**Land and Houses Bank Public Company Limited**

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**For the three-month and nine-month periods ended 30 September 2021 and 2020**

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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 2021 and 2020**

# 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. LH Financial Group Public Company Limited is the parent company, holding 99.99% of the issued and paid-up share capital of the Bank.

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. As at 30 September 2021, the Bank has 1 head office and 87 branches in Thailand (31 December 2020: the Bank has 1 head office and 107 branches in Thailand.).

**1.2 Coronavirus disease 2019 pandemic**

The Coronavirus disease 2019 (COVID-19) 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, Accounting Guidance announced by the Federation of Accounting Professions and accounting practices generally accepted in Thailand including the relevant regulations stipulated by the Bank of Thailand (BOT), whereby the Bank chose 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.

The interim financial information is intended to provide information in addition to that included in the latest annual financial statements. Accordingly, it focuses 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 has been translated from the interim financial information in Thai language.

# New and revised financial reporting standards

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

During the period, the Bank has adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The adoption of these financial reporting standards does not have any significant impact on these financial statements.

**3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2022**

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2022. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and, for some standards, providing temporary reliefs or temporary exemptions for users.

The management of the Bank believes that adoption of these amendments will not have any significant impact on the Bank’s financial statements.

# 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 2020, except the adoption of new financial reporting standards, as described in Note 3.1 to the interim financial statements.

# The classification of financial assets and financial liabilities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | | |
|  | 30 September 2021 | | | | |
|  | Financial instruments measured at fair value through profit or loss | Financial instruments measured at fair value through other comprehensive income | Investments in equity instruments designated at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| Financial assets |  |  |  |  |  |
| Cash | - | - | - | 638,751 | 638,751 |
| Interbank and money market items - net | - | - | - | 23,867,753 | 23,867,753 |
| Derivative assets | 265,893 | - | - | - | 265,893 |
| Investment - net | - | 33,467,975 | 6,646,369 | - | 40,114,344 |
| Loans to customers and accrued interest receivables - net | - | - | - | 166,211,551 | 166,211,551 |
| Total financial assets | 265,893 | 33,467,975 | 6,646,369 | 190,718,055 | 231,098,292 |
| Financial liabilities |  |  |  |  |  |
| Deposits | - | - | - | 180,018,855 | 180,018,855 |
| Interbank and money market items | - | - | - | 13,258,746 | 13,258,746 |
| Liabilities payable on demand | - | - | - | 347,166 | 347,166 |
| Derivative liabilities | 209,487 | - | - | - | 209,487 |
| Debts issued and borrowings - net | - | - | - | 2,398,211 | 2,398,211 |
| Lease liabilities - net | - | - | - | 553,934 | 553,934 |
| Total financial liabilities | 209,487 | - | - | 196,576,912 | 196,786,399 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | (Unit: Thousand Baht) | | | | |
|  | 31 December 2020 | | | | | |
|  | Financial instruments measured at fair value through profit or loss | | Financial instruments measured at fair value through other comprehensive income | Investments in equity instruments designated at fair value through other comprehensive income | Financial instruments measured at amortised cost | Total |
| Financial assets |  | |  |  |  |  |
| Cash | - | | - | - | 801,380 | 801,380 |
| Interbank and money market items - net | - | | - | - | 35,925,749 | 35,925,749 |
| Derivative assets | 412,457 | | - | - | - | 412,457 |
| Investment - net | - | | 36,887,789 | 7,095,185 | - | 43,982,974 |
| Loans to customers and accrued interest receivables - net | - | | - | - | 155,838,424 | 155,838,424 |
| Total financial assets | 412,457 | | 36,887,789 | 7,095,185 | 192,565,553 | 236,960,984 |
| Financial liabilities |  | |  |  |  |  |
| Deposits | - | | - | - | 182,734,964 | 182,734,964 |
| Interbank and money market items | - | | - | - | 12,203,111 | 12,203,111 |
| Liabilities payable on demand | - | | - | - | 949,585 | 949,585 |
| Derivative liabilities | 228,458 | | - | - | - | 228,458 |
| Debts issued and borrowings - net | - | | - | - | 5,002,522 | 5,002,522 |
| Lease liabilities - net | - | | - | - | 721,923 | 721,923 |
| Total financial liabilities | 228,458 | | - | - | 201,612,105 | 201,840,563 |

# Derivative assets/liabilities

The fair values of derivative assets and liabilities consist of derivatives held for trading and derivatives held for banking book measured at fair value.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 30 September 2021 | | 31 December 2020 | |
|  | Fair value | | Fair value | |
| Types of derivatives | Assets | Liabilities | Assets | Liabilities |
|  |  |  |  |  |
| Derivatives held for trading | 158,059 | 209,487 | 135,796 | 228,458 |
| Derivatives held for banking book \* | 107,834 | - | 276,661 | - |
| Total | 265,893 | 209,487 | 412,457 | 228,458 |

\* The Bank has entered into derivatives contracts for the purpose of risk management (Banking book) without selecting an option to adopt hedge accounting.

Derivatives held for trading

As at 30 September 2021 and 31 December 2020, the fair values and the notional amounts of derivatives held for trading, classified by type of risk, were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | (Unit: Thousand Baht) | | |
|  | 30 September 2021 | | | 31 December 2020 | | |
|  | Fair value | | Notional | Fair value | | Notional |
| Types of risk | Assets | Liabilities | amounts \* | Assets | Liabilities | amounts \* |
|  |  |  |  |  |  |  |
| Foreign exchange rate | 158,059 | 209,487 | 15,175,776 | 135,796 | 228,458 | 21,700,033 |
| Total | 158,059 | 209,487 | 15,175,776 | 135,796 | 228,458 | 21,700,033 |

\* Disclosed only in case that the Bank has an obligation to pay.

Derivatives held for banking book

As at 30 September 2021 and 31 December 2020, the fair values and the notional amounts of derivatives held for banking book, classified by type of risk, were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | | | |
|  | 30 September 2021 | | | 31 December 2020 | | | |
|  | Fair value | | Notional | Fair value | | Notional | |
| Types of risk | Assets | Liabilities | amounts \* | Assets | Liabilities | amounts \* | |
| Foreign exchange rate and interest rate | 107,834 | - | 1,149,440 | 276,661 | - | 1,149,440 | |
| Total | 107,834 | - | 1,149,440 | 276,661 | - | 1,149,440 | |

\* Disclosed only in case that the Bank has an obligation to pay.

