

GOVERNMENT HOUSING BANK

No. 234/2023
27 November 2023

FINANCIAL INSTITUTIONS

Company Rating: AAA
Outlook: Stable

Last Review Date: 25/11/22

Rating History:

Date	Rating	Outlook/Alert
24/11/20	AAA	Stable

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RATIONALE

TRIS Rating affirms the company rating on Government Housing Bank (GHB) at “AAA” with a “stable” outlook. The ratings reflect GHB’s legal status as a state-owned enterprise (SOE) and a specialized financial institution (SFI). GHB is integrally linked with the Thai government and serves the “critical” public policy role of increasing home ownership among low-to-mid-income earners. GHB has past track record of receiving financial support from government and, in our opinion, it is almost certain that GHB will receive timely and sufficient extraordinary support from the government in the event of financial distress.

KEY RATING CONSIDERATIONS

Integrally linked with government

We assess GHB’s linkage with the government as “integral”, the highest level of government linkage. This is due to its status as an SOE given the government’s full ownership through the Ministry of Finance (MOF). GHB is an SFI established under the Government Housing Bank Act B.E. 2496 (1953). The linkage is further underpinned by GHB’s past track record of financial support from the government in the forms of capital injections, debt guarantees, and reimbursements for losses from policy lending. The government also has a full control over GHB’s operations as the appointment of the bank’s senior management and board of directors requires cabinet approval.

As an SOE, GHB is evaluated annually by the State Enterprise Policy Office (SEPO), under the MOF, for its operational management and performance. As an SFI, GHB is supervised by the Fiscal Policy Office (FPO) on policy alignment and business strategy and is supervised by the Bank of Thailand (BOT) on regulations including risk management, capital adequacy, and consumer protection.

Critical public policy role

We assess GHB’s degree of importance in performing its public policy role as “critical”, which is the highest level based on our “Rating Methodology for Government-related Entities (GRE)”. GHB has the unique public policy role of promoting home ownership for the low- and middle-income segments by providing affordable home loans at subsidized rates and favorable terms. In addition, GHB plays a critical role as an arm of the government executing public policies on real estate market mechanisms.

GHB further implements government policies via “Public Service Account” (PSA) lending. The government supports GHB in performing this function under the PSA program by reimbursing interest costs and losses arising from the policy lending. At the end of June 2023, PSA loans accounted for 9.27% of the bank’s total loans. Of the THB286.8 billion new housing loans extended by GHB in 2022, 80% was granted to the low- and middle-income segments.

Largest mortgage loan market shares

GHB has the largest mortgage loan market share in Thailand with a 34.8% market share at the end of June 2023. GHB’s new housing lending of THB286.8 billion at the end of 2022 accounted for 41.0% of countrywide new housing loans, including those extended by the commercial banks. At the end of June 2023, the bank’s total assets stood at THB1.7 trillion. This makes GHB

the third largest SFIs in terms of total asset size.

GHB's customer base comprises mainly low- and medium-income borrowers as well as government and state enterprise employees. More than 80% of GHB's customers are in the low- and medium-income groups. Government and state enterprise employees represent about 60% of its customer base. GHB is also diversifying into middle- to high-income groups as part of the bank's strategic objectives through partnership with major and mid-sized developers. The exposure currently remains small but will likely increase gradually. The bank's high efficiency measured by its low cost to operating income compared to other banks support its competitive position. Its digital initiatives which shorten the lending process turnaround time also support continuous growth.

RATING OUTLOOK

The "stable" outlook is based on our expectation that GHB's integral linkage with the government and its critical public policy role as an SFI and a state-owned enterprise will remain unchanged in the foreseeable future.

RATING SENSITIVITIES

The ratings or outlook could be revised downward if there is any significant change in government policy that affects GHB's policy role or linkage with the government.

COMPANY OVERVIEW

GHB is an SFI founded on 9 January 1953 under the Government Housing Bank Act B.E. 2496 (1953). GHB is wholly owned by the government through the MOF with an initial capital of THB20 million. The main policy role of GHB is to promote home ownership by providing accessible and affordable housing finance, particularly for low- and medium-income borrowers.

In the beginning phase, GHB not only acted as a residential mortgage lender but also developed housing projects and sold houses via hire purchase contracts. However, all GHB's assets, liabilities, and rights associated with the housing business under the Government Housing Bank Act B.E. 2496, Section 27(1) and 27(3), were transferred to the National Housing Authority (NHA) in 1973 in accordance with announcement No. 316 of the Revolution Group.

