60% and 17.95%, respectively.)

# Dividend paid

During the nine-month period ended 30 September 2021, the Bank paid dividend (During the nine-month period ended 30 September 2022: None) as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Dividend | Approved by | Dividend paid | Dividend paid  per share |
|  |  | (Thousand Baht) | (Baht per share) |
| From its operating results for the year ended 31 December 2020 | The Annual General Meeting of the Bank’s shareholders held on 22 March 2021 | 700,000 | 0.35 |
| From its operating results for the six-month period ended 30 June 2021 | The Board of Directors Meeting of the Bank’s on 27 September 2021 | 340,000 | 0.17 |
| Total dividend paid during the nine-month period ended 30 September 2021 | | 1,040,000 | 0.52 |

# Other components of shareholders’ equity

As at 30 September 2022 and 31 December 2021, revaluation surplus (deficit) on investments measured at fair value through other comprehensive income consisted of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2022 | 31 December 2021 |
| **Revaluation surplus on the reclassified investments** |  |  |
| Debt instruments | 362,230 | 511,708 |
| Total | 362,230 | 511,708 |
| **Revaluation surplus on investments** |  |  |
| Debt instruments | 9,124 | 127,585 |
| Equity instruments | - | 5,501 |
| Total | 9,124 | 133,086 |
| **Revaluation deficit on investments** |  |  |
| Debt instruments | (1,723,457) | (608,596) |
| Equity instruments | (2,358,661) | (1,857,963) |
| Total | (4,082,118) | (2,466,559) |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (3,710,764) | (1,821,765) |
| Add: Income tax | 742,153 | 364,353 |
| **Revaluation deficit on investments measured at fair value through other comprehensive income - net of income tax** | (2,968,611) | (1,457,412) |

# Capital fund

The primary objectives of the Bank’s capital management are to maintain its ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Act on Undertaking of Banking Business B.E. 2551.

As at 30 September 2022 and 31 December 2021, capital fund of the Bank calculated under Basel III consisted of the following:

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 30 September 2022 | 31 December 2021 |
| Common Equity Tier 1 capital fund |  |  |
| Issued and fully paid-up share capital | 20,000,000 | 20,000,000 |
| Share premium | 10,598,915 | 10,598,915 |
| Statutory reserve | 924,300 | 924,300 |
| Net profit after appropriation | 5,472,494 | 5,333,851 |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (3,165,427) | (1,653,952) |
| Deduction items on Common Equity Tier 1 capital fund | (1,753,933) | (1,288,255) |
| Total Common Equity Tier 1 capital fund | 32,076,349 | 33,914,859 |
| Total Tier 1 capital fund | 32,076,349 | 33,914,859 |
| Tier 2 capital fund |  |  |
| Subordinated debentures | 2,400,000 | 2,400,000 |
| General provision | 2,634,232 | 2,199,045 |
| Total Tier 2 capital fund | 5,034,232 | 4,599,045 |
| Total capital fund | 37,110,581 | 38,513,904 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Percentage) | |
|  | 30 September 2022 | | 31 December 2021 | |
|  | The Bank | Minimum and additional rates required by law | The Bank | Minimum and additional rates required by law |
| The ratio of Common Equity Tier 1 capital fund to risk assets | 13.780 | 7.000 | 16.165 | 7.000 |
| The ratio of Tier 1 capital fund to risk assets | 13.780 | 8.500 | 16.165 | 8.500 |
| The ratio of total capital fund to risk assets | 15.943 | 11.000 | 18.357 | 11.000 |

The Bank disclosed its capital adequacy and capital risk exposure information as of 31 December 2021 through the Bank’s website at www.lhbank.co.th on 25 April 2022 and disclosed its capital adequacy and capital risk exposure information as of 30 June 2022 on 11 October 2022.