# Investments

**7.1 Type of investments**

Investments as at 30 September 2021 and 31 December 2020 consist of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2021 | 31 December 2020 |
| Investments in debt instruments measured at fair value through other comprehensive income | 33,467,975 | 36,887,789 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,646,369 | 7,095,185 |
| Total investments - net | 40,114,344 | 43,982,974 |

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

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 30 September 2021 | 31 December 2020 | |
|  | Fair value | Fair value | |
|  |  |  | |
| Government and state enterprise instruments | 20,834,034 | 18,471,268 | |
| Private sector debt instruments | 9,197,375 | 14,908,300 | |
| Other debt instruments | 3,639,031 | 3,710,497 | |
| Total | 33,670,440 | 37,090,065 | |
| Less: Allowance for expected credit losses | (202,465) | (202,276) | |
| Total investments in debt instruments measured at fair value through other comprehensive income | 33,467,975 | 36,887,789 | |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | (Unit: Thousand Baht) | | | |
|  | 30 September 2021 | | | 31 December 2020 | |
|  | Fair value | | Dividend received | Fair value | Dividend received |
| Domestic marketable equity instruments - investment units | 6,639,466 | | 331,164 | 7,088,282 | 483,423 |
| Domestic non-marketable equity instruments | 6,903 | | 11 | 6,903 | 364 |
| Total investments in equity instruments designated at fair value through other comprehensive income | 6,646,369 | | 331,175 | 7,095,185 | 483,787 |

During the nine-month periods ended 30 September 2021 and 2020, the Bank derecognised investments in equity instruments designated at fair value through other comprehensive income. Accumulated gains or losses on derecognition were recognised in retained earnings as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the nine-month period ended 30 September 2021 | | | |
|  | Fair value on derecognition date | Dividend received | Gains or 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) |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (Unit: Thousand Baht) | | | | |
|  | For the nine-month period ended 30 September 2020 | | | |
|  | Fair value on derecognition date | Dividend received | Gains or losses on derecognition net of income tax | Reason of derecognition |
| Derecognised investments in equity instruments | |  |  |  |
| Domestic marketable equity instruments | |  |  |  |
| - Investment units | 461,823 | 10,355 | (88,477) | Liquidity management |
| Total | 461,823 | 10,355 | (88,477) |  |

During the nine-month period ended 30 September 2020, the Bank sold investment in equity instruments designated at fair value through other comprehensive income to the subsidiary of the Bank’s parent company and recognised losses in retained earnings totalling Baht 124 million (During the nine-month period ended 30 September 2021: None).

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

|  |  | | | (Unit: Thousand Baht) | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 30 September 2021 | | | 31 December 2020 | | |
|  | 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

**8.1 Classified by loan types**

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2021 | 31 December 2020 |
|  |  |  |
| Overdrafts | 3,770,744 | 3,519,531 |
| Loans | 129,235,684 | 121,969,143 |
| Bills | 38,878,338 | 35,410,576 |
| Hire purchase receivables | 49,041 | 92,631 |
| Total loans to customers | 171,933,807 | 160,991,881 |
| Less: Deferred revenue | (32,085) | (21,620) |
| Loans to customers net of deferred revenue | 171,901,722 | 160,970,261 |
| Add: Accrued interest receivables and undue interest receivables | 1,701,916 | 872,130 |
| Total loans to customers and accrued interest receivables | 173,603,638 | 161,842,391 |
| Less: Allowance for expected credit losses | (7,392,087) | (6,003,967) |
| Loans to customers and accrued interest receivables - net | 166,211,551 | 155,838,424 |

The BOT announced the relief measures for debtors impacted by situations that affect the Thai economy such as economic conditions, trade wars, drought as well as COVID-19 pandemic. The Bank referred to such guidelines as well as adopted the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations That Affect the Thai Economy in providing assistance to affected debtors, as follows:

1. During the period from 1 January 2020 to 31 December 2021, the Bank considers provision of assistance to large, small and medium-sized debtors and retail debtors that have been directly or indirectly affected but still have the potential to continue operating their business or have the ability to settle debt in the future, at the first signs of issues with debt payment or as a pre-emptive measure. The Bank can classify debtors that are not yet non-performing (Non-NPL) as of 1 January 2020 as loans where there has not been a significant increase in credit risk or as Stage 1 immediately if the debtor is able to comply with the restructuring plan, and this is considered a pre-emptive debt restructuring, not a troubled-debt restructuring. In case that debtors are non-performing (NPL), the Bank can classify them as performing or Stage 1 immediately if the debtors are able to make debt payments in accordance with the restructuring plan for 3 consecutive months or periods, whichever is longer, and the Bank will continuously monitor and review whether these debtors are able to comply with the new terms and conditions. As at 30 September 2021, the Bank has eligible debtors under this measure amounting to Baht 43,870 million (31 December 2020: Baht 50,378 million).
2. The Bank provides additional soft loans of up to 20 percent of the outstanding loan balance as at 31 December 2019, with concessional interest rates of not more than 2 percent per annum for 2 years, in order to provide liquidity support to SMEs with loan facilities not exceeding Baht 500 million. The BOT will absorb some of the interest losses for the first 6 months. The Bank will then modify the interest rate after 2 years based on cost and risk considerations. As at 30 September 2021, the Bank has eligible debtors under this measure amounting to Baht 1,827 million (31 December 2020: Baht 1,208 million).
3. The Bank provides principal and interest moratorium or principal moratorium, installment reduction, interest rate reduction and payment period extension to retail debtors. As at 30 September 2021, the Bank has eligible debtors under this measure amounting to Baht 1,827 million (31 December 2020: Baht 1,071 million).
4. The Bank provides principal and interest moratorium for 3 months or 3 installments to SMEs. As at 30 September 2021, the Bank has eligible debtors under this measure amounting to Baht 771 million (31 December 2020: None).

**8.2 Classified by loan classification**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 30 September 2021 | | 31 December 2020 | |
|  | 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) | 163,435,065 | 1,452,131 | 151,561,757 | 944,581 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | 4,768,333 | 1,046,250 | 4,781,681 | 869,397 |
| Financial assets that are credit-impaired  (Non-performing) | 5,400,240 | 2,788,661 | 5,498,953 | 2,762,044 |
| Total | 173,603,638 | 5,287,042 | 161,842,391 | 4,576,022 |
| General provision |  | 2,105,045 |  | 1,427,945 |
| Total |  | 7,392,087 |  | 6,003,967 |

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

As at 30 September 2021 and 31 December 2020, 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 2021 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 699 | 10,168,573 | 3,834,911 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | |
|  | 31 December 2020 | | |
|  | Number of debtors | Debt balances | Allowance for  expected credit losses |
| Companies and persons that have repayment problems or defaulted payments | 579 | 10,280,634 | 3,631,441 |

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.

**8.4 Troubled debt restructuring**

As at 30 September 2021 and 31 December 2020, 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 2021 | 10,658 | 173,603,638 | 270 | 5,949,451 |
| 31 December 2020 | 9,969 | 161,842,391 | 268 | 4,160,494 |

As at 30 September 2021 and 31 December 2020, the Bank had no outstanding commitments to provide additional loan facilities after restructuring.