During the Asian economic crisis in 1997-1999, GHB, in cooperation with the Government Savings Bank (GSB), played an important role in reviving the housing and real estate sectors by offering 30-year fixed low-interest loans and debt restructuring.

Previously, GHB operated under the supervision of the MOF. On 2 April 2015, the MOF appointed the BOT to supervise and examine all SFIs, including GHB.

In 2016, GHB announced its new mission of "Enabling more Thai people to have their own homes" and a new vision of "The Best Housing Solution Bank". During the past few years, GHB has applied new digital technology and implemented projects to increase its internal management efficiency and transform itself into a modern and sustainable housing bank.

Following announcement of the Act for the Dissolution of the Secondary Mortgage Corporation B.E. 2563 (2020) in the Royal Gazette on 23 September 2020, SMC's assets and liabilities were transferred to GHB on 24 September 2020 after the dissolution of SMC. Since then, GHB has assumed the roles and responsibilities of SMC. The key rationale for the merger was to enhance efficiency.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS^{1,2}

Unit: Mil. THB

	Jan-Jun 2023 ³	----- Year Ended 31 December -----			
		2022	2021	2020	2019
Total assets	1,692,181	1,659,456	1,506,337	1,407,251	1,259,170
Average assets	1,675,879	1,582,896	1,456,794	1,333,211	1,211,526
Investment in securities	55,378	31,531	62,088	76,714	27,574
Loans and receivables	1,652,749	1,609,525	1,469,629	1,341,824	1,228,057
Allowance for doubtful accounts	138,452	129,018	111,827	97,301	87,559
Deposits	1,448,688	1,416,497	1,274,849	1,161,658	993,269
Borrowings ⁴	113,610	120,187	114,950	136,047	158,464
Shareholders' equities	111,023	108,833	101,425	95,164	104,353
Average equities	109,928	105,129	98,295	92,694	90,224
Net interest income	20,164	39,090	34,602	27,652	29,970
Non-interest income ⁵	903	2,175	1,989	2,322	2,188
Total revenue ⁵	21,067	41,265	36,633	29,974	32,158
Operating expenses ⁶	4,742	9,027	9,289	8,769	9,628
Pre-provision operating profit (PPOP)	16,325	32,238	27,766	21,205	22,531
Impairment losses on loans and securities	9,791	18,191	15,595	10,771	9,030
Net income	6,534	14,047	12,171	10,434	13,501
Net fee and service income	444	1,160	1,168	1,257	1,283

1 Consolidated financial statements

2 Including public service accounts since 2015

3 Non-annualized

4 Including interbank and money market

5 Including net of fee and service income

6 Excluding fee and service expense; including impairment of asset

Unit: %

	----- Year Ended 31 December -----				
	Jan-Jun 2023 ⁷	2022	2021	2020	2019
Earnings					
Return on average assets	0.79	0.89	0.85	0.78	1.11
Interest spread	2.57	2.16	2.13	1.79	2.11
Net interest margins	2.30	2.35	2.27	1.99	2.37
Net interest income/average assets	2.43	2.47	2.38	2.07	2.47
Non-interest income/average assets	0.11	0.14	0.14	0.17	0.18
Net fee and service income/total revenue	2.15	2.86	3.15	4.19	3.99
Cost-to-income	21.59	21.87	25.07	29.26	29.94
Capitalization					
Tier-1 ratio	14.04	13.71	14.05	13.92	12.86
BIS ratio	15.29	14.96	15.30	15.17	14.11
Tier-1/BIS ratio	91.82	91.64	91.83	91.76	91.14
Asset Quality					
Credit costs	1.21	1.19	1.12	0.84	0.77
Non-performing loans/total loans ⁸	4.27	3.74	4.00	3.75	4.09
Allowance for loan losses/non-performing loans	197.66	215.70	191.55	194.39	168.70
Funding & Liquidity					
CASA ratio	29.10	29.23	24.60	23.68	24.83
Loan-to-deposit ratio	113.25	112.83	114.44	114.78	123.22
Deposits/total liabilities	91.62	91.35	90.74	88.54	86.01
Liquid assets/total deposits ⁹	10.40	10.76	9.70	11.89	9.74
Liquid assets/short-term liabilities ¹⁰	12.65	13.47	10.93	13.21	11.19

⁷ Annualized

⁸ Including interbank; excluding accrued interests

⁹ Including interbank borrowing

¹⁰ Financial liabilities with maturity of less than one year

RELATED CRITERIA

- Rating Methodology for Government-related Entities, 27 October 2023

Government Housing Bank (GHB)

Company Rating:	AAA
Rating Outlook:	Stable

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