

19 OCT 2021

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

Fitch Ratings - Bangkok - 19 Oct 2021: Fitch Ratings (Thailand) has affirmed the National Long-Term Rating on the Bank for Agriculture and Agricultural Cooperatives (BAAC) at 'AAA(tha)' with a 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 specialised financial institution set up under specific legislation (the Bank for Agriculture and Agricultural Cooperatives Act B.E. 2509), proven history of financial support, and close state linkages.

BAAC has an important and unique role in supporting government policies relating to the agricultural sector and rural development. It has long-standing expertise and a record of fulfilling this policy mandate.

The bank's National Long-Term Rating is at the highest end on the National Rating Scale, reflecting that the bank's support-driven credit profile has the lowest expectation of default risk relative to other issuers in the country.

The Ministry of Finance (MOF) holds 99.8% of BAAC and effectively controls 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 record of state financial support, such as capital injections and debt guarantees. Most recently, a capital injection of THB6 billion in May 2020 boosted the bank's buffers, with a Tier 1 capital ratio of 11.3% as of June 2021. Fitch expects further capital injections to support the bank's loan growth as required.

The bank also receives compensation, which is allocated in the government's annual budget, for the portion of its lending that is in support for government-approved initiatives. During the current economic downturn, BAAC has helped to support the agriculture sector, such as via distribution of the state support funds and extension of debt moratoriums and new loans to farmers.

Rating Sensitivities

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

Any perceived weakening in the sovereign's propensity to support BAAC may result in a downgrade of the bank's National Ratings. This may be indicated, for example, by a change in BAAC's legal status as a state policy bank, a material reduction in the government's ownership and control, or a significant weakening in the importance of BAAC's policy role. However, Fitch deems such events to be unlikely in the medium term.

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 level on the scale.

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 ratings are linked to credit profile of the Thai sovereign.

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Rating Actions

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

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

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

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

Additional Disclosures

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[Endorsement Status](#)

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