**8.5 Hire purchase receivables**

As at 30 September 2021 and 31 December 2020, the Bank had hire purchase receivables, on which the terms of the agreements were generally between 3 to 8 years and they carried interest at fixed rates as stipulated in the agreements.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 30 September 2021 | | | |
|  | Amounts due under the contracts | | | |
|  | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Aggregate initial investments under the hire purchase agreements | 34,999 | 14,042 | - | 49,041 |
| Less: Deferred revenue | (1,572) | (1,149) | - | (2,721) |
| Present value of minimum lease payments | 33,427 | 12,893 | - | 46,320 |
| Less: Allowance for expected credit losses |  |  |  | (7,460) |
| Hire purchase receivables - net |  |  |  | 38,860 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | 31 December 2020 | | | | |
|  | Amounts due under the contracts | | | | |
|  | Less than 1 year | 1 - 5 years | Over 5 years | Total | |
| Aggregate initial investments under the hire purchase agreements | 74,726 | 17,905 | - | 92,631 | |
| Less: Deferred revenue | (2,898) | (1,811) | - | (4,709) | |
| Present value of minimum lease payments | 71,828 | 16,094 | - | 87,922 | |
| Less: Allowance for expected credit losses |  |  |  | (5,427) | |
| Hire purchase receivables - net |  |  |  | 82,495 | |

# Allowance for expected credit losses

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | For the nine-month period ended 30 September 2021 | | | | |
|  | 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 | 5,571 | - | - | - | 5,571 |
| Changes due to revaluation of loss allowance | (11,841) | - | - | - | (11,841) |
| New financial assets purchased or acquired | 31,700 | - | - | - | 31,700 |
| Financial assets derecognised | (19,430) | - | - | - | (19,430) |
| Balances - end of the period | 6,000 | - | - | - | 6,000 |
|  | | |  |  |  |
| **Investments in debt instruments measured at fair value through other comprehensive income** | |  |  |  |  |
| Balances - beginning of the period | 2,276 | 200,000 | - | - | 202,276 |
| Changes due to revaluation of loss allowance | 86 | - | - | - | 86 |
| New financial assets purchased or acquired | 177 | - | - | - | 177 |
| Financial assets derecognised | (74) | - | - | - | (74) |
| Balances - end of the period | 2,465 | 200,000 | - | - | 202,465 |
|  | |  |  |  |  |
| **Loans to customers and accrued interest receivables** | |  |  |  |  |
| Balances - beginning of the period | 944,581 | 869,397 | 2,762,044 | 1,427,945 | 6,003,967 |
| Changes due to transfers of loan classification | 252,915 | (318,408) | 65,493 | - | - |
| Changes due to revaluation of loss allowance | 159,288 | 627,280 | 322,681 | 677,100 | 1,786,349 |
| New financial assets purchased or acquired | 508,692 | 304,999 | 1,008,489 | - | 1,822,180 |
| Financial assets derecognised | (413,345) | (437,018) | (1,370,046) | - | (2,220,409) |
| Balances - end of the period | 1,452,131 | 1,046,250 | 2,788,661 | 2,105,045 | 7,392,087 |
|  |  |  |  |  |  |
| **Other assets** |  |  |  |  |  |
| Balances - beginning of the period | 746 | 318 | 36,076 | - | 37,140 |
| Changes due to transfers of loan classification | 147 | 133 | (280) | - | - |
| Changes due to revaluation of loss allowance | 156 | (42) | 4,057 | - | 4,171 |
| New financial assets purchased or acquired | 809 | 160 | 11,283 | - | 12,252 |
| Financial assets derecognised | (1,000) | (320) | (9,259) | - | (10,579) |
| Balances - end of the period | 858 | 249 | 41,877 | - | 42,984 |

During the nine-month period ended 30 September 2021, the Bank has set additional Management Overlay of Baht 677 million. Therefore, as at 30 September 2021, the balance of the allowance for expected credit losses in respect of the Management Overlay was Baht 2,105 million.

|  | | (Unit: Thousand Baht) | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | For the year ended 31 December 2020 | | | | | | | | | | | |
|  | | 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 year | | 5,576 | | | - | | - | | | - | | | 5,576 |
| Changes due to revaluation of loss allowance | | (11,169) | | | - | | - | | | - | | | (11,169) |
| New financial assets purchased or acquired | | 31,666 | | | - | | - | | | - | | | 31,666 |
| Financial assets derecognised | | (20,502) | | | - | | - | | | - | | | (20,502) |
| Balances - end of the year | | 5,571 | | | - | | - | | | - | | | 5,571 |
|  | | | | | | | | | | | | | |
| **Investments in debt instruments measured at amortised cost** | | | | | | | | | | | | | |
| Balances - beginning of the year | | 6,060 | | | - | | - | | | - | | | 6,060 |
| Changes due to revaluation of loss allowance | | (866) | | | - | | - | | | - | | | (866) |
| New financial assets purchased or acquired | | 32 | | | - | | - | | | - | | | 32 |
| Financial assets derecognised | | (412) | | | - | | - | | | - | | | (412) |
| Reclassification | | (4,814) | | | - | | - | | | - | | | (4,814) |
| Balances - end of the year | | - | | | - | | - | | | - | | | - |
|  | | | | | | | | | | | | | |
| **Investments in debt instruments measured at fair value through other comprehensive income** | | | |  | |  | | |  | | |  | |
| Balances - beginning of the year | | 240 | | | - | | - | | | - | | | 240 |
| Changes due to transfers of loan classification | | (2,764) | | | 2,764 | | - | | | - | | | - |
| Changes due to revaluation of loss allowance | | (753) | | | 197,236 | | - | | | - | | | 196,483 |
| New financial assets purchased or acquired | | 928 | | | - | | - | | | - | | | 928 |
| Financial assets derecognised | | (189) | | | - | | - | | | - | | | (189) |
| Reclassification | | 4,814 | | | - | | - | | | - | | | 4,814 |
| Balances - end of the year | | 2,276 | | | 200,000 | | - | | | - | | | 202,276 |
|  |  | |  | | | | |  | | |  | | |
| **Loans to customers and accrued interest receivables** | | | | | | | | | | | | | |
| Balances - beginning of the year | | 433,905 | | | 972,271 | | 1,414,149 | | | 1,317,125 | | | 4,137,450 |
| Changes due to transfers of loan classification | | 583,032 | | | (1,105,760) | | 522,728 | | | - | | | - |
| Changes due to revaluation of loss allowance | | (187,093) | | | 938,086 | | 1,007,610 | | | 110,820 | | | 1,869,423 |
| New financial assets purchased or acquired | | 444,239 | | | 364,732 | | 90,265 | | | - | | | 899,236 |
| Financial assets derecognised | | (329,502) | | | (299,932) | | (272,708) | | | - | | | (902,142) |
| Balances - end of the year | | 944,581 | | | 869,397 | | 2,762,044 | | | 1,427,945 | | | 6,003,967 |
|  | |  | | | | | | | | | | | |
| **Other assets** | |  | | |  | |  | | |  | | |  |
| Balances - beginning of the year | | 791 | | | 249 | | 26,105 | | | - | | | 27,145 |
| Changes due to transfers of loan classification | | (21) | | | 38 | | (17) | | | - | | | - |
| Changes due to revaluation of loss allowance | | 33 | | | 26 | | 11,132 | | | - | | | 11,191 |
| New financial assets purchased or acquired | | 718 | | | 776 | | 26,292 | | | - | | | 27,786 |
| Financial assets derecognised | | (775) | | | (771) | | (27,436) | | | - | | | (28,982) |
| Balances - end of the year | | 746 | | | 318 | | 36,076 | | | - | | | 37,140 |

