



बैंक ऑफ़ बड़ौदा

Bank of Baroda

BCC:ISD:110:16:286

Date: 18th June 2018

The Vice President,
National Stock Exchange of India Ltd.
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
NSE CODE - BANKBARODA

Dear Sir / Madam,

Re: Bank of Baroda - Reason for downward in Fitch Viability Rating

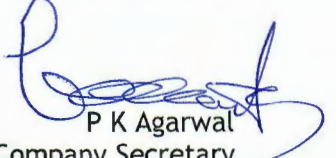
We refer to our letter no. BCC:ISD:110:16:284 dated 15th June 2018 and your mail dated 18th June 2018 seeking disclosure of reasons published by rating agency for downward in rating. We advise as under:

"The one-notch downgrade of Bank of Baroda's (BoB's) Viability Rating (VR) to 'bb' from 'bb+' reflects increasing pressure on its capital position from extended financial weakness in terms of NPLs and earnings. Its CET1 ratio, at 9.2%, was slightly better despite losses and is higher than that of most state-owned peers. However, its NPL ratio jumped to 12.3%, leading to deterioration in net NPL/Fitch Core Capital ratio to above 60%, despite better provision cover of 58%. The bank's portfolio of watch-list loans is around 2% and can add to asset-quality pressure if NPL resolution slows.

Fitch believes that BoB's capital flexibility is better than that of many public-sector peers, but the bank has not raised fresh capital, resulting in stagnating capital levels amid rising stress. Its chances of rebounding are better than those of many state owned peers, but the bank would likely require substantial fresh capital and government infusions if it is to achieve its growth objectives and mitigate balance sheet stress. BoB reported negative return on assets of -0.4% in FY18; albeit this was better than for most state-owned banks.

Funding has been robust, with a domestic low-cost deposit ratio of around 40% reflecting BoB's government linkages and large franchise. Its loan/deposit ratio significantly improved from the previous year and was below 80% in FY18."

Yours faithfully,


P K Agarwal
Company Secretary
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बड़ौदा कार्पोरेट सेंटर, सी-26, जी-ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पू.), मुंबई 400 051, भारत.

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