

BCC:ISD:117:16:84

04.03.2025

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 of SEBI (LODR), 2015.

We advise that the India Ratings has assigned 'IND A1+' rating for Additional Certificate of Deposits of Bank of Baroda and affirmed existing ratings.

The detailed 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

India Ratings Assigns Bank of Baroda's Additional Certificate of Deposits 'IND A1+'; Affirms Existing Ratings

Mar 04, 2025 | Public Sector Bank

India Ratings and Research (Ind-Ra) has taken the following rating actions on Bank of Baroda (BOB) and its debt instruments:

Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	-	IND AAA/Stable	Affirmed
Certificate of deposits	-	-	-	1-365 days	INR600	IND A1+	Affirmed
Certificate of deposits	-	-	-	1-365 days	INR100	IND A1+	Assigned
Basel III Tier 2 bond#	-	-	-	-	INR111.23	IND AAA/Stable	Affirmed
Basel III additional tier-1 bonds#	-	-	-	-	INR76.03	IND AA+/Stable	Affirmed
Infrastructure and Affordable Housing Bonds#	-	-	-	-	INR310	IND AAA/Stable	Affirmed
Fixed deposit	-	-	-	-	-	IND AAA/Stable	Affirmed

#Details in Annexure

Analytical Approach

Ind-Ra continues to take fully consolidate BOB's subsidiaries while arriving at the ratings, because of a similar nature of operations.

Detailed Rationale of the Rating Action

The ratings continue to reflect BOB's high-systemic importance to the government of India (Gol; 63.97% stake as of December 2024), and hence, a high probability of support from the Gol, if required. The ratings also reflect BOB's large franchise with a pan-India and large international presence, strong capitalisation, and superior liquidity and asset quality metrics, which are better than comparable public sector banks (PSBs).

For additional tier-1 (AT1) instruments, the agency considers the discretionary component, coupon omission risk and the write-down/conversion risk as key parameters to arrive at the rating. The agency recognises the unique going-concern loss absorption features that these bonds carry and differentiates them from the bank's senior debt, factoring in a higher probability of an ultimate loss for investors in these bonds.

List of Key Rating Drivers

Strengths

- High systemic importance; large pan-india franchise
- Strong capital buffers well placed to support near-term credit growth plans
- High provision coverage ratio (PCR) provides comfort
- Stability in operational metrics - key monitorable

Weaknesses

- Decline in low-cost liability franchise at higher-end of peer group

Detailed Description of Key Rating Drivers

High Systemic Importance; Large Pan-India Franchise: BOB's systemic importance is reflected by its total deposit and net advances market share of about 6.5% and 6.6% at 3QFY25, respectively (FY24: 6.4% and 6.5%, FY23: 6.7% and 6.9%), making it the third-largest PSB in terms of deposit and the second-largest PSB in terms of net advances. The bank also had a network of about 8,356 branches, 10,778 ATMs and cash recyclers, and a large customer base of about 179 million at 3QFY25. BOB continues to hold a high systemic importance for the Gol, resulting in a high probability of ordinary and extraordinary support from the Gol, if required.

Strong Capital Buffers Well Placed to Support Near-term Credit Growth Plans: BOB is among the better-capitalised PSBs, with a common equity tier-I (CET-I) ratio of 12.38% in 3QFY25 (FY24: 12.54%, FY23: 12.24%), tier-1 of 13.44% (14.07%, 13.99%) and a total capital adequacy ratio of 15.96% (16.31%, 16.24%). The agency believes BOB's capital buffers, along with its operating profits, the run-rate for which has improved over the past few quarters, and the ability to raise funds from the equity markets, provide it the adequate leeway to target a credit growth rate of 11%-12% yoy and absorb higher-than-expected credit costs in FY25.

High PCR Provides Comfort: BOB maintained a PCR of 76.0% in 3QFY25 (FY24: 77.3%; FY23: 77.2%), at the higher end of the PSB peer group (excluding technical write-offs). BOB also carried 100% PCR against its exposures to the National Company Law Tribunal (NCLT)-1 and -2 lists, respectively, and 99% against the overall NCLT exposure at end-3QFY25. Its gross non-performing assets (NPAs) and net NPAs stood at 2.43% and 0.59%, respectively, at end-3QFY25 (FY24: 2.92% and 0.68%, FY23: 3.79% and 0.89%). The management has guided credit costs of around 0.75% in FY25, higher than 0.61% reported in FY24. The management has further guided that in case of the credit costs trending lower than the management's expectations, the bank is likely to create floating provisions, which will be utilised when the movement to the expected credit loss model comes into play, subject to regulatory approvals. With this, the return on assets is likely to be maintained at around 1.1% in FY25 (1HFY25: 1.2%), slightly lower than return of assets of 1.17% in FY24 (FY23: 1.03%, FY22: 0.60%). The agency believes while the quantum of special mention accounts (SMA; SMA1 and SMA2; outstanding of INR50 million and higher) remains subdued, slippages from the COVID-19 restructuring pool and micro, small and medium enterprises are likely to result in continuing slippages.