# Deferred tax assets/liabilities and income tax

**10.1 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 | |
|  | 2021 | 2020 | 2021 | 2020 |
| Deferred tax assets (liabilities) arose from: |  |  |  |  |
| Investments | 409,690 | 251,526 | 158,164 | 235,655 |
| Loans to customers and accrued interest receivables | 430,539 | 295,151 | 135,388 | (49,581) |
| Properties foreclosed | 640 | 340 | 300 | - |
| Right-of-use assets | 8,345 | 5,940 | 2,405 | 5,157 |
| Other assets | 8,597 | 7,428 | 1,169 | 829 |
| Provisions | 55,301 | 42,257 | 13,044 | 9,305 |
| Others | 10,677 | 5,267 | 5,410 | 3,393 |
| Deferred tax assets | 923,789 | 607,909 |  |  |
| Total |  |  | 315,880 | 204,758 |
| Changes in deferred income tax: |  |  |  |  |
| Recognised in retained earnings as at 1 January 2020 (1) | |  | - | (22,010) |
| Recognised in profit or loss |  |  | 81,485 | 38,225 |
| Recognised in other comprehensive income (loss) | |  | 234,395 | 188,543 |
| Total |  |  | 315,880 | 204,758 |

(1) The effect of changes in accounting policies due to the adoption of new financial reporting standards.

**10.2 Income tax**

Income tax expenses reported in profit or loss for the three-month and nine-month periods ended 30 September 2021 and 2020 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
| **Current income tax:** |  |  |  |  |
| Corporate income tax for the periods | (116,688) | (184,585) | (346,688) | (368,659) |
| **Deferred income tax:** |  |  |  |  |
| Deferred income tax from temporary differences and reversal of temporary differences | (3,099) | 89,931 | 81,485 | 38,225 |
| Income tax expenses reported in profit or loss | (119,787) | (94,654) | (265,203) | (330,434) |

Reconciliations between income tax expenses and the product of accounting profits for the three-month and nine-month periods ended 30 September 2021 and 2020 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 | |
|  | 2021 | 2020 | 2021 | 2020 |
|  |  |  |  |  |
| Accounting profits before income tax expenses | 643,874 | 450,091 | 1,477,581 | 1,696,273 |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Income tax calculated based on accounting profits | (128,775) | (90,019) | (295,516) | (339,255) |
| Tax effects of: |  |  |  |  |
| Tax-exempted revenues | 10,637 | 10,926 | 31,738 | 31,813 |
| Additional expense deductions allowed | 1,425 | (14,764) | 2,759 | 2,982 |
| Non-deductible expenses | (3,074) | (797) | (3,619) | (15,014) |
| Others | - | - | (565) | (10,960) |
| Income tax expenses reported in profit or loss | (119,787) | (94,654) | (265,203) | (330,434) |

The weighted average income tax rates for the three-month and nine-month periods ended 30 September 2021 was 18.60% and 17.95%, respectively (For the three-month and nine-month periods ended 30 September 2020 was 21.03% and 19.48%, respectively).

# Quality of assets

As at 30 September 2021 and 31 December 2020, the Bank had assets categorised in compliance with the BOT’s regulations as follows:

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 30 September 2021 | | | | |
|  | Interbank and money market items and accrued interest receivables | Investments | Loans to customers and accrued interest receivables | Other assets | Total |
| Classification of assets |  |  |  |  |  |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 23,873,753 | 30,031,409 | 163,435,065 | 2,627 | 217,342,854 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | - | 3,639,031 | 4,768,333 | 334 | 8,407,698 |
| Financial assets that are credit-impaired (Non-performing) | - | - | 5,400,240 | 41,877 | 5,442,117 |
| Total | 23,873,753 | 33,670,440 | 173,603,638 | 44,838 | 231,192,669 |

|  | (Unit: Thousand Baht) | | | | |
| --- | --- | --- | --- | --- | --- |
|  | 31 December 2020 | | | | |
|  | Interbank and money market items and accrued interest receivables | Investments | Loans to customers and accrued interest receivables | Other assets | Total |
| Classification of assets |  |  |  |  |  |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 35,931,320 | 33,379,568 | 151,561,757 | 2,141 | 220,874,786 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | - | 3,710,497 | 4,781,681 | 360 | 8,492,538 |
| Financial assets that are credit-impaired (Non-performing) | - | - | 5,498,953 | 36,076 | 5,535,029 |
| Total | 35,931,320 | 37,090,065 | 161,842,391 | 38,577 | 234,902,353 |

# Debts issued and borrowings

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | (Unit: Thousand Baht) | | | | |
|  | 30 September2021 | | | | | 31 December 2020 | | | | |
|  | Interest rate per annum | Matured in year | Domestic | Overseas | Total | Interest rate per annum | Matured in year | Domestic | Overseas | Total |
| Subordinated debentures (1) | 3.75% | 2031 | 2,400,000 | - | 2,400,000 | 5.125% | 2025 | 4,000,000 | - | 4,000,000 |
| Unsubordinated and unsecured debentures | - | - | - | - | - | 1.99% | 2021 | 1,000,000 | - | 1,000,000 |
| Borrowings from Department of Alternative Energy Development and Efficiency | 0% | 2022 and 2026 | 2,674 | - | 2,674 | 0% | 2021 - 2022 | 5,976 | - | 5,976 |
| Total |  |  | 2,402,674 | - | 2,402,674 |  |  | 5,005,976 | - | 5,005,976 |
| Less: Deferred expenses | | | (4,463) | - | (4,463) |  |  | (3,454) | - | (3,454) |
| Debts issued and borrowings - net | | | 2,398,211 | - | 2,398,211 |  |  | 5,002,522 | - | 5,002,522 |

(1) Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BOT’s notification.

