

GOVERNMENT HOUSING BANK

No. 205/2021
12 November 2021

FINANCIAL INSTITUTIONS

Company Rating:	AAA
Issue Ratings:	
Senior unsecured	AAA
Outlook:	Stable

Last Review Date: 24/11/20

Company 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” rating outlook and, at the same time, affirms the issue ratings on senior unsecured debentures of the Secondary Mortgage Corporation (SMC) at “AAA” as well.

The ratings reflect GHB’s legal status as a state-owned enterprise (SOE) and a specialized financial institution (SFI) which has an “integral” linkage with the Thai government and a “critical” public policy role to promote home ownership for the lower- and middle-income groups. The ratings also take into account the likelihood of the government in providing explicit guarantees on GHB’s obligations in line with other SFIs, if needed. In our opinion, there is an almost certain likelihood that GHB will receive timely and sufficient extraordinary support from the government in the event of financial distress.

The “stable” outlook is based on our expectation that GHB’s integral linkage with the government and its critical public policy role will remain unchanged in the foreseeable future.

The affirmation of the issue ratings on SMC’s debentures reflects the merging of SMC into GHB, pursuant to the Act for the Dissolution of the Secondary Mortgage Corporation B.E. 2563 (2020) announced in the Royal Gazette on 23 September 2020, by which all of SMC’s assets and liabilities have been transferred to GHB.

KEY RATING CONSIDERATIONS

Integral linkage with the government

GHB is an SFI established under the Government Housing Bank Act B.E. 2496 (1953). We assess GHB’s linkage with the government as “integral”, the highest level of government linkage, due to its status as an SOE given the government’s full ownership through the Ministry of Finance (MOF). The linkage is also underpinned by GHB’s past track record of financial support from the government in the forms of capital injections and debt guarantees. The government also has a tight control over GHB through the appointment of the bank’s senior management and board of directors. As an SOE, GHB is evaluated by the State Enterprise Policy Office (SEPO) under the MOF for its operational management and performance. As an SFI, GHB is supervised by the Bank of Thailand (BOT) on aspects involving risk management, capital adequacy, and consumer protection.

Critical policy role

We assess GHB’s public policy role as “critical”, which is the highest level, given its distinct policy role to promote home ownership for the low- and middle-income groups by providing affordable home loans. The government provides ongoing support to GHB enabling it to carry out its mandate under the “Public Service Account” (PSA) via subsidies for interest costs and losses arising from the implementation of the government’s policies. At the end of June 2021, PSA accounted for 10.55% of the bank’s total loans.

Thailand’s largest residential mortgage lender

GHB is the largest residential mortgage provider in Thailand with a market share of 32.4% at the end of June 2021. Among the SFIs, GHB is the third largest in terms of total asset size. At the end of June 2021, the bank’s total

assets amounted to THB1.4 trillion. GHB's well-established market position is underpinned by its important and unique mandate to serve low- and medium-income borrowers at affordable costs. More than 90% of GHB's customers are in the low- and medium-income groups. Government employees represent about 60% of its customer base.

RATING OUTLOOK

The "stable" outlook reflects our expectation that GHB will maintain its "integral" linkage with the government, its legal status as an SFI and a state-owned enterprise, and its "critical" public policy role.

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) announced in the Royal Thai Government Gazette on 20 January 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 Section 27(3) were transferred to the National Housing Authority (NHA) in 1973 in accordance with announcement No. 316 of the Revolution Group.

During severe economic slowdown 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 the 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

	----- Year Ended 31 December -----				
	Jan-Jun 2021 ³	2020	2019	2018	2017
Total assets	1,441,951	1,407,251	1,259,170	1,163,882	1,062,458
Average assets	1,369,457	1,333,211	1,211,526	1,113,170	1,020,214
Investment in securities	56,059	76,714	27,574	31,143	50,461
Loans and receivables	1,384,784	1,341,807	1,228,035	1,120,164	1,027,619
Allowance for doubtful accounts	104,390	97,301	87,559	79,356	68,445
Deposits	1,205,886	1,161,658	993,269	943,382	858,074
Borrowings ⁴	123,800	136,047	158,464	125,600	117,017
Shareholders' equities	97,349	95,164	104,353	81,876	74,606
Average equities	98,955	99,758	93,114	78,241	71,098
Net interest income	16,346	27,652	29,970	30,996	29,708
Non-interest income ⁵	1,120	2,322	2,188	1,798	2,423
Total revenue ⁵	17,466	29,974	32,158	32,795	32,132
Operating expenses ⁶	4,171	8,769	9,628	8,282	7,638
Pre-provision operating profit (PPOP)	13,295	21,205	22,530	24,512	24,494
Impairment losses on loans and securities	7,394	10,771	9,093	11,902	12,681
Net income	5,901	10,434	13,501	12,611	11,813
Net fee and service income	538	1,257	1,283	1,140	1,103

1 Consolidated financial statements

2 Including public service accounts since 2015

3 Non-annualized

4 Including interbank and money market

5 Including net of fees and service income

6 Excluding fees and service expense, including impairment of asset

Unit: %

	----- Year Ended 31 December -----				
	Jan-Jun 2021 ⁷	2020	2019	2018	2017
Earnings					
Return on average assets	0.86	0.78	1.11	1.13	1.16
Interest spread	2.07	1.79	2.11	2.42	2.55
Net interest margins	2.27	1.99	2.37	2.67	2.80
Net interest income/average assets	2.39	2.07	2.47	2.78	2.91
Non-interest income/average assets	0.16	0.17	0.18	0.16	0.24
Net fee and service income/total revenue	3.08	4.19	3.99	3.48	3.43
Cost-to-income	23.88	29.26	29.94	25.26	23.77
Capitalization					
Tier-1 ratio	14.01	13.92	13.86	14.02	13.33
BIS ratio	15.26	15.17	14.11	15.27	14.58
Tier-1/BIS ratio	91.81	91.76	91.14	91.81	91.42
Asset Quality					
Credit costs	1.14	0.84	0.77	1.11	1.29
Non-performing loans/total loans ⁸	4.09	3.60	4.03	3.93	4.09
Allowance for loan losses/non-performing loans	176.13	194.39	168.70	170.67	158.79
Funding & Liquidity					
CASA ratio	-	23.68	24.83	24.12	23.64
Loan-to-deposit ratio	114.08	114.78	123.22	118.29	119.27
Deposits/total liabilities	89.68	88.54	86.01	87.19	86.86
Liquid assets/total deposits ⁹	11.32	11.89	9.74	11.03	10.14
Liquid assets/short-term liabilities ¹⁰	14.34	13.21	11.19	12.05	11.25

⁷ Annualized

⁸ Including interbank; excluding accrued interests

⁹ Including interbank borrowing

¹⁰ Financial liabilities with maturity of less than one year

RELATED CRITERIA

- Government-Related Entities Rating Methodology, 30 July 2020

Government Housing Bank (GHB)

Company Rating:	AAA
Issue Ratings:	
SMCT236A: THB750 million senior unsecured debentures due 2023	AAA
SMCT238A: THB700 million senior unsecured debentures due 2023	AAA
SMCT230A: THB500 million senior unsecured debentures due 2023	AAA
Rating Outlook:	Stable

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