# Interest income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
|  |  |  |  |  |
| Interbank and money market items | 115,914 | 121,242 | 328,584 | 367,280 |
| Investments in debt securities | 197,105 | 221,034 | 586,872 | 707,501 |
| Loans to customers | 1,894,431 | 1,713,030 | 5,347,558 | 4,700,364 |
| Hire purchase | 1,023 | 571 | 3,145 | 2,109 |
| Others | 303 | 89 | 404 | 197 |
| Total interest income | 2,208,776 | 2,055,966 | 6,266,563 | 5,777,451 |

# Interest expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
|  |  |  |  |  |
| Deposits | 436,019 | 375,870 | 1,171,936 | 1,166,510 |
| Interbank and money market items | 37,380 | 7,512 | 95,382 | 26,841 |
| Contributions to the Deposit Protection Agency and the Bank of Thailand | 125,186 | 116,967 | 355,941 | 346,926 |
| Debts issued |  |  |  |  |
| - Subordinated debentures | 22,790 | 22,787 | 67,629 | 114,966 |
| - Unsubordinated and unsecured debentures | - | - | - | 2,731 |
| Others | 3,178 | 3,779 | 9,622 | 12,293 |
| Total interest expenses | 624,553 | 526,915 | 1,700,510 | 1,670,267 |

Moreover, the Bank of Thailand announced a reduction in the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per year, which is temporary period from 1 January 2020 to 31 December 2022.

# Fees and service income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
| **Fees and service income** |  |  |  |  |
| Acceptances, avals and guarantees | 15,708 | 13,977 | 43,814 | 39,843 |
| Commission income | 58,792 | 65,182 | 159,101 | 198,883 |
| Others | 20,620 | 18,925 | 61,880 | 55,797 |
| Total fees and service income | 95,120 | 98,084 | 264,795 | 294,523 |
| **Fees and service expenses** |  |  |  |  |
| Fees and charges | 18,731 | 15,497 | 48,406 | 46,370 |
| Others | 2,031 | 1,847 | 5,545 | 5,979 |
| Total fees and service expenses | 20,762 | 17,344 | 53,951 | 52,349 |
| Net fees and service income | 74,358 | 80,740 | 210,844 | 242,174 |

# Expected credit losses

Expected credit losses and modification gains or losses of financial assets for the three-month and nine-month periods ended 30 September 2022 and 2021 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
| **Expected credit losses (reversal)** |  |  |  |  |
| Interbank and money market items | (226) | (2,385) | 7,828 | 429 |
| Investments in debt instruments measured at fair value through other comprehensive income | 637 | 46 | 343 | 189 |
| Loans to customers and accrued interest receivables |  |  |  |  |
| - Expected credit losses | 577,562 | 506,617 | 1,879,015 | 1,388,120 |
| - Modification (gains) losses | (3,781) | 318,044 | (4,939) | 319,805 |
| Other assets | (1,305) | 3,118 | 3,578 | 5,844 |
| Undrawn credit limit and financial guarantee contracts | 9,131 | 6,034 | 26,120 | 23,591 |
| Total expected credit losses | 582,018 | 831,474 | 1,911,945 | 1,737,978 |

# Commitments and contingent liabilities

**16.1 Contingent liabilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | (Unit: Thousand Baht) | | |
|  | 30 September 2022 | | | 31 December 2021 | | |
|  | Baht | Foreign currency | Total | Baht | Foreign currency | Total |
|  |  |  |  |  |  |  |
| Avals to bills | 136,329 | - | 136,329 | 28,188 | - | 28,188 |
| Liabilities under unmatured import bills | 5,104 | 410,331 | 415,435 | - | 165,339 | 165,339 |
| Letters of credit | 1,791 | 694,748 | 696,539 | 9,901 | 404,547 | 414,448 |
| Other commitments |  |  |  |  |  |  |
| - Undrawn bank overdrafts | 4,745,330 | - | 4,745,330 | 4,931,974 | - | 4,931,974 |
| - Others guarantees | 7,858,631 | - | 7,858,631 | 6,070,256 | 18,672 | 6,088,928 |
| - Others | 27,015,240 | - | 27,015,240 | 29,178,178 | - | 29,178,178 |
| Total | 39,762,425 | 1,105,079 | 40,867,504 | 40,218,497 | 588,558 | 40,807,055 |

**16.2 Litigation**

As at 30 September 2022 and 31 December 2021, the Bank has been sued in many litigation cases being claimed for compensations totalling Baht 273 million and Baht 349 million, respectively. Final judgements have not yet been reached in respect of these cases.