**12.1 Subordinated debentures**

On 21 May 2015, the Bank issued 4 million units with a par value of Baht 1,000 each, totalling Baht 4,000 million of the subordinated debentures No.1/2558, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which mature in 2025 and carry interest at a fixed rate of 5.125% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions. During the nine-month period ended 30 September 2021, the Bank early redeemed the subordinated debentures No.1/2558 totalling Baht 4,000 million.

On 21 May 2021, the Bank issued 2.4 million units with a par value of Baht 1,000 each, totalling Baht 2,400 million of the subordinated debentures No.1/2564, to be counted as Tier 2 Capital. The subordinated debentures have a term of 10-year period, which mature in 2031 and carry interest at a fixed rate of 3.75% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the subordinated debentures after 5 years from the issuing date or under certain conditions.

# Provisions

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2021 | 31 December 2020 |
| Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts | 54,048 | 26,821 |
| Provisions for employee benefits | 221,179 | 185,233 |
| Provisions for decommissioning cost | 43,871 | 46,821 |
| Other provisions | 20,010 | - |
| Total | 339,108 | 258,875 |

**13.1 Allowance for expected credit losses of undrawn credit limit and financial guarantee contracts**

As at 30 September 2021 and 31 December 2020, allowance for expected credit losses of undrawn credit limit and financial guarantee contracts classified by loan classification were as follows.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | 30 September 2021 | | 31 December 2020 | |
|  | Undrawn credit limit and financial guarantee contracts | Allowance for expected credit losses | Undrawn credit limit and financial guarantee contracts | Allowance for expected credit losses |
| Financial assets where there has not been a significant increase in credit risk (Performing) | 30,759,675 | 50,263 | 35,119,223 | 18,568 |
| Financial assets where there has been a significant increase in credit risk (Under-performing) | 62,362 | 1,705 | 67,495 | 55 |
| Financial assets that are credit-impaired (Non-performing) | 22,518 | 2,080 | 34,220 | 8,198 |
| Total | 30,844,555 | 54,048 | 35,220,938 | 26,821 |

Movements of allowance for expected credit losses of undrawn credit limit and financial guarantee contracts were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the nine-month period ended 30 September 2021 | | | |
|  | 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) | Total |
|  |  |  |  |  |
| Balances - beginning of the period | 18,568 | 55 | 8,198 | 26,821 |
| Changes due to transfers of loan classification | 4,110 | 78 | (4,188) | - |
| Changes due to revaluation of loss allowance | 9,816 | 1,572 | 6,608 | 17,996 |
| New loan commitments/guarantee contracts issued | 24,374 | - | - | 24,374 |
| Financial assets derecognised | (6,605) | - | (8,538) | (15,143) |
| Balances - end of the period | 50,263 | 1,705 | 2,080 | 54,048 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the year ended 31 December 2020 | | | | |
|  | 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) | Total | |
|  |  |  |  |  | |
| Balances - beginning of the year | 33,195 | 4,701 | 8,141 | 46,037 | |
| Changes due to transfers of loan classification | 494 | (797) | 303 | - | |
| Changes due to revaluation of loss allowance | (16,962) | (3,756) | 580 | (20,138) | |
| New loan commitments/guarantee contracts issued | 17,282 | 240 | 452 | 17,974 | |
| Financial assets derecognised | (15,441) | (333) | (1,278) | (17,052) | |
| Balances - end of the year | 18,568 | 55 | 8,198 | 26,821 | |

# Advances received from electronic transactions

The BOT’s notification No. Sor Nor Chor 2/2562, dated 20 December 2019, regarding the “Regulations on Service Business Relating to Electronic Fund Transfer” requires the Bank to disclose advances received from electronic fund transfer transactions. These advances are to be presented under other liabilities. As at 30 September 2021 and 31 December 2020, the Bank had advances received from electronic fund transfer transactions amounting to Baht 0.02 million.

In addition, the Bank has deposits of Baht 10 million to support electronic transactions, which are presented under interbank and money market items (assets) in the statements of financial position as at 30 September 2021 and 31 December 2020.

# Dividend paid

During the nine-month periods ended 30 September 2021 and 2020, the Bank paid dividend 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 2019 | The Annual General Meeting of the Bank’s shareholders held on 23 March 2020 | 500,000 (1) | 0.25 (1) |
| Total dividend paid during the nine-month period ended 30 September 2020 |  | 500,000 | 0.25 |
|  |  |  |  |
| 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 |

1. Net of interim dividend payment during the year 2019.

# Other components of shareholders’ equity

As at 30 September 2021 and 31 December 2020, revaluation surplus (deficit) on investments measured at fair value through other comprehensive income consisted of:

|  |  |  |
| --- | --- | --- |
|  | (Unit: Thousand Baht) | |
|  | 30 September 2021 | 31 December 2020 |
| **Revaluation surplus on the reclassified investments** |  |  |
| Debt instruments | 523,850 | 775,299 |
| Total | 523,850 | 775,299 |
| **Revaluation surplus on investments** |  |  |
| Debt instruments | 173,863 | 390,352 |
| Equity instruments | 7,624 | - |
| Total | 181,487 | 390,352 |
| **Revaluation deficit on investments** |  |  |
| Debt instruments | (485,817) | (136,480) |
| Equity instruments | (2,065,506) | (2,084,525) |
| Total | (2,551,323) | (2,221,005) |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (1,845,986) | (1,055,354) |
| Add: Income tax | 369,197 | 211,071 |
| **Revaluation deficit on investments measured at fair value through other comprehensive income - net of income tax** | (1,476,789) | (844,283) |

# 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 2021 and 31 December 2020, capital fund of the Bank calculated under Basel III consisted of the following:

|  |  |  |
| --- | --- | --- |
| (Unit: Thousand Baht) | | |
|  | 30 September 2021 | 31 December 2020 |
| 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 | 924,200 | 889,700 |
| Retained earnings after appropriation | 5,333,851 | 4,473,125 |
| Revaluation deficit on investments measured at fair value through other comprehensive income | (1,673,429) | (1,055,629) |
| Deduction items on Common Equity Tier 1 capital fund | (1,209,344) | (946,648) |
| Total Common Equity Tier 1 capital fund | 33,974,193 | 33,959,463 |
| Total Tier 1 capital fund | 33,974,193 | 33,959,463 |
| Tier 2 capital fund |  |  |
| Subordinated debentures | 2,400,000 | 3,173,000 |
| General provision | 2,162,024 | 2,265,711 |
| Total Tier 2 capital fund | 4,562,024 | 5,438,711 |
| Total capital fund | 38,536,217 | 39,398,174 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Percentage) | |
|  | 30 September 2021 | | 31 December 2020 | |
|  | The Bank | Minimum and additional rates required by law | The Bank | Minimum and additional rates required by law |
|  |  |  | (Revised) |  |
| The ratio of Common Equity Tier 1 capital fund to risk assets | 16.634 | 7.000 | 17.068 | 7.000 |
| The ratio of Tier 1 capital fund to risk assets | 16.634 | 8.500 | 17.068 | 8.500 |
| The ratio of total capital fund to risk assets | 18.868 | 11.000 | 19.802 | 11.000 |

The Bank disclosed capital adequacy and capital risk exposure information as of 31 December 2020 through the Bank’s website at www.lhbank.co.th on 30 April 2021 and disclosed capital adequacy and capital risk exposure information as of 30 June 2021 on 7 September 2021.

