

# LAND AND HOUSES BANK PLC

No. 2/2016

1 April 2016

<b>Company Rating:</b>	A-
<b>Issue Rating:</b>	
Hybrid Tier 2	BBB
<b>Credit Alert Designation:</b>	Positive

## Company Rating History:

Date	Rating	Outlook/Alert
21/08/13	A-	Stable

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## Rating Rationale

TRIS Rating places the company rating of Land and Houses Bank PLC (LH BANK), a core bank and wholly-owned subsidiary of LH Financial Group PLC (LHFG), on CreditAlert with a “positive” implication. The rating action follows LHFG’s announcement on 29 March 2016 that it entered into a memorandum of understanding in relation to a share subscription agreement (SSA MOU) with CTBC Bank Co., Ltd. (CTBC). LHFG signed the SSA MOU in order to take in a strategic partner and then expand LH BANK.

The “positive” CreditAlert reflects TRIS Rating’s view that if the transaction is successful, LH BANK’s credit profile will be enhanced by its stronger capital base and future growth opportunities.

The SSA MOU calls for LHFG to issue about 7.5 billion new ordinary shares through a private placement to CTBC, and CTBC agrees to subscribe to the share issue at Bt2.20 per share. The share price and the implementation of the transaction are subject to adjustment or cancellation. The transaction is also subject to certain conditions, including the absence of material adverse changes in the business or financial conditions of LHFG and CTBC, the approval of LHFG’s board and shareholders, and regulatory approvals in both Taiwan and Thailand.

CTBC, a Taiwanese bank, is one of the leading banks in Taiwan. CTBC holds solid market presences in corporate and retail banking. If the transaction succeeds, CTBC will become the largest individual shareholder of LHFG, with a 35.6% stake. The combined stake of the existing major shareholders (comprising Land & Houses PLC and Quality Houses PLC) will fall to 35.6%. LHFG’s equity capital funds will increase to approximately Bt16 billion after the private placement. The capital base of LH BANK will increase by the same amount once LHFG injects the new funds into LH BANK. With the new capital funds, as well as the expertise from the new strategic partner, LH BANK enhances its ability to expand in the future.

TRIS Rating will fully evaluate LH BANK’s credit profile and take action on the bank’s ratings or outlook after the transaction is complete.

## Land and Houses Bank PLC (LH BANK)

<b>Company Rating:</b>	A-
<b>Issue Rating:</b>	
LHBANK255A: Bt4,000 million hybrid Tier 2 capital securities due 2025	BBB
<b>CREDITALERT DESIGNATION:</b>	Positive