

# GOVERNMENT SAVINGS BANK

No. 190/2020  
6 November 2020

## FINANCIAL INSTITUTIONS

**Company Rating:** AAA  
**Outlook:** Stable

**Last Review Date:** 08/11/19

### Company Rating History:

Date	Rating	Outlook/Alert
21/11/16	AAA	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Government Savings Bank (GSB) at “AAA” with a “stable” outlook. The rating reflects GSB’s legal status as a specialized financial institution (SFI) which is integrally linked with the Thai government and plays a critical public policy role. The rating also takes into account the explicit government guarantees on all of GSB’s obligations and our expectation of the almost certain likelihood that GSB will receive timely and sufficient extraordinary support from the government if needed.

## KEY RATING CONSIDERATIONS

### Integrally linked with the government

Our assessment of GSB's integral linkage with the government is based on the government’s full ownership, tight control via board and senior management appointments by the Cabinet, and the continuous track record of financial support from the government. GSB’s legal status is an SFI whose role is providing policy-related services. GSB is currently under the supervision of the Bank of Thailand (BOT) and the Fiscal Policy Office (FPO).

Additionally, the Government Savings Bank Act, B.E. 2489 (1946) stipulates that the government explicitly guarantees all of GSB’s obligations including the principals, the interest on deposits, and other forms of payment obligations. GSB is the only SFI for which the government explicitly guarantees all obligations.

### Critical public policy role

We expect GSB will continue playing its critical public policy role in serving as the bank for Thai people, promoting savings habits and financial discipline among the Thai people, and supporting the government’s policies and the country’s development. The government’s programs, implemented by GSB as approved by the Cabinet, have been funded annually by the government in the separate accounts called Public Service Accounts (PSA).

In our view, GSB’s role in serving the government’s policies has become even more crucial during the ongoing economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic. In response to COVID-19, GSB has been instrumental in channeling government financial assistance to SMEs and key affected industries. The bank has also offered various relief measures for retail customers to help alleviate the impacts of COVID-19.

Under GSB’s 5-Year business strategy covering 2021-2025, GSB will maintain its strong commitment to its mission with the aspiration of aiming to be the “Social Bank” to reduce inequality and create fairness in the society. Unlike private commercial banks, GSB does not place profit maximization as its primary policy objective.

### Extraordinary support from the government if needed

The rating continues to reflect our assessment of the almost certain likelihood that GSB will receive timely and sufficient extraordinary support from the government if needed. Our assessment is based on our view of GSB’s integral linkage with the government and its critical policy role. Capital injections to GSB can be made by the capital allocation from the Specialized Financial Institutions Development Fund, the annual government budget, or other government sources approved by the Cabinet. However, we do not see a potential need for extraordinary support from the government in the near

future given the bank's adequate capital position. Looking forward, we expect GSB's integral linkage with the government and its critical policy role to remain unchanged in the foreseeable future.

### Thailand's largest SFI with a strong retail banking franchise

GSB is the largest SFI in Thailand in terms of asset size. GSB's total assets of THB2.8 trillion at the end of December 2019 are comparable to those of each of the top five commercial banks designated as domestic systemically important banks (D-SIB). At the same time, GSB registered an 11.1% market share in loans among the commercial banks and SFIs in Thailand. Public and state-owned enterprises accounted for 35.9% and 37.8% of GSB's total loans at the end of December 2019 and at the end of June 2020 respectively.

GSB has a strong retail banking franchise, as evidenced by its large customer base of 22 million customers at the end of August 2020. At the end of December 2019, GSB's market share in deposits stood at 11.9%, the second highest among the commercial banks and SFIs in Thailand. More than 60% of GSB's customers are in the low-income earners segment, a figure bolstered by the bank's extensive upcountry branch network and its trending digital channels. Given its strong network across the country, GSB can serve as a comprehensive channel providing financial services.

### RATING OUTLOOK

The "stable" outlook reflects our expectation that GSB will maintain its integral linkage with the government, its legal status as a specialized financial institution, and its critical public policy role.

### RATING SENSITIVITIES

We could revise down GSB's rating and/or outlook if there is any significant change in government policies that affects GSB's policy role or integral linkage with the government.

### COMPANY OVERVIEW

GSB was established under the "Klung Omsin Act" on 1 April 1913, named the "Savings Office" and placed under the Royal Treasury. Initial capital was THB100,000, bestowed by His Majesty King Vajiravudh (Rama VI). The main objective of the Savings Office was to promote savings habits among people nationwide. On 18 December 1946, the Government Savings Bank Act B.E. 2489 (1946) was enacted. The Savings Office was transferred to the Ministry of Finance (MOF) and renamed "Government Savings Bank".

On 2 April 2015, the MOF officially mandated that all SFIs, including GSB, be supervised and examined by the BOT. In the second half of 2015, all SFIs, including GSB, were obliged to contribute 0.18% of deposits to the SFI System Development Fund. The current contribution rate of 0.25% was set in 2017. However, GSB benefits from an exemption from corporate income tax. Savings and special savings deposits at GSB are also non-taxed. GSB pays 50%-55% of its net profit to the MOF.