# Interest income

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
|  |  |  |  |  |
| Interbank and money market items | 121,242 | 115,507 | 367,280 | 375,058 |
| Investments in debt securities | 221,034 | 272,581 | 707,501 | 960,669 |
| Loans to customers | 1,713,030 | 1,516,389 | 4,700,364 | 4,706,346 |
| Hire purchase | 571 | 1,332 | 2,109 | 4,923 |
| Others | 89 | 35 | 197 | 115 |
| Total interest income | 2,055,966 | 1,905,844 | 5,777,451 | 6,047,111 |

# Interest expenses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
|  |  |  |  |  |
| Deposits | 375,870 | 511,641 | 1,166,510 | 1,660,378 |
| Interbank and money market items | 7,512 | 18,731 | 26,841 | 77,645 |
| Contributions to the Deposit Protection Agency and the Bank of Thailand | 116,967 | 115,639 | 346,926 | 335,751 |
| Debts issued |  |  |  |  |
| - Subordinated debentures | 22,787 | 51,839 | 114,966 | 154,391 |
| - Unsubordinated and unsecured debentures | - | 10,452 | 2,731 | 44,669 |
| - Others | - | 3,509 | - | 46,066 |
| Others | 3,779 | 3,352 | 12,293 | 9,512 |
| Total interest expenses | 526,915 | 715,163 | 1,670,267 | 2,328,412 |

Moreover, the Bank of Thailand announced a temporary reduction in the contribution rate to the Financial Institutions Development Fund (FIDF) from 0.46 percent to 0.23 percent per year, which is effective 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 | |
|  | 2021 | 2020 | 2021 | 2020 |
| **Fees and service income** |  |  |  |  |
| Acceptances, avals and guarantees | 13,977 | 9,497 | 39,843 | 30,786 |
| Commission income | 65,182 | 57,058 | 198,883 | 128,419 |
| Others | 18,925 | 27,963 | 55,797 | 84,579 |
| Total fees and service income | 98,084 | 94,518 | 294,523 | 243,784 |
| **Fees and service expenses** |  |  |  |  |
| Fees and charges | 15,497 | 14,107 | 46,370 | 43,740 |
| Others | 1,847 | 2,680 | 5,979 | 8,081 |
| Total fees and service expenses | 17,344 | 16,787 | 52,349 | 51,821 |
| Net fees and service income | 80,740 | 77,731 | 242,174 | 191,963 |

# Gains on investments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | (Unit: Thousand Baht) | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
| **Gains (losses) on derecognition:** |  |  |  |  |
| Investments in debt instruments measured at amortised cost | - | 10,456 | - | 418,567 |
| Investments in debt instruments measured at fair value through other comprehensive income | 56,324 | 373,726 | 155,651 | 373,726 |
| Total gains on investments | 56,324 | 384,182 | 155,651 | 792,293 |

# 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 2021 and 2020 were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (Unit: Thousand Baht) | | | |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
| **Expected credit losses (reversal)** |  |  |  |  |
| Interbank and money market items | (2,385) | (6,509) | 429 | (404) |
| Investments in debt instruments measured at amortised cost | - | (4,842) | - | (6,060) |
| Investments in debt instruments measured at fair value through other comprehensive income | 46 | 455,963 | 189 | 455,962 |
| Loans to customers and accrued interest receivables |  |  |  |  |
| - Expected credit losses | 506,617 | 254,589 | 1,388,120 | 1,023,131 |
| - Modification losses | 318,044 | 6,140 | 319,805 | 166,275 |
| Other assets | 3,118 | 2,770 | 5,844 | 4,145 |
| Undrawn credit limit and financial guarantee contracts | 6,034 | 1,017 | 23,591 | (16,948) |
| Total expected credit losses | 831,474 | 709,128 | 1,737,978 | 1,626,101 |

# Earnings per share

Basic earnings per share is calculated by dividing profits for the periods (excluding other comprehensive income (loss)) by the weighted average number of ordinary shares in issue during the periods.

# Commitments and contingent liabilities

**24.1 Contingent liabilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | (Unit: Thousand Baht) | | |
|  | 30 September 2021 | | | 31 December 2020 | | |
|  | Baht | Foreign currency | Total | Baht | Foreign currency | Total |
|  |  |  |  |  |  |  |
| Avals to bills | 38,740 | - | 38,740 | 106,303 | - | 106,303 |
| Liabilities under unmatured import bills | - | 211,962 | 211,962 | - | 141,047 | 141,047 |
| Letters of credit | 9,901 | 463,204 | 473,105 | - | 228,952 | 228,952 |
| Other commitments |  |  |  |  |  |  |
| - Undrawn bank overdrafts | 4,675,452 | - | 4,675,452 | 4,737,470 | - | 4,737,470 |
| - Others guarantees | 6,007,064 | - | 6,007,064 | 5,215,523 | - | 5,215,523 |
| - Others | 24,613,773 | - | 24,613,773 | 30,357,558 | - | 30,357,558 |
| Total | 35,344,930 | 675,166 | 36,020,096 | 40,416,854 | 369,999 | 40,786,853 |

**24.2 Commitments under long-term lease agreements**

(a) The Bank has entered into various service agreements which the remaining terms of the agreements were between 1 - 5 years. As at 30 September 2021 and 31 December 2020, the Bank is obligated to pay further Baht 124 million and Baht 165 million, respectively.

(b) The Bank has entered into various consultancy service agreements relating to software development and installation services. As at 30 September 2021 and 31 December 2020, the Bank is obligated to pay further Baht 63 million and Baht 16 million, respectively.

(c) As at 30 September 2021 and 31 December 2020, the Bank has entered into a 5-year service and support agreement with the parent company, under which the service fees are calculated based on a core service fee and administrative costs as stipulated in the agreement.

**24.3 Litigation**

As at 30 September 2021 and 31 December 2020, the Bank has been sued in many litigation cases being claimed for compensations totalling Baht 334 million and Baht 1,161 million, respectively. Final judgements have not yet been reached in respect of these cases.

# Related party transactions

The Bank had significant business transactions with its related parties, including transactions with directors, executives or other persons with equivalent position, including entities that the persons or related persons have management authorities, or entities in which the Bank or directors or such executives hold in aggregate of more than 10 percent of the paid-up share capital of those entities.