# Related party transactions

The Bank had significant business transactions with related parties. Such transactions were concluded on commercial terms and based agreed upon between the Bank and its related parties, which arose in the ordinary course of business. There were no significant changes in the transfer pricing policy of transactions with related parties.

**17.1 Transactions during the periods**

During the periods, the Bank had significant business transactions with its related parties as summarised below.

|  |  | | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
| **Interest income** |  |  |  |  |
| Parent company | 22,139 | 1,135 | 44,357 | 4,981 |
| Subsidiaries of the Bank’s parent company | 15,970 | 12,705 | 34,735 | 42,294 |
| Related company | 45,957 | 26,430 | 135,168 | 78,954 |
| Directors and executives | 19 | 25 | 61 | 79 |
| Related persons | 104 | 201 | 288 | 718 |
|  | 84,189 | 40,496 | 214,609 | 127,026 |
| **Fees and service income** |  |  |  |  |
| Parent company | 2 | 127 | 132 | 240 |
| Subsidiaries of the Bank’s parent company | 9,721 | 30,429 | 31,498 | 118,122 |
|  | 9,723 | 30,556 | 31,630 | 118,362 |
| **Dividend income** |  |  |  |  |
| Related companies | 549 | 457 | 1,555 | 1,372 |
|  | 549 | 457 | 1,555 | 1,372 |
| **Other operating income** |  |  |  |  |
| Subsidiaries of the Bank’s parent company | 238 | 239 | 715 | 665 |
| Related persons | - | - | - | 888 |
|  | 238 | 239 | 715 | 1,553 |
| **Dividend paid** |  |  |  |  |
| Parent company | - | 340,000 | - | 1,040,000 |
|  | - | 340,000 | - | 1,040,000 |
| **Interest expenses** |  |  |  |  |
| Parent company | 6 | 13 | 23 | 1,683 |
| Subsidiaries of the Bank’s parent company | 781 | 784 | 2,212 | 2,800 |
| The major shareholders of the Bank’s parent company | 447 | 7,335 | 9,023 | 23,817 |
| Related companies | 2,992 | 3,371 | 8,921 | 12,564 |
| Directors and executives | 229 | 237 | 701 | 1,163 |
| Related persons | 2,155 | 3,760 | 6,122 | 10,663 |
|  | 6,610 | 15,500 | 27,002 | 52,690 |
| **Fee and service expenses** |  |  |  |  |
| Related companies | 42 | 54 | 120 | 177 |
|  | 42 | 54 | 120 | 177 |
| **Other operating expenses** |  |  |  |  |
| Parent company | 81,327 | 81,570 | 238,364 | 229,849 |
| The major shareholders of the Bank’s parent company | 7,976 | 8,008 | 23,890 | 24,450 |
| Related companies | 24,870 | 24,091 | 74,443 | 74,880 |
|  | 114,173 | 113,669 | 336,697 | 329,179 |

