

GOVERNMENT HOUSING BANK

No. 219/2024
26 November 2024

FINANCIAL INSTITUTIONS

Issuer Rating: AAA
Outlook: Stable

Last Review Date: 27/11/23

Issuer Rating History:		
Date	Rating	Outlook/Alert
24/11/20	AAA	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on Government Housing Bank (GHB) at “AAA” with a “stable” outlook. The rating reflects GHB’s legal status as a state-owned enterprise (SOE) and specialized financial institution (SFI). GHB is “integrally linked” with the Thai government and plays a “critical” public policy role to promote home ownership among low-to-mid-income earners and stimulate the real estate industry. GHB has a past track record of government support and we consider it highly likely to receive timely and adequate 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. GHB is an SOE and SFI established under the Government Housing Bank Act B.E. 2496 (1953) and fully owned by the Ministry of Finance (MOF). The government exercises significant control over GHB’s operations, including the appointment of its senior management and board of directors, which requires cabinet approval. This linkage is further underpinned by its past track record of government support, including capital injections, debt guarantees, and loss reimbursements from policy lending.

As an SOE, GHB is subject to annual performance evaluations by the State Enterprise Policy Office (SEPO) under the MOF. As an SFI, GHB is supervised by the Fiscal Policy Office (FPO) for policy alignment and business strategy, and by the Bank of Thailand (BOT) for regulatory compliance, including risk management, capital adequacy, responsible lending, and consumer protection.

Critical public policy role

We assess GHB’s role in fulfilling its public policy mandate as “critical”. GHB plays a unique public policy role in promoting homeownership among those underserved by commercial banks, by providing affordable home loans at favorable terms. GHB primarily serves low- and mid-income borrowers, including government and state enterprise employees. GHB sets a target of new lending of more than 65% to the low- and mid-income segment. In 2023, 76% of GHB’s new lending was to this segment. To support the real estate sector in response to government directives, GHB is evaluating the need for additional capital to enhance its mortgage lending capacity.

One way that GHB implements government policies is through Public Service Account (PSA) lending. Under the PSA scheme, the government supports GHB by reimbursing interest costs and losses that result from policy lending. As of 30 June 2024, PSA loans constituted 9.27% of the bank’s total loan portfolio.

To further help customers who struggle to get credit from commercial banks, GHB offers financial literacy programs to improve their creditworthiness for loans. GHB also aims to reach mid- and high-income customer segments by collaborating with major and mid-sized property developers. This partnership further supports developers in reducing their inventories.

Largest mortgage loan provider

GHB is the largest mortgage loan provider in Thailand with a 33.1% market share at the end of June 2024. The THB253.9 billion new housing loans

originating in 2023 highlights GHB's significant contribution to the housing finance market. This amount was the largest in the industry, representing 37.4% of the total new housing loans nationwide, including those from commercial banks.

GHB is a leading SFI with a strong competitive position. GHB is the third-largest SFI in Thailand based on its total assets of THB1.8 trillion. The bank has strong operational efficiency with a low cost-to-income ratio of 27.7% in the first half of 2024. Additionally, the bank's digital initiatives, which expedite the lending process, further support continuous growth.

RATING OUTLOOK

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

RATING SENSITIVITIES

The rating or outlook on GHB 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 (SMC) 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 2024 ³	----- Year Ended 31 December -----			
		2023	2022	2021	2020
Total assets	1,829,794	1,785,586	1,659,456	1,506,337	1,407,251
Average assets	1,807,690	1,722,521	1,582,896	1,456,794	1,333,211
Investment in securities	51,426	40,767	31,531	62,088	76,714
Loans and receivables	1,736,962	1,725,951	1,609,525	1,469,629	1,341,824
Allowance for doubtful accounts	150,507	147,197	129,018	111,827	97,301
Deposits	1,580,182	1,540,652	1,416,497	1,274,849	1,161,658
Borrowings ⁴	109,910	109,410	120,187	114,950	136,047
Shareholders' equities	119,504	116,167	108,833	101,425	95,164
Average equities	117,836	112,500	105,129	98,295	92,694
Net interest income	16,974	40,074	38,460	34,602	27,652
Non-interest income ⁵	709	1,893	2,175	1,989	2,322
Total revenue ⁵	18,497	43,044	41,265	36,633	29,974
Operating expenses ⁶	5,004	9,393	9,027	9,289	8,769
Pre-provision operating profit (PPOP)	13,493	33,651	32,238	27,766	21,205
Impairment losses on loans and securities	6,044	19,032	18,191	15,595	10,771
Net income	7,449	14,620	14,047	12,171	10,434
Net fee and service income	327	942	1,160	1,168	1,257

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: %

	Jan-Jun 2024 ⁷	----- Year Ended 31 December -----			
		2023	2022	2021	2020
Earnings					
Return on average assets	0.82	0.85	0.89	0.85	0.78
Interest spread	1.63	2.00	2.17	2.13	1.79
Net interest margins	1.86	2.21	2.31	2.27	1.99
Net interest income/average assets	1.89	2.33	2.43	2.38	2.07
Non-interest income/average assets	0.08	0.11	0.14	0.14	0.17
Net fee and service income/total revenue	1.77	2.19	2.81	3.15	4.19
Cost-to-income	27.05	21.82	21.87	25.07	29.26
Capitalization					
Tier-1 ratio	14.47	13.96	13.71	14.05	13.92
BIS ratio	15.72	15.21	14.96	15.30	15.17
Tier-1/BIS ratio	92.05	91.78	91.64	91.83	91.76
Asset Quality					
Credit costs	0.71	1.15	1.19	1.12	0.84
Non-performing loans/total loans ⁸	5.96	3.87	3.74	4.00	3.75
Allowance for loan losses/non-performing loans	146.48	221.87	215.70	191.55	194.39
Funding & Liquidity					
CASA ratio	29.14	29.56	29.23	24.60	23.68
Loan-to-deposit ratio	109.14	111.22	112.83	114.44	114.78
Deposits/total liabilities	92.39	92.29	91.35	90.74	88.54
Liquid assets/total deposits ⁹	4.54	11.55	10.76	9.70	11.89
Liquid assets/short-term liabilities ¹⁰	5.30	15.16	13.67	10.93	13.21

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)

Issuer Rating:	AAA
Rating Outlook:	Stable

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