Relationship with its related parties can be summarised as follows:

1. The Bank’s parent company is LH Financial Group Public Company Limited.
2. The subsidiaries of the Bank’s parent company are as follows:
   1. Land and Houses Securities Public Company Limited
   2. Land and Houses Fund Management Company Limited
   3. Land and Houses Advisory Company Limited (the subsidiary of the company as stated in No. 2.1 above)
3. Any persons or companies who hold more than 10 percent of shares in the Bank’s parent company (“the major shareholders of the Bank’s parent company”) are as follows:
   1. CTBC Bank Company Limited
   2. Land and Houses Public Company Limited
   3. Quality Houses Public Company Limited
   4. Ms. Piengjai Harnpanich (1)
4. Related companies include companies related by way of the following:
   1. The subsidiaries of the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   2. The associates of the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   3. The companies that are related to the Bank’s directors
   4. The companies that are related to the major shareholders of the Bank’s parent company (shareholders as stated in No. 3 above)
   5. The companies that are controlled by the Bank’s related persons

(1) As at 30 September 2021, Ms. Piengjai Harnpanich was no longer defined as related person of the Bank since CTBC Bank Company Limited acquired all shares of the Bank’s parent company from Ms. Piengjai Harnpanich on 8 September 2021 (As at 31 December 2020: held 10.43% of the shares of the Bank’s parent company).

1. Directors and executives who are the Bank’s directors, president, senior executive vice president, first executive vice president, executive vice president, first senior vice president and equivalent
2. Related persons who are the directors and executives of the parent company, the directors of the major shareholders of the parent company (shareholders as stated in No. 3 above) and persons with close relationship with related persons and directors and executives

**25.1 Transactions during the periods**

During the periods, the Bank had significant business transactions with its related parties. Such transactions, which were summarised below, arose in the ordinary course of business or were concluded on commercial terms and bases agreed upon between the Bank and its related parties.

|  |  | | (Unit: Thousand Baht) | |
| --- | --- | --- | --- | --- |
|  | For the three-month periods ended 30 September | | For the nine-month periods ended 30 September | |
|  | 2021 | 2020 | 2021 | 2020 |
| **Interest income** |  |  |  |  |
| Parent company | 1,135 | 7,632 | 4,981 | 21,241 |
| Subsidiaries of the Bank’s parent company | 12,705 | 16,882 | 42,294 | 61,030 |
| Related company | 26,430 | 27,142 | 78,954 | 79,446 |
| Directors and executives | 25 | 53 | 79 | 167 |
| Related persons | 201 | 265 | 718 | 877 |
|  | 40,496 | 51,974 | 127,026 | 162,761 |
| **Fees and service income** |  |  |  |  |
| Parent company | 127 | 3 | 240 | 109 |
| Subsidiaries of the Bank’s parent company | 30,429 | 26,402 | 118,122 | 59,301 |
|  | 30,556 | 26,405 | 118,362 | 59,410 |
| **Dividend income** |  |  |  |  |
| Related companies | 457 | 457 | 1,372 | 10,170 |
|  | 457 | 457 | 1,372 | 10,170 |
| **Other operating income** |  |  |  |  |
| Subsidiaries of the Bank’s parent company | 239 | 192 | 665 | 597 |
| Directors and executives | - | - | - | 4 |
| Related persons | - | - | 888 | - |
|  | 239 | 192 | 1,553 | 601 |
| **Dividend paid** |  |  |  |  |
| Parent company | 340,000 | - | 1,040,000 | 500,000 |
|  | 340,000 | - | 1,040,000 | 500,000 |
| **Interest expenses** |  |  |  |  |
| Parent company | 13 | 1,104 | 1,683 | 3,599 |
| Subsidiaries of the Bank’s parent company | 784 | 1,417 | 2,800 | 4,259 |
| The major shareholders of the Bank’s parent company | 7,335 | 4,922 | 23,817 | 25,331 |
| Related companies | 3,371 | 7,319 | 12,564 | 37,433 |
| Directors and executives | 237 | 475 | 1,163 | 1,471 |
| Related persons | 3,760 | 4,182 | 10,663 | 13,555 |
|  | 15,500 | 19,419 | 52,690 | 85,648 |
| **Other operating expenses** |  |  |  |  |
| Parent company | 81,570 | 64,774 | 229,849 | 193,084 |
| The major shareholders of the Bank’s parent company | 8,008 | 8,889 | 24,450 | 24,129 |
| Related companies | 24,091 | 28,019 | 74,880 | 78,501 |
|  | 113,669 | 101,682 | 329,179 | 295,714 |

**25.2 The outstanding balances**

As at 30 September 2021 and 31 December 2020, the outstanding balances of significant transactions between the Bank and its related parties can be summarised as follows:

|  | (Unit: Thousand Baht) | |
| --- | --- | --- |
|  | 30 September 2021 | 31 December 2020 |
| **Interbank and money market items (assets)** |  |  |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 1,469,712 | 3,589,569 |
|  | 1,469,712 | 3,589,569 |
| **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 | 835,000 | 745,000 |
| Related companies/persons |  |  |
| Related companies | 3,508,622 | 3,511,312 |
| Directors and executives | 7,056 | 8,683 |
| Related persons | 20,791 | 59,448 |
|  | 4,371,469 | 4,324,443 |
|  |  |  |
|  |  |  |
| **Accrued interest receivables on loans to customers** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 37 | 35 |
| Related companies/persons |  |  |
| Related companies | 55,072 | 2,423 |
| Directors and executives | 2 | 3 |
| Related persons | 2 | 97 |
|  | 55,113 | 2,558 |
| **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 | 652 | 24 |
| Land and Houses Fund Management Company Limited | 9,097 | 19,379 |
| The major shareholder of the Bank’s parent company |  |  |
| Quality Houses Public Company Limited | 6,793 | 6,793 |
| Related companies/persons |  |  |
| Related companies | 26,749 | 30,470 |
|  | 43,591 | 56,966 |
| **Deposits** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 4,965 | 10,755 |
| Subsidiary of the Bank’s parent company |  |  |
| Land and Houses Advisory Company Limited | 4,133 | 4,370 |
| The major shareholders of the Bank’s parent company |  |  |
| Land and Houses Public Company Limited | 842,999 | 4,111,526 |
| Quality Houses Public Company Limited | 1,079,664 | 660,710 |
| Ms. Piengjai Harnpanich | - | 16,480 |
| Related companies/persons |  |  |
| Related companies | 4,748,698 | 6,237,220 |
| Directors and executives | 164,416 | 114,078 |
| Related persons | 3,752,467 | 3,021,956 |
|  | 10,597,342 | 14,177,095 |
| **Interbank and money market items (liabilities)** |  |  |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 27,441 | 20,434 |
| Land and Houses Fund Management Company Limited | 120,283 | 45,901 |
| The major shareholder of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | 1,688,828 | 592,889 |
|  | 1,836,552 | 659,224 |
| **Debts issued and borrowings** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | - | 84,100 |
| Related companies/persons |  |  |
| Directors and executives | - | 20,000 |
| Related persons | 7,000 | 18,400 |
|  | 7,000 | 122,500 |
| **Accrued interest payables** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 12 | 484 |
| Subsidiaries of the Bank’s parent company |  |  |
| Land and Houses Securities Public Company Limited | 1 | - |
| Land and Houses Fund Management Company Limited | 29 | - |
| Land and Houses Advisory Company Limited | 28 | 6 |
| The major shareholders of the Bank’s parent company |  |  |
| CTBC Bank Company Limited | 477 | 404 |
| Land and Houses Public Company Limited | 213 | 2,313 |
| Quality Houses Public Company Limited | 167 | - |
| Ms. Piengjai Harnpanich | - | 30 |
| Related companies/persons |  |  |
| Related companies | 1,623 | 3,071 |
| Directors and executives | 353 | 161 |
| Related persons | 3,946 | 1,748 |
|  | 6,849 | 8,217 |
| **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 | 39,187 | 59,241 |
| Related companies/persons |  |  |
| Related companies | 341,656 | 400,543 |
|  | 383,868 | 463,898 |
| **Dividend payable** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 340,000 | - |
|  | 340,000 | - |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Other liabilities** |  |  |
| Parent company |  |  |
| LH Financial Group Public Company Limited | 30,009 | 32,000 |
| 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 | 301 | 503 |
| Related companies/persons |  |  |
| Related companies | 1,567 | 852 |
| Directors and executives | - | 10 |
|  | 31,880 | 33,368 |
| **Contingent liabilities - bank guarantees** |  |  |
| Related companies/persons |  |  |
| Related company | 21,186 | 21,186 |
|  | 21,186 | 21,186 |

