August 08, 2025

Bank of Baroda: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier-I bonds	5,500.00	5,500.00	[ICRA]AA+ (Stable); reaffirmed
Basel III Tier II bonds	450.00	450.00	[ICRA]AAA (Stable); reaffirmed
Basel III Tier II bonds	1,000.00	0.00	[ICRA]AAA (Stable); reaffirmed and withdrawn
Infrastructure bonds#	1,000.00	1,000.00	[ICRA]AAA (Stable); reaffirmed
Fixed deposit programme	-	-	[ICRA]AAA (Stable); reaffirmed
Total	**7,950.00**	**6,950.00**	

**Instrument details are provided in Annexure I; #Long-term bonds for financing infrastructure and affordable housing*

Rationale

The ratings continue to factor in Bank of Baroda's (BoB) sovereign ownership and strong franchise, leading to steady deposit growth and helping it maintain a competitive cost of funds. Moreover, in terms of advances, it was the second largest public sector bank (PSB) and the fourth largest bank in the Indian financial system as on March 31, 2025. The overall capitalisation profile remains strong, supported by healthy internal accruals. ICRA expects the bank to remain self-sufficient for its capital requirements for absorbing any incremental stress as well as for growth requirements while maintaining more than the desired capital cushion well above the regulatory levels (including capital conservation buffers; CCBs).

The headline asset quality indicators continue to improve and the residual vulnerable book, comprising overdue (SMA-1, SMA-2)[1] and standard restructured advances, has witnessed a sustained moderation over the last few years. Given the high provision cover for the legacy stressed assets, ICRA expects BoB's asset quality and solvency position to remain strong. While the bank has witnessed a sustained improvement in its profitability in the past 2-3 years, the same is expected to moderate slightly amid the likely decline in the net interest margin (NIM). The rating for the Tier-I (AT-I) bonds factors in the healthy level of distributable reserves[2] (DRs), which can be used to service the coupon on these bonds in the unforeseeable event of a loss.

The Stable outlook on the ratings factors in the strong liability profile and the expectation of steady asset quality and internal capital generation, which shall support the bank's profitability and capitalisation.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 1,000.00-crore Basel III Tier II bonds as these bonds have been fully redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's withdrawal policy (click here for the policy).

[1] SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days
[2] Distributable reserve consist of reserves created through appropriation of profits (including statutory reserve)

Key rating drivers and their description

Credit strengths

Second largest PSB with majority sovereign ownership – The Government of India (GoI) remains the largest shareholder of BoB with an equity stake of 63.97% as on June 30, 2025. The aggregate equity infusion of Rs. 21,739 crore between FY2018 and FY2020 [including erstwhile Dena Bank (e-DB) and erstwhile Vijaya Bank (e-VB)] reflects the GoI's support. As on March 31, 2025, BoB was the second largest PSB in the Indian banking sector with a market share of 6.6% in advances and 6.5% in total deposits. Further, ICRA expects BoB to receive support from the GoI in terms of capital as and when required, given its significant importance in the system.

Strong capital position while solvency profile improves – The bank reported strong CET I and Tier I ratios (excluding Q1 FY2026 profit) of 14.12% and 15.15%, respectively, as on June 30, 2025. In ICRA's view, BoB remains well placed, in terms of its capital position, for growth while absorbing any incremental stress and maintaining more than the desired cushion of 1% on the capital above the regulatory levels.

With the improved capital position as well as the decline in net non-performing advances (NNPA), the solvency[3] level improved to 6.9% as on March 31, 2025 from 7.4% as on March 31, 2024 (10.5% as on March 31, 2023). Going forward, the solvency profile is expected to remain stable, given the high provision cover on stressed assets and the steady accretion to the core capital. Besides this, the subsidiaries largely remain self-sufficient in meeting their capital requirements although a few may need capital support, which is likely to remain manageable in relation to the bank's existing capital levels. Notwithstanding the sufficient internal accruals and capital position for growth, the Reserve Bank of India's (RBI) implementation of the expected credit loss (ECL) framework for credit exposures remains monitorable for the capital position.

Well-developed deposit franchise, leading to competitive cost of funds – Supported by its large branch network across India and well-developed customer franchise, coupled with its widespread deposit franchise, the bank's share of domestic current account and savings account (CASA) of 39.33% in the total domestic deposit base as on June 30, 2025 remained above the PSB average. BoB operates with a competitive cost of interest-bearing funds, which stood at 4.99% in Q1 FY2026 (5.02% in FY2025 and 4.98% in FY2024). Going forward, ICRA expects the bank's liability profile to remain a significant positive for supporting its credit growth while maintaining superior liquidity and profitability.

