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October 21, 2010

**CARE REAFFIRMS 'CARE AAA' RATING TO VARIOUS DEBT INSTRUMENTS OF  
BANK OF BARODA**

CARE has reaffirmed 'CARE AAA' [Triple A] rating assigned to various outstanding bonds of Bank of Baroda aggregating to Rs.7411.70 crore.

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Lower Tier II	500.00	'CARE AAA' (Triple A)	Reaffirmed
Upper Tier II	5,000.00	'CARE AAA' (Triple A)	Reaffirmed
Perpetual Bonds Issue	1,911.70	'CARE AAA' (Triple A)	Reaffirmed

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. The bank's 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.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://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 Q1FY10, 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 domestic restructured assets outstanding as on June 30, 2010 stood at Rs.5,283.41 crore, constituting a moderate 2.85% 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](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

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