The significant outstanding balances during the nine-month periods ended 30 September 2021 and 2020 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 | |
|  | 2021 | 2020 |
| **Parent company** |  |  |
| Loans to customers | 420,556 | 1,220,112 |
| Deposits | 12,343 | 50,988 |
| Debts issued and borrowings | 46,722 | 84,100 |
| **Subsidiaries of the Bank’s parent company** |  |  |
| Interbank and money market items (assets) | 2,703,889 | 3,325,000 |
| Deposits | 4,222 | 4,515 |
| Interbank and money market items (liabilities) | 99,240 | 188,227 |
| **The major shareholders of the Bank’s parent company** |  |  |
| Deposits | 7,876,430 | 2,099,993 |
| Interbank and money market items (liabilities) | 739,340 | 2,026,105 |
| **Related companies/persons** |  |  |
| Loans to customers | 3,550,873 | 3,548,631 |
| Deposits | 11,252,172 | 10,395,874 |
| Debts issued and borrowings | 23,000 | 53,600 |

**25.3 Directors’ and executives’ compensation**

During the three-month and nine-month periods ended 30 September 2021 and 2020, 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 | |
|  | 2021 | 2020 | 2021 | 2020 |
|  |  |  |  |  |
| Short-term employee benefits | 28 | 28 | 85 | 84 |
| Post-employment benefits | 12 | 2 | 18 | 7 |
| Total | 40 | 30 | 103 | 91 |

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

The Bank has two principal operating segments: lending segment and other segments, and they operate their businesses in Thailand. For management purposes of the banking business, the Executive Board of Directors of the Bank has been identified as the chief operating decision maker, and the operating segment is divided into the lending segment: housing and retail, and commercial loans.

The Executive Board of Directors monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. The Bank measures segment performance based on operating profit or loss and total assets, and on a basis consistent with that used to measure operating profit or loss in interim financial statements. In addition, recording for inter-segment (if any) is reported on a basis in consistent with external customers.

Operating segment information of the Bank was as follows:

(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) |
| Profit for the period |  |  |  | 524,087 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the three-month period ended 30 September 2020 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 270,598 | 1,362,520 | 272,726 | 1,905,844 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 1,763,206 |
| Other operating expenses |  |  |  | (603,987) |
| Expected credit losses |  |  |  | (709,128) |
| Income tax |  |  |  | (94,654) |
| Profit for the period |  |  |  | 355,437 |

(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) |
| Profit for the period |  |  |  | 1,212,378 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | For the nine-month period ended 30 September 2020 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Interest income from external customers | 828,899 | 4,257,074 | 961,138 | 6,047,111 |
|  |  |  |  |  |
| Total operating income - net |  |  |  | 5,132,341 |
| Other operating expenses |  |  |  | (1,809,967) |
| Expected credit losses |  |  |  | (1,626,101) |
| Income tax |  |  |  | (330,434) |
| Profit for the period |  |  |  | 1,365,839 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | As at 30 September 2021 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 26,788,066 | 165,458,656 | - | 192,246,722 |
| Total assets |  |  |  | 234,439,013 |
| Total liabilities |  |  |  | 198,837,811 |

(Unit: Thousand Baht)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | As at 31 December 2020 | | | |
|  | Lending | |  |  |
|  | Housing and retail | Commercial loans | Other  segments | Total |
|  |  |  |  |  |
| Loans to customers/interbank and money market items | 23,880,244 | 170,220,017 | - | 194,100,261 |
| Total assets |  |  |  | 240,084,839 |
| Total liabilities |  |  |  | 203,718,435 |

The Bank operates in Thailand only. As a result, all of the revenues, profits and assets as reflected in these interim financial information pertain to the aforementioned geographical reportable. Moreover, during the nine-month periods ended 30 September 2021 and 2020, 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 2021 and 31 December 2020, 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 2021 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 265,893 | - | 265,893 | - | 265,893 |
| Investments in debt instruments measured at fair value through other comprehensive income | 33,467,975 | - | 33,467,975 | - | 33,467,975 |
| Investments in equity instruments designated at fair value through other comprehensive income | 6,646,369 | 6,639,466 | - | 6,903 | 6,646,369 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 209,487 | - | 209,487 | - | 209,487 |
|  | (Unit: Thousand Baht) | | | | |
|  | 31 December 2020 | | | | |
|  | Carrying | Fair value | | | |
|  | value | Level 1 | Level 2 | Level 3 | Total |
| Financial assets |  |  |  |  |  |
| Derivative assets | 412,457 | - | 412,457 | - | 412,457 |
| Investments in debt instruments measured at fair value through other comprehensive income | 36,887,789 | - | 36,887,789 | - | 36,887,789 |
| Investments in equity instruments designated at fair value through other comprehensive income | 7,095,185 | 7,088,282 | - | 6,903 | 7,095,185 |
| Financial liabilities |  |  |  |  |  |
| Derivative liabilities | 228,458 | - | 228,458 | - | 228,458 |

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 were authorised for issue by the Bank’s Board of Directors on 11 November 2021.