Healthy earnings profile – Despite the reduction in operating expenses as a percentage of average total assets (ATA), the core operating profitability moderated to 1.77% of ATA in FY2025 from 1.91% in FY2024 due to the compression in NIMs. It moderated further to 1.45% of ATA in Q1 FY2026 due to lower non-interest income. However, the credit cost has largely remained at manageable levels at 0.45% of ATA (annualised) in Q1 FY2026, 0.36% in FY2025 (0.33% in FY2024) due to controlled slippages and healthy recoveries/upgrades. The bank also reported strong trading gains of Rs. 1,879 crore in Q1 FY2026 and Rs. 2,737 crore in FY2025 (Rs. 1,990 crore in FY2024). As a result, the return on assets (RoA) was healthy at 1.03% in Q1 FY2026 and 1.17% in FY2025 (1.17% in FY2024). Going forward, with the expected compression in interest spreads and hence NIMs due to policy rate cuts, the bank's profitability margins may remain under pressure. The ability to control fresh slippages and maintain lower credit provisions will be key for healthy profitability in the near future.

Credit challenges

Asset quality improved but remains monitorable – The annualised fresh NPA generation rate stood at a manageable level of 1.23% in Q1 FY2026 (1.01% in FY2025, 1.43% in FY2024), which is much lower than the high levels of 3-7% observed during past cycles of asset quality challenges. Further, write-offs and healthy recoveries/upgrades, along with loan book growth, led to a decline in the gross NPA percentage to 2.28% as on June 30, 2025 from 2.88% as on June 30, 2024. The NNPA percentage stood at 0.60% as on June 30, 2025 (0.69% as on June 30, 2024).

Though the vulnerable book has moderated from the past, the bank's ability to limit slippages from this book will remain a near-to-medium-term monitorable. Additionally, geopolitical issues, the impact of macroeconomic shocks on borrowers

[3] *Solvency defined as (NNPAs + Net security receipts + Net non-performing investments)/Core capital)*

{especially micro, small and medium enterprises (MSMEs)} and concerns around overleveraging among retail borrowers could affect the asset quality metrics.

Environmental and social risks

While banks like BoB do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for BoB as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. BoB faced regulatory action in the recent past with the RBI placing a ban, prohibiting it from onboarding new customers on its mobile app (BoB World). Though the ban has since been revoked, such instances raise suspicion regarding the bank's systems and remain a potential risk for loss of reputation.

While BoB continues to promote financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Superior

The daily average liquidity coverage ratio (LCR) remained strong at 119% against the regulatory requirement of 100% in Q1 FY2026. The liquidity is supported by the bank holding excess statutory liquidity ratio (SLR) securities over and above the regulatory level (18%) as on May 30, 2025. The excess SLR holding can be utilised to avail liquidity support from the RBI (through repo) apart from the marginal standing facility of the RBI in case of urgent liquidity needs. ICRA expects BoB to maintain superior liquidity, given the large proportion of retail deposits and the high portfolio of liquid investments.

Rating sensitivities

Positive factors – Not applicable as all the ratings are at the highest level for the respective instruments

Negative factors – Given its sovereign ownership and its position as the second largest PSB, ICRA expects BoB to receive the requisite capital support from the GoI, if required. Any dilution in the expected stance will be a credit negative. Further, an RoA of less than 0.3% and/or a decline in the capital cushions over the regulatory levels to less than 100 basis points (bps) on a sustained basis will remain negative triggers. A sharp deterioration in the profitability, leading to a weakening in the DRs eligible for the coupon payment on the AT-I bonds, will be a negative trigger for the rating for these bonds.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions ICRA's Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings factor in BoB's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support BoB with capital infusions, if required.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of BoB. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

About the company

Bank of Baroda was incorporated in 1908 and nationalised in 1969, along with 13 other major commercial banks of India, by the GoI. BoB is headquartered in Vadodara while its corporate office is in Mumbai.

On September 17, 2018, the GoI announced the merger of Vijaya Bank and Dena Bank with BoB. The merger became effective on April 01, 2019. As on March 31, 2025, BoB had 8,463 branches and 9,316 ATMs across India, of which ~61% are rural/semi-urban branches. It has an international presence with 84 overseas offices in 17 countries. Post-merger, BoB became the second largest PSB in the Indian banking sector in terms of total business (advances and deposits cumulatively as on March 31, 2025). The GoI held a 63.97% stake in the bank as on June 30, 2025.

BoB reported a net profit of Rs. 4,541 crore in Q1 FY2026 on a total asset book of Rs. 17.46 lakh crore[4]. Its GNPAs and NNPAs stood at 2.28% and 0.60%, respectively, as on June 30, 2025. The regulatory capital adequacy ratio stood at 17.61% as on June 30, 2025 (CET I: 14.12% and Tier I of 15.15%).

