

07 OCT 2022

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

Fitch Ratings - Bangkok - 07 Oct 2022: 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

**Sovereign Support Drives Ratings:** The ratings on BAAC reflect Fitch's assessment of a high probability that the Thai sovereign (BBB+/Stable) will provide extraordinary support to the bank on a timely basis, if necessary. This view is based on BAAC's strong linkages to the Thai government, taking into consideration the bank's near-full state ownership, legal status as a specialised financial institution (SFI) set up under specific legislation, a history of financial support from the government and close state linkages.

BAAC's National Long-Term Rating of 'AAA(tha)' is at the highest level on the national rating scale to reflect the lowest expectation of default risk compared with other issuers in Thailand.

**Unique Policy Role:** BAAC is the only state policy bank in Thailand focused on the agricultural sector, and hence has an important and unique role in supporting government policies relating to rural development. It has longstanding expertise and a record of fulfilling this policy mandate. BAAC continues to be important in supporting farmers, and rural communities, particularly during the difficult times, such as the Covid-19 pandemic and natural disasters.

The bank also provides direct support to government-approved initiatives under the Public Service Account (PSA), as evident in the sizeable loans and receivables of about 29% of total assets at end-March 2022.

**Close State Control:** The Ministry of Finance (MoF) holds 99.8% of BAAC and directs its strategies and key management initiatives, ensuring that the bank's operations are aligned with the government's medium- and long-term strategies. The government controls the bank's board of directors, which includes representatives from the MoF and related agencies, such as the Ministry of Agriculture and Cooperatives.

**Consistent State Support:** There is a strong record of state financial support, such as capital injections and debt guarantees, including an equity increase of THB6 billion in May 2020. Moreover, BAAC has been receiving compensation from the government annually for the portion of its lending that is in support of government-approved initiatives.

**Rising Performance Pressures:** BAAC's operating profit/risk-weighted assets of 0.6% in the financial year ended March 2022 (FY22) was lower than pre-pandemic levels, and performance is likely to remain under pressure over the next few years as provisioning costs could stay high given the persistent asset quality risks. BAAC's impaired-loan ratio increased to 6.5% by FYE22 (FYE21: 3.6%) and could rise further as loans under regulatory relief measures are unwound. Moreover, the agricultural sector remains vulnerable to higher production costs from inputs such as fertiliser and gasoline.

## 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.

A decline in the government's ability to support the financial system would be unlikely to affect the bank's ratings, as Fitch expects that core policy banks would remain more likely to receive government support relative to other entities in the country, and hence the bank's relative position on the national rating scale would not change.

### 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 National Ratings are linked to Thailand's sovereign credit profile.

## Fitch Ratings Analysts

### Patchara Sarayudh

Director

Primary Rating Analyst

+66 2 108 0152

Fitch Ratings (Thailand) Limited Park Ventures, Level 17 57 Wireless Road, Lumpini Bangkok 10330

### Alada Sukakanpadoong

Associate Director

Secondary Rating Analyst

+66 2 108 0163

## Jonathan Cornish

Managing Director  
Committee Chairperson  
+852 2263 9901

## Media Contacts



### Leslie Tan

Singapore  
+65 6796 7234  
leslie.tan@thefitchgroup.com





### Wai Lun Wan

Hong Kong  
+852 2263 9935  
wailun.wan@thefitchgroup.com

## 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 \(pub.07 Sep 2022\) \(including rating assumption sensitivity\)](#)

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

## Additional Disclosures

[Solicitation Status](#)

[Endorsement Status](#)

## DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the

information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally

Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

## **Endorsement policy**

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s [Regulatory Affairs](#) page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.