As of June 2018, the bank has investments larger than 10% shareholding in four financial institutions: Islamic Bank (39.81% shareholding), Thanachart Asset Management Co., Ltd. (25%), MFC Asset Management Co., Ltd. (24.96%), and Dhipaya Life Assurance PLC (25%).

GSB plays a critical role in serving as the people's bank and supporting the government's policies. For more than a century since its establishment in 1913, GSB has consistently delivered solid performance, focusing on banking services for the retail banking segment. The bank's efforts support and are aligned with the government's economic and social development policies.

Like other SFIs, GSB is currently supervised by the BOT based on guidelines that follow the Basel-II framework. The guidelines aim to strengthen SFI's risk management and enhance its operating efficiency, corporate governance, and transparency. These should help GSB develop long-term sustainability.

As an SFI, GSB's challenge is to strike a balance between meeting its institutional mission to support public policies and maintaining sound financial performance. The bank is obliged to provide policy-related services and supportive measures towards certain economic sectors, though these activities usually do not generate any profit.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS <sup>1,2</sup>**
*Unit: Mil. THB*

	Jan-Jun 2020 <sup>3</sup>	----- Year Ended 31 December -----			
		2019	2018	2017	2016
Total assets	2,888,580	2,797,624	2,704,967	2,664,411	2,510,033
Average assets	2,843,102	2,751,295	2,684,689	2,587,222	2,455,375
Investment in securities	320,861	311,876	256,157	237,321	283,914
Loans and receivables	2,156,190	2,076,170	2,066,981	1,952,521	1,752,287
Allowance for doubtful accounts	75,724	69,977	67,790	57,475	54,506
Deposits	2,402,066	2,309,489	2,232,431	2,185,122	2,137,341
Borrowings <sup>4</sup>	165,413	151,976	119,659	161,206	101,313
Shareholders' equities	188,901	203,032	202,566	202,471	170,853
Average equities	195,967	202,799	202,518	186,662	161,428
Net interest income	24,738	55,986	61,179	55,916	58,547
Non-interest income <sup>5</sup>	6,581	16,823	23,320	15,527	13,690
Total revenue <sup>5</sup>	31,319	72,809	84,499	71,444	72,237
Operating expenses <sup>6</sup>	16,997	36,455	36,498	35,983	36,585
Pre-provision operating profit (PPOP)	14,322	36,354	48,000	35,461	35,652
Impairment losses on loans and securities	8,990	12,306	17,018	4,184	9,548
Net income	5,332	24,048	30,983	31,276	26,104
Net fee and service income	2,317	4,806	6,073	5,766	4,816
Gains (loss) on investments	(873)	2,144	7,635	257	22

1 Consolidated financial statements

2 Including public service accounts since 2015

3 Non-annualised and unaudited

4 Including interbank and money market

5 Including net of fees and service income

6 Excluding fees and service expense

Unit: %

	Jan-Jun 2020 <sup>7</sup>	----- Year Ended 31 December -----			
		2019	2018	2017	2016
<b>Earnings</b>					
Return on average assets	0.38	0.87	1.15	1.21	1.06
Interest spread	1.55	1.80	2.08	1.91	2.14
Net interest margins	1.73	2.03	2.27	2.14	2.36
Net interest income/average assets	1.75	2.03	2.28	2.16	2.38
Non-interest income/average assets	0.47	0.61	0.87	0.60	0.56
Net fee and service income/total revenue	7.40	6.60	7.19	8.07	6.67
Cost-to-income	54.27	50.07	43.19	50.37	50.65
<b>Capitalization</b>					
Tier-1 ratio	13.56	13.97	13.56	11.85	10.86
BIS ratio	14.91	15.52	14.72	12.47	11.54
Tier-1/BIS ratio	90.95	90.01	92.12	95.03	94.11
<b>Asset Quality</b>					
Credit costs	0.86	0.60	0.85	0.23	0.54
Non-performing loans/total loans <sup>8</sup>	2.34	2.31	2.47	1.71	1.74
Allowance for loan losses/non-performing loans	126.72	122.63	114.07	134.04	135.89
<b>Funding &amp; Liquidity</b>					
CASA ratio	25.65	24.34	23.78	22.62	22.67
Loan-to-deposit ratio	89.10	89.61	92.29	89.05	81.72
Deposits/total liabilities	88.98	89.01	89.21	88.76	91.37
Liquid assets/total deposits <sup>9</sup>	30.37	31.23	27.28	31.71	35.34
Liquid assets/short-term liabilities <sup>10</sup>	51.28	52.98	42.68	48.26	54.12

7 Annualised

8 Including interbank; excluding accrued interests

9 Including interbank borrowing

10 Financial liabilities with maturity less than one year

## RELATED CRITERIA

- Government-Related Entities Rating Methodology, 30 July 2020

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**Government Savings Bank (GSB)**

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<b>Company Rating:</b>	AAA
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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