



बैंक ऑफ़ बड़ौदा *Bank of Baroda*



BCC:ISD:116:16:199

10.06.2024

The Vice-President, B S E Ltd., Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 BSE CODE-532134	The Vice-President, National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai - 400 051 CODE-BANKBARODA
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Dear Sir / Madam,

**Re: Bank of Baroda - Credit Rating - Disclosure under Regulation 30(LODR)**

We advise that Moody's Rating Agency has affirmed Baa3 long term local and foreign currency bank deposit ratings of Bank of Baroda (BOB) and upgraded the Baseline Credit Assessments (BCAs) of the BoB to ba2 from ba3.

The press release of Moody's report is enclosed.

We request you to take note of the above pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 and upload the information on your website.

Yours faithfully,

P K Agarwal  
Company Secretary

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms ratings of 3 Indian public sector banks; upgrades their standalone credit profiles**

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07 Jun 2024

Singapore, June 07, 2024 -- Moody's Ratings (Moody's) has affirmed the Baa3 long-term local and foreign currency bank deposit ratings of Bank of Baroda (BOB), Canara Bank (Canara) and Punjab National Bank (PNB).

At the same time, Moody's has upgraded the Baseline Credit Assessments (BCAs) of the three banks to ba2 from ba3.

Moody's has maintained the stable outlooks on the long-term ratings of all three banks.

Please click on this link [https://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL491450](https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL491450) for the List of Affected Credit Ratings. This list is an integral part of this press release and identifies each affected issuer.

#### RATINGS RATIONALE

Today's rating action reflects the three banks' improved credit metrics and Moody's view that India's strong operating environment will continue to support their credit fundamentals over the next 12-18 months. The banks' respective nonperforming loan (NPL) ratios have declined, supported by manageable household leverage and healthy corporate balance sheets. Meanwhile, their improving profitability will support capitalization despite strong loan growth and higher risk weight requirements for unsecured lending. The banks' strong liquidity buffers and low reliance on market funds support their funding.

BOB's, Canara's and PNB's NPL ratios respectively declined to 2.9%, 4.2% and 5.7% as of 31 March 2024 from 3.8%, 5.4% and 8.7% a year earlier, supported by lower slippages as well as stronger recoveries and higher write-offs. Although their rapid growth of unsecured retail loans will pose risks to their asset quality, such loans represent a small share of their total loans. The banks have also built adequate loan loss reserves to buffer against future credit losses.

Their improved asset quality has translated into higher profitability because of lower credit costs. However, an increase in funding costs will lead to some moderation in their profitability over the next 12-18 months.

The banks' capitalization will remain stable over the next 12-18 months amid high loan growth. As of 31 March 2024, the Common Equity Tier 1 ratios of BOB, Canara and PNB were broadly stable from the year before at 12.5%, 11.6% and 11.0%, respectively.

Funding and liquidity will remain the banks' key credit strengths, underpinned by their status as public sector banks in India and linkages with the government, which result in good deposit franchises. At the same time, their respective liquid banking assets as a proportion of tangible banking assets have remained above 30% in recent years.

Moody's continues to assume a very high level of government support in the banks' ratings, leading to a two-notch uplift in their Baa3 deposit ratings from their ba2 BCAs.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of BOB's, Canara's and PNB's Baa3 deposit ratings is unlikely because they are at the same level as India's Baa3 sovereign rating.

##### BOB:

Moody's could upgrade BOB's ba2 BCA if its (1) tangible common equity (TCE) as a percentage of risk weighted assets (RWA) improves to above 13%; and (2) net income as a percentage of tangible assets increases to 1.2% on a sustained basis.

On the other hand, Moody's could downgrade BOB's deposit ratings if India's sovereign rating is downgraded or the bank's BCA is downgraded by more than one notch.

A lowering of BOB's BCA is likely if its (1) asset quality deteriorates, leading to higher credit costs and a decrease in its return on tangible assets to below 0.5% on a sustained basis; or (2) TCE/RWA ratio declines below 7%.

##### Canara:

Moody's could upgrade Canara's ba2 BCA if its (1) TCE as a percentage of RWA improves to above 13%; and (2) net income as a percentage of tangible assets increases to 1.2% on a sustained basis.

Conversely, Moody's could downgrade Canara's deposit ratings if India's sovereign rating is downgraded or if the bank's BCA is downgraded by more than one notch.

A lowering of Canara's BCA is likely if its (1) asset quality deteriorates, leading to higher credit costs and a decrease in its return on tangible assets to below 0.5% on a sustained basis; or (2) TCE/RWA ratio declines below 7%.

PNB:

Moody's could upgrade PNB's ba2 BCA if its (1) TCE as a percentage of RWA improves to above 13%; and (2) net income as a percentage of tangible assets increases to more than 1.2% on a sustained basis.

On the other hand, Moody's could downgrade PNB's deposit ratings if India's sovereign rating is downgraded or if the bank's BCA is downgraded by more than one notch.

A lowering of PNB's BCA is likely if its (1) asset quality deteriorates, leading to higher credit costs and a decrease in its return on tangible assets to below 0.5% on a sustained basis; or (2) TCE/RWA ratio declines below 7%.

The principal methodology used in these ratings was Banks Methodology published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Bank of Baroda is headquartered in Mumbai and reported consolidated assets of INR16.5 trillion (\$197.8 billion) as of 31 March 2024.

Punjab National Bank is headquartered in New Delhi and reported consolidated assets of INR16.0 trillion (\$191.8 billion) as of 31 March 2024.

Canara Bank is headquartered in Bangalore and reported consolidated assets of INR15.4 trillion (\$184.6 billion) as of 31 March 2024.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL491450](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL491450) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation
- Issuer Participation

- Participation: Access to Management
- Participation: Access to Internal Documents
- Endorsement
- Lead Analyst
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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