

27 Oct 2020 | Affirmation

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

Fitch Ratings-Bangkok-27 October 2020:

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

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 important policy role, near-full state ownership, legal status as a state policy bank set up under a specific law and designated as a specialised financial institution (SFI), 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 ongoing and history of state financial support, such as via capital injections and debt guarantees. The latest example was a capital injection of THB6 billion in May 2020 with further capital injections expected over the next few years in order to support the bank's policy functions. The bank also receives compensation, which is allocated in the government's annual budget, for a portion of its support for government-related initiatives.

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

Factors that could, individually or collectively, lead to positive rating action/upgrade:

There is no upside to the National Ratings of BAAC, which are already at the highest levels.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of BAAC's National Ratings would likely arise from a weakening in its sovereign support-driven credit profile relative to the national-rating universe of Thai financial institutions. A decline in the sovereign's propensity to support BAAC may result in a downgrade of the bank's National Ratings. This may be indicated by the change in BAAC's legal status and designation as an SFI, material and permanent reduction in the government's ownership or a significant weakening in the importance of BAAC's policy role, including in scale. However, Fitch deems such events to be unlikely in the medium term.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

BAAC's National ratings are linked to the credit profile of Thailand (BBB+/Stable).

Bank for Agriculture and Agricultural Cooperatives; National Long Term Rating; Affirmed; AAA(tha);
Rating Outlook Stable
; National Short Term Rating; Affirmed; F1+(tha)

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Additional information is available on www.fitchratings.com

Applicable Criteria

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 08 Jun 2020\)](#)

Additional Disclosures

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