Key financial indicators (standalone)

Bank of Baroda	FY2024	FY2025	Q1 FY2026
Total income	57,226	59,574	14,230
Profit after tax	17,789	19,581	4,541
Total assets (Rs. lakh crore)*	15.81	17.72	17.46
CET I	12.54%	13.78%	14.12%^
CRAR	16.31%	17.19%	17.61%^
PAT/ATA	1.17%	1.17%	1.03%
Gross NPAs	2.92%	2.26%	2.28%
Net NPAs	0.68%	0.58%	0.60%

Source: BoB, ICRA Research
Total income includes net interest income and non-interest income excluding trading income/loss
Amount in Rs. crore unless mentioned otherwise; ^ Excluding Q1 FY2026 profit
** Excluding revaluation reserve; All ratios as per ICRA's calculations*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[4] *Excluding revaluation reserves*

Rating history for past three years

S. no.	Name of instrument	Type	Rated amount (Rs. crore)	Current rating (FY2026)	Chronology of rating history for the past 3 years				
				Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		
				Aug-08-2025	Aug-09-2024	Aug-11-2023	Aug-25-2022	Aug-05-2022	Jun-01-2022
1	**Basel III Tier II bonds**	Long term	1,000.00	**[ICRA]AAA (Stable); withdrawn**	**[ICRA]AAA (Stable); withdrawn**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
			450.00	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
2	**Fixed deposit programme**	Long term	NA	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**
3	**Basel III Tier-I bonds**	Long term	-	-	-	-	-	**[ICRA]AA+ (Stable);**	**[ICRA]AA+ (Stable)**
			3,000.00	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**
			2,500.00	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	-	-
4	**Infrastructure bonds**	Long term	1,000.00	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	**[ICRA]AAA (Stable)**	-

Source: ICRA Research

Complexity level of the rated instrument

Instrument	Complexity indicator
Basel III Tier II bonds	Highly Complex
Basel III Tier-I bonds	Highly Complex
Fixed deposits	Very Simple
Infrastructure bonds	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE705A08037	**Tier II bonds – Basel III**	Oct-30-2014	9.15%	Oct-30-2024	500.00	[ICRA]AAA (Stable); withdrawn
INE705A08052	**Tier II bonds – Basel III**	Feb-18-2015	8.62%	Feb-18-2025	500.00	[ICRA]AAA (Stable); withdrawn
INE705A08078	**Tier II bonds – Basel III**	Jan-22-2016	8.64%	Jan-22-2026	450.00	[ICRA]AAA (Stable)
INE028A08265	**AT-I bonds – Basel III**	Nov-26-2021	7.95%	Nov-26-2026^	1,997.00	[ICRA]AA+ (Stable)
INE028A08273	**AT-I bonds – Basel III**	Jan-31-2022	8.00%	Jan-31-2027^	752.00	[ICRA]AA+ (Stable)
INE028A08281	**Infrastructure bonds**	Aug-17-2022	7.39%	Aug-17-2029	1,000.00	[ICRA]AAA (Stable)
INE028A08299	**AT-I bonds – Basel III**	Sep-02-2022	7.88%	Sep-02-2027^	2,474.00	[ICRA]AA+ (Stable)
Yet to be issued	**AT-I bonds – Basel III**	-	-	-	277.00	[ICRA]AA+ (Stable)
NA	**Fixed deposits**	-	-	-	-	[ICRA]AAA (Stable)

^First call option date; first call option after five years from issuance date
Source: BoB

Key features of the rated instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier-I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked.

Further, the exercise of the call option on the Basel III Tier II and Tier-I bonds is contingent upon the prior approval of the RBI. Moreover, the bank will need to demonstrate that the capital position is well above the minimum regulatory requirement, post the exercise of the said call option.

The rated Tier-I bonds have the following loss-absorption features that make them riskier:

- Coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel the same. Cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. If the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses[5] created via the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for CET I, Tier I and total capital ratios (including CCB) at all times as prescribed by the RBI under the Basel III regulations.

These Tier-I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's CET I ratio as prescribed by the RBI, i.e. 6.125% of the total risk-weighted assets (RWAs) of the bank or when the PONV trigger is breached in the RBI's opinion.

Given the above distinguishing features of the Tier-I bonds, ICRA has assigned a one notch lower rating to these than the rating for the Tier II instruments. The DRs that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year stood at a comfortable 8.5% of RWAs as on June 30, 2025.

The rating for the Tier-I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on its profitability. However, the transition to the ECL framework and its impact on the capital and DRs remain monitorable.