**17.2 The outstanding balances**

As at 30 September 2022 and 31 December 2021, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 30 September 2022 | 31 December 2021 |
| **Interbank and money market items (assets)** |  |  |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 3,009,850 | 1,249,744 |
|  | 3,009,850 | 1,249,744 |
| **Investments - cost** |  |  |
| Related companies/persons |  |  |
| Related companies | 357,706 | 357,706 |
|  | 357,706 | 357,706 |
| **Loans to customers** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 4,730,000 | 118,000 |
| Related companies/persons |  |  |
| Related companies | 5,013,585 | 3,507,708 |
| Directors and executives | 5,340 | 7,510 |
| Related persons | 5,655 | 5,582 |
|  | 9,754,580 | 3,638,800 |
| **Accrued interest receivables on loans to customers** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 246 | 5 |
| Related companies/persons |  |  |
| Related companies | 151,867 | 81,806 |
| Directors and executives | 1 | 2 |
| Related persons | 36 | 1 |
|  | 152,150 | 81,814 |
| **Other assets** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 300 | 300 |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 1,152 | 850 |
| Land and Houses Fund Management Company Limited | 2,860 | 6,318 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 6,638 | 6,793 |
| Related companies/persons |  |  |
| Related companies | 26,191 | 26,636 |
|  | 37,141 | 40,897 |
| **Deposits** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 9,588 | 9,666 |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Advisory Company Limited | 3,872 | 4,105 |
| The major shareholders of the Bank’s parent company |  |  |
| Land and Houses Public Company Limited | 1,281,437 | 7,087,805 |
| Quality Houses Public Company Limited | 548,630 | 1,025,797 |
| Related companies/persons |  |  |
| Related companies | 3,930,621 | 7,389,011 |
| Directors and executives | 158,490 | 118,973 |
| Related persons | 1,928,149 | 1,697,213 |
|  | 7,860,787 | 17,332,570 |
| **Interbank and money market items (liabilities)** |  |  |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 13,872 | 43,029 |
| Land and Houses Fund Management Company Limited | 164,545 | 132,580 |
| The major shareholder of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | 607 | 661,740 |
|  | 179,024 | 837,349 |
| **Debts issued and borrowings** |  |  |
| Related companies/persons |  |  |
| Related persons | 7,000 | 7,000 |
|  | 7,000 | 7,000 |
| **Accrued interest payables** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 6 | - |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 1 | - |
| Land and Houses Fund Management Company Limited | 38 | - |
| Land and Houses Advisory Company Limited | 18 | 4 |
| The major shareholders of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | - | 456 |
| Land and Houses Public Company Limited | 191 | 4,503 |
| Quality Houses Public Company Limited | 123 | - |
| Related companies/persons |  |  |
| Related companies | 1,554 | 1,361 |
| Directors and executives | 463 | 159 |
| Related persons | 2,220 | 711 |
|  | 4,614 | 7,194 |
| **Lease liabilities** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 3,025 | 4,114 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 13,062 | 32,656 |
| Related companies/persons |  |  |
| Related companies | 287,924 | 331,078 |
|  | 304,011 | 367,848 |
| **Other liabilities** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 24,585 | 31,474 |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Fund Management Company Limited | 3 | 3 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 387 | 351 |
| Related companies/persons |  |  |
| Related companies | 630 | 1,229 |
| Directors and executives | 10 | 14 |
|  | 25,615 | 33,071 |
| **Contingent liabilities - bank guarantees** |  |  |
| Related companies/persons |  |  |
| Related companies | 21,186 | 21,186 |
|  | 21,186 | 21,186 |

The significant outstanding balances during the nine-month periods ended 30 September 2022 and 2021 were presented at the average balance at the end of each month as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 |
| **Parent company** |  |  |
| Loans to customers | 3,696,000 | 420,556 |
| Deposits | 8,998 | 12,343 |
| Debts issued and borrowings | - | 46,722 |
| **Subsidiaries of the Bank’s parent company** |  |  |
| Interbank and money market items (assets) | 2,263,889 | 2,703,889 |
| Deposits | 3,975 | 4,222 |
| Interbank and money market items (liabilities) | 148,191 | 99,240 |
| **The major shareholders of the Bank’s parent company** |  |  |
| Deposits | 3,219,561 | 7,876,430 |
| Interbank and money market items (liabilities) | 219,365 | 739,340 |
| **Related companies/persons** |  |  |
| Loans to customers | 4,983,646 | 3,550,873 |
| Deposits | 8,381,784 | 11,252,172 |
| Debts issued and borrowings | 7,000 | 23,000 |

**17.3 Directors’ and executives’ compensation**

During the three-month and nine-month periods ended 30 September 2022 and 2021, compensations incurred on directors and executives of the Bank, which were recognised in profit or loss, were classified as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Million Baht) | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2022 | 2021 | 2022 | 2021 |
|  |  |  |  |  |
| Short-term employee benefits | 36 | 28 | 102 | 85 |
| Post-employment benefits | 4 | 12 | 12 | 18 |
| Total | 40 | 40 | 114 | 103 |

Directors and executives of the Bank are directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent.

