



Fitch Affirms Bank for Agriculture and Agricultural Cooperatives at 'AAA(thu)'/Stable

Fitch Ratings - Bangkok - 06 November 2019:

Fitch Ratings (Thailand) has affirmed the National Long-Term Rating on the Bank for Agriculture and Agricultural Cooperatives (BAAC) at 'AAA(thu)' with Stable Outlook. The National Short-Term Rating is affirmed at 'F1+(thu)'.

Key Rating Drivers

The National ratings on BAAC reflect Fitch's view of a high probability that the state would provide extraordinary support to the bank on a timely basis, if necessary. This view is based on BAAC's strong linkages to the government given its near full state ownership, legal status as a state policy bank set up under a specific law, proven history of financial support and close state control.

The Ministry of Finance (MOF) has a 99.8% stake in BAAC and effective control of the bank as the board of directors is chaired by the finance minister and the directors are appointed by the cabinet. There is a strong history of state financial support, such as via capital injections and debt guarantees. The bank also receives compensation, which is allocated in the government's annual budget, for a portion of its support for government-related initiatives. This kind of support accounted for nearly 60% of total assets at the end of the financial year to March 2019 (FYE19). Moreover, BAAC has an important and unique role in providing support to government policies relating to the agricultural sector and rural development.

The Stable Outlook reflects Fitch's expectations that the government's propensity to support the bank is unlikely to reduce in the medium term.

RATING SENSITIVITIES

There is no upside to the National ratings of BAAC, which are already at the highest levels. Any perceived weakening in the sovereign's propensity to support BAAC, for example if BAAC's legal status changes or if the government's ownership is reduced, may result in a downgrade of its National ratings. However, Fitch deems such events to be unlikely in the medium term.

RATING ACTIONS		
ENTITY/DEBT	RATING	PRIOR
Bank for Agriculture and Agricultural Cooperatives	Natl LT AAA(thu) ● Affirmed	AAA(thu) ●
	Natl ST F1+(thu) Affirmed	F1+(thu)

Additional information is available on www.fitchratings.com

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Applicable Criteria

National Scale Ratings Criteria (pub. 18 Jul 2018)
Bank Rating Criteria (pub. 12 Oct 2018)
Short-Term Ratings Criteria (pub. 02 May 2019)

Additional Disclosures

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