The incremental addition to the portfolio continues to be in better-rated categories with the share of standard domestic advances with a rating of 'A' and above exceeding INR500 million at 91% in 3QFY25 (3QFY24: 89%). However, the agency remains cautious with respect to BOB's significant exposure to the non-banking financial companies (NBFC) sector (13.85% of gross domestic advances), as any regulatory change with respect to a higher provisioning requirement for the exposure to the NBFC sector is also likely to impact the provisioning expectation for BOB. From a rating mix perspective, 98.36% of the NBFC portfolio was rated 'A' and above and 69.75% of the portfolio was rated 'AAA' in 3QFY25.

Stability in Operational Metrics - Key Monitorable: Directionally, BOB's operating metrics have been improving since its amalgamation with Dena Bank and Vijaya Bank; however, there has been a fair amount of volatility on a quarterly basis, some of which can be attributed to the impact of the COVID-19 pandemic. The profitability over the quarters has been volatile, primarily on account of BOB's provisioning requirements and movement in treasury income. The agency believes BOB's ability to further capitalise on its strategy to increase its retail exposure, improve its low-cost CASA franchise further, maintain a stable margin and strengthen its fee income generation, while increasing digital adoption, will be key to demonstrate a through-the-cycle stable performance.

Decline in Low-cost Liability Franchise at Higher End of Peer Group: The bank's global current account and saving account (CASA) deposit ratio declined to 37.18% in 3QFY25 (FY24: 38.76%; FY23: 39.47%). The agency believes competitive intensity to accrete low-cost deposits will remain high among banks in the near term. BOB's domestic current account balances increased 13.9% yoy in 3QFY25 (FY24: 1.7%), with the savings account balances growing 5.2% yoy (6.2%), leading to 9.2% yoy growth in overall domestic deposits. However, with 27.3% yoy growth international deposits, its overall deposits growth stood at 11.8% yoy in 3QFY25 (FY24: 10.2%). Consequently, the cost of deposits increased 12bp yoy to 5.08% in 3QFY25 (FY24: 5.06%). The tightening of liquidity conditions and an uptick in the system credit offtake are likely to result in heightened competition between banks for garnering CASA deposits. Therefore, an improvement in BOB's CASA franchise will be a strong reflection of its sustainable low-cost liability franchise. The bulk deposits (INR30 million and above) accounted for 33.0% of BOB's term deposits in 3QFY25 (2QFY24: 32.1%), indicating its loan growth appetite where it is targeting to grow, at least in line with system credit growth, possibly higher.

Liquidity

Superior: At end-1QFY25, BOB maintained an overall funding gap of 6.8% in the cumulative one-year bucket as a percentage of the total assets. As estimated by the agency previously, this gap, which was a result of the weak liquidity position of Vijaya Bank and Dena Bank with large asset funding gaps in the short-term buckets, has been declining progressively. Ind-Ra expects these gaps to minimise further over the next few quarters. BOB maintains 22.4% of its total assets in balances with the Reserve Bank of India and in government securities to meet its short-term funding requirements. BOB also had a comfortable average consolidated liquidity coverage ratio of 123.7% in 2QFY25 (FY24: 120.6%, FY23: 145.78%, FY22: 152.36%), significantly above the regulatory requirement of 100%.

Rating Sensitivities

Positive: Not applicable

Negative: BOB's Basel III Tier 2 bond ratings have been equated to its Long-Term Issuer Rating, which could change if, in Ind-Ra's opinion, there is a change in the Gol's support stance for PSBs or there is material drop in the banks' systemic importance, which could, among other things, reflect in a material decline in BOB's market share or loss of deposit franchise.