# Operating segments

During the current period, the Bank has not changed the organisation of its reportable segments.

The following tables present revenue and profit information regarding the Bank’s operating segments for the three-month and nine-month periods ended 30 September 2022 and 2021.

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the three-month period ended 30 September 2022 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 382,110 | 1,629,118 | 197,548 | 2,208,776 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 1,798,141 |
| Other operating expenses |  |  |  | (803,007) |
| Expected credit losses |  |  |  | (582,018) |
| Income tax |  |  |  | (71,102) |
| Net profit for the period |  |  |  | 342,014 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | (Unit: Thousand Baht) | |
|  | For the three-month period ended 30 September 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 308,677 | 1,526,102 | 221,187 | 2,055,966 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 2,157,152 |
| Other operating expenses |  |  |  | (681,804) |
| Expected credit losses |  |  |  | (831,474) |
| Income tax |  |  |  | (119,787) |
| Net profit for the period |  |  |  | 524,087 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the nine-month period ended 30 September 2022 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 1,045,771 | 4,633,213 | 587,579 | 6,266,563 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 5,113,342 |
| Other operating expenses |  |  |  | (2,275,664) |
| Expected credit losses |  |  |  | (1,911,945) |
| Income tax |  |  |  | (152,937) |
| Net profit for the period |  |  |  | 772,796 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the nine-month period ended 30 September 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 884,988 | 4,184,504 | 707,959 | 5,777,451 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 5,214,686 |
| Other operating expenses |  |  |  | (1,999,127) |
| Expected credit losses |  |  |  | (1,737,978) |
| Income tax |  |  |  | (265,203) |
| Net profit for the period |  |  |  | 1,212,378 |

The following tables present assets and liabilities regarding the Bank’s operating segments as at 30 September 2022 and 31 December 2021.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | As at 30 September 2022 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 37,471,707 | 187,928,116 | - | 225,399,823 |
| Total assets |  |  |  | 270,926,132 |
| Total liabilities |  |  |  | 236,555,429 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | As at 31 December 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 29,011,365 | 180,587,014 | - | 209,598,379 |
| Total assets |  |  |  | 251,478,662 |
| Total liabilities |  |  |  | 216,379,623 |

During the nine-month periods ended 30 September 2022 and 2021, the Bank had no major customer with revenue of 10 percent or more of total revenues.

# Fair value of financial instruments

As at 30 September 2022 and 31 December 2021, the Bank had financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 30 September 2022 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 547,029 | - | 547,029 | - | 547,029 |
| Investments in debt instruments measured at fair value through other comprehensive income | 38,622,909 | - | 38,622,909 | - | 38,622,909 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,177,591 | 6,170,688 | - | 6,903 | 6,177,591 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 711,753 | - | 711,753 | - | 711,753 |

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2021 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 163,992 | - | 163,992 | - | 163,992 |
| Investments in debt instruments measured at fair value through other comprehensive income | 34,881,957 | - | 34,881,957 | - | 34,881,957 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,851,790 | 6,844,887 | - | 6,903 | 6,851,790 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 33,520 | - | 33,520 | - | 33,520 |

During the current period, the methods and assumptions used by the Bank in estimating the fair value of financial instruments have not been changed and no transfers are made between the fair value hierarchy.

# Approval of interim financial information

This interim financial information was authorised for issue by the Bank’s Board of Directors on 14 November 2022.