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[5] *Calculated as per the amendment in Basel III capital regulations for Tier-I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, DRs include all reserves created through appropriations from the profit and loss account*

Annexure II: List of entities considered for consolidated analysis

S. no.	Name of the entity	Ownership	Consolidation approach
1	**BOBCARD Limited (formerly known as BoB Financial Solutions Limited)**	100.00%	Full consolidation
2	**BOB Capital Markets Limited**	100.00%	Full consolidation
3	**Baroda Global Shared Services Limited**	100.00%	Full consolidation
4	**Baroda Sun Technologies Limited**	100.00%	Full consolidation
5	**Bank of Baroda (Botswana) Limited**	100.00%	Full consolidation
6	**Bank of Baroda (Guyana) Inc.**	100.00%	Full consolidation
7	**Bank of Baroda (New Zealand) Limited**	100.00%	Full consolidation
8	**Bank of Baroda (Tanzania) Limited**	100.00%	Full consolidation
9	**Bank of Baroda (UK) Limited**	100.00%	Full consolidation
10	**The Nainital Bank Ltd**	98.57%	Full consolidation
11	**Bank of Baroda (Kenya) Limited**	86.70%	Full consolidation
12	**Bank of Baroda (Uganda) Limited**	80.00%	Full consolidation
13	**Baroda Capital (Uganda) Limited**	100.00%	Full consolidation
14	**IndiaFirst Life Insurance Company Limited**	64.98%	Full consolidation
15	**Baroda BNP Paribas Asset Management India Ltd**	50.10%	Full consolidation
16	**Baroda BNP Paribas Trustee India Private Limited**	50.10%	Full consolidation
17	**India Infradebt Limited**	40.99%	Full consolidation
18	**India International Bank (Malaysia), Berhad**	40.00%	Full consolidation
19	**Baroda U P Bank**	35.00%	Full consolidation
20	**Baroda Gujarat Gramin Bank**	35.00%	Full consolidation
21	**Indo-Zambia Bank Limited**	20.00%	Full consolidation

Source: BoB; Stake as on June 30, 2025

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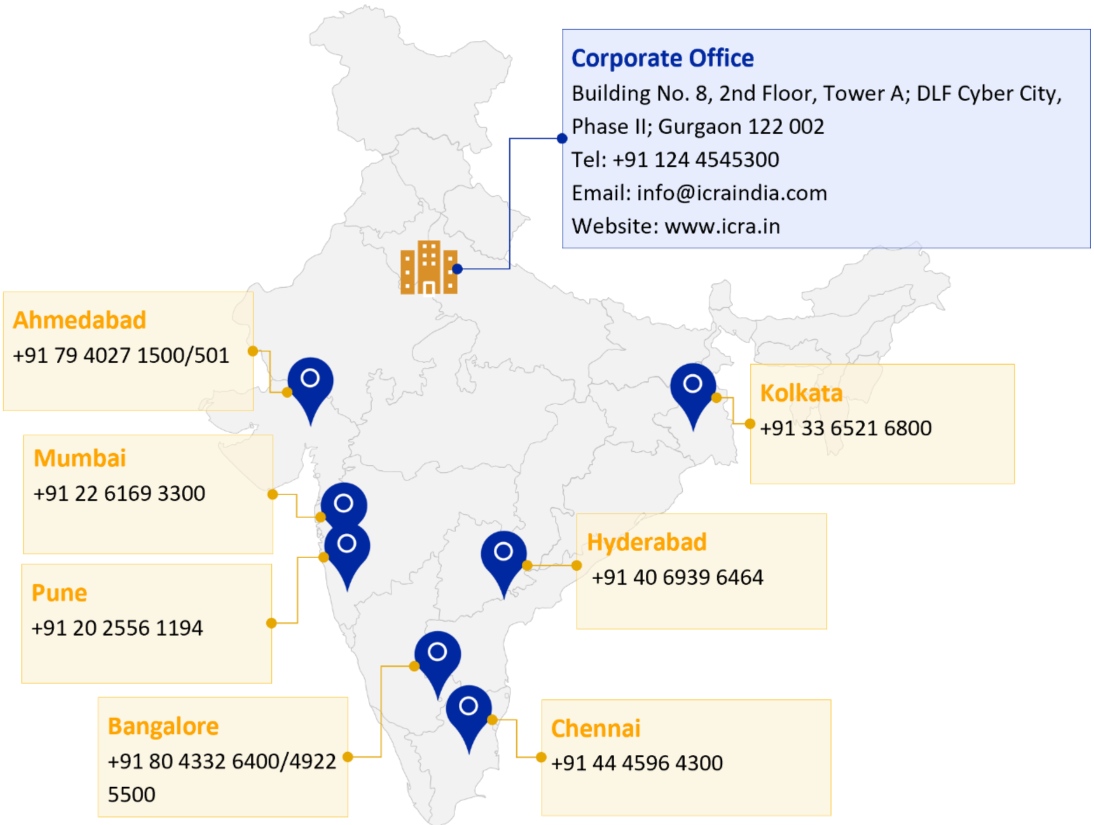

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