The notching of AT1 bonds could be widened from its anchor ratings if Ind-Ra believes that there is a dilution in the government's support stance towards hybrid instruments of PSBs or any delay in the timeliness of extending this support. This could reflect among other things in capital buffers continuing to be close to the regulatory levels. Ind-Ra also expects that for banks with weaker unsupported profiles, the capital buffers would be higher; if not, it could reflect in wider notching from the Long-Term Issuer Rating. These capital buffers could be important as the banks' ability to service the instrument could be impaired in the event of the bank making losses and/or if the capital levels are lower than the regulatory minimum levels.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BOB, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

BOB had a network of 8,356 branches within India, 91 overseas offices across 17 countries, 9,170 ATMs and 1,608 cash recyclers as of 3QFY25. Of the advances book, 33.0% consisted of loans to the corporate segment, 20.7% to retail, 11.2% to micro, small and medium enterprises, 12.9% to agriculture and 4.4% were others in 3QFY25. International advances constituted 17.7% of the gross advances in 3QFY25.

Key Financial Indicators

Particulars	FY24	FY23
Total assets (INR billion)	15,858	14,585
Total equity (INR billion)	1,122	982
Net income/loss (INR billion)	177.9	141.1
Return on average assets (%)	1.17	1.03
Capital adequacy ratio (%)	16.31	16.24
Source: BOB, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook										
	Rating Type	Rated Limits (billion)	Rating	3 January 2025	8 November 2024	13 August 2024	29 February 2024	13 December 2023	10 November 2023	3 November 2023	23 August 2023	24 August 2022	3 August 2022	3 September 2021
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+

Short-term debt programme	Short-term	-	-	-	-	-	-	-	-	WD	IND A1+	IND A1+	IND A1+	IND A1+
Fixed deposit	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Basel III Tier 2 instrument	Long-term	INR111.23	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Basel III additional tier 1 bonds	Long-term	INR76.03	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable
Infrastructure and affordable housing bonds	Long-term	INR310	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	-
Certificate of deposits	Short-term	INR700	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III AT1 bonds	High
Basel III Tier 2 bonds	Moderate
Certificate of deposits	Low
Fixed deposit	Low
Infrastructure and affordable housing bonds	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Basel III Tier 2 instrument	INE028A08166	11 September 2019	7.75	11 September 2034	INR5.00	IND AAA/Stable
Basel III Tier 2 instruments	INE028A08208	15 January 2020	7.84	15 January 2035	INR20.00	IND AAA/Stable
Basel III Tier 2 instruments	INE028A08315	21 December 2023	7.75	21 December 2033	INR25.00	IND AAA/Stable
Basel III Tier 2 instruments	INE028A08331	22 February 2024	7.57	22 February 2034	INR25.00	IND AAA/Stable
Basel III Tier 2 instruments	INE028A08364	28 November 2024	7.41	28 November 2039	INR35.00	IND AAA/Stable
Total unutilised						INR1.23
Total						INR111.23
Additional Tier-1 Basel III bonds Series XII	INE028A08216	17 July 2020	8.25	Perpetual	INR7.64	IND AA+/Stable
Additional Tier-1 Basel III bonds Series XIII	INE028A08224	28 July 2020	8.5	Perpetual	INR9.81	IND AA+/Stable
Additional Tier-1 Basel III bonds Series XIV	INE028A08232	17 November 2020	8.5	Perpetual	INR8.33	IND AA+/Stable
Additional Tier-1 Basel III bonds Series XV	INE028A08240	13 January 2021	8.15	Perpetual	INR9.69	IND AA+/Stable
Additional Tier-1 Basel III bonds Series XVI	INE028A08257	28 January 2021	8.15	Perpetual	INR1.88	IND AA+/Stable
Additional Tier-1 Basel III bonds Series XIX	INE028A08299	2 September 2022	7.88	Perpetual	INR24.74	IND AA+/Stable
Total unutilised						INR13.94
Total						INR76.03
Infrastructure and Affordable Housing Bonds	INE028A08281	17 August 2022	7.39	17 August 2029	INR10	IND AAA/Stable
Infrastructure and Affordable Housing Bonds	INE028A08307	1 December 2023	7.68	1 December 2033	INR50	IND AAA/Stable
Infrastructure and Affordable Housing Bonds	INE028A08323	25 January 2024	7.57	25 January 2034	INR50	IND AAA/Stable
Infrastructure and Affordable Housing Bonds	INE028A08349	27 August 2024	7.30	27 August 2034	INR50	IND AAA/Stable
Infrastructure and Affordable Housing Bonds	INE028A08356	9 September 2024	7.26	9 September 2034	INR50	IND AAA/Stable
Infrastructure and Affordable Housing Bonds	INE028A08372	16 January 2025	7.23	16 January 2035	INR50	IND AAA/Stable
Total unutilised						INR 50.00
Total						INR310.00
Source: BOB, NSDL						

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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