
September 15, 2010

**CARE ASSIGNS 'CARE AAA' RATING TO PERPETUAL BONDS ISSUE OF
BANK OF BARODA**

CARE has assigned 'CARE AAA' [Triple A] rating to proposed issue of Perpetual Bonds of Bank of Baroda (BoB) amounting to Rs.750 crore.

Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Upper Tier II Bonds Issue	750	'CARE AAA' (Triple A)	Assigned

The rating for the aforesaid hybrid instrument factors in the additional risk arising due to existence of the lock-in clause in these instruments. Any delay in payment of interest/principal (as the case may be) following the invocation of the lock-in clause, would constitute as an event of default as per CARE's definition of default, and as such these instruments may exhibit somewhat sharper migration of rating as compared to conventional subordinated debt instruments.

Rating Rationale

The rating factors in the majority ownership by Government of India (GoI), the bank's long-standing track record of operations, extensive branch network, healthy profitability metrics, sound asset quality, robust international operations and strong capitalisation levels. Going forward, its ability to sustain low-cost deposit base, maintain asset quality and spreads would be the key rating sensitivities.

Company Profile

Bank of Baroda (BoB) is amongst the oldest commercial banks in India. GoI is the major stakeholder in BoB with shareholding of 53.81%. The bank has global presence in 25 countries with nine overseas subsidiaries along with banking associate Indo Zambia Bank Ltd. BoB had a strong network of around 3106 domestic branches and 1372 ATMs as on June 30, 2010. During FY10, BoB earned a PAT of Rs.3,058 crore on Total Income of Rs.19,423 crore led by lower provisioning, declining cost of deposits and control over operating expenses.

¹ Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

The growth momentum witnessed in Q4FY10 continued in Q1FY11 with the total advances and deposits registering a y-o-y growth of 30.7% and 28.2% respectively, thereby surpassing the industry growth. During Q1 FY10, the bank posted net profit of Rs.859 crore on total income of Rs.5344 crore on the back of a robust growth in core interest income coupled with lower operating expenses. As on June 30, 2010, BoB's gross and net NPA ratios sequentially rose to 1.41% (FY10:1.36%) and 0.39% (FY10:0.34%) respectively. The total restructured assets outstanding as on June 30, 2010 stood at Rs.4706.01 crore (incl. overseas restructured portfolio), constituting 2.54% of net advances. The Bank's CAR stood at 13.25% (with a Tier I of 8.16%) as on June 30, 2010.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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