

Bank of Baroda

September 28, 2018

Summary of rated instruments

Bank of Baroda

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier II Bond Programme	1,000.00	1,000.00	[ICRA]AAA (hyb) &, placed on rating watch with developing implication
Medium Term Fixed Deposit Programme	-	-	MAAA &, placed on rating watch with developing implication
Total	1,000.00	1,000.00	

For the last rating rationale for Bank of Baroda, please click [here](#).

Vijaya Bank

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Compliant Tier II Bond Programme	1,450.00	1,450.00	[ICRA]AA+ (hyb) &, placed on rating watch with developing implication
Basel III Compliant Additional Tier I Bond Programme	1,325.00	1,325.00	[ICRA]AA- (hyb) &, placed on rating watch with developing implication
Total	2,775.00	2,775.00	

For the last rating rationale for Vijaya Bank, please click [here](#).

& Under Rating Watch with Developing Implications

Update

On September 17, 2018, the Ministry of Finance proposed the merger of Bank of Baroda (BoB), Vijaya Bank (Vijaya) and Dena Bank (Dena) as advised by the 'Alternative Mechanism' subject to the approval by the respective Boards of the banks.

The merger, upon implementation is expected to create the third largest bank in India (after State Bank of India¹ and HDFC Bank) and second largest public sector bank with total assets of Rs.10.08 lakh crore & total business of Rs. 14.82 lakh crore (as on June 30, 2018). While the amalgamated entity would have large scale (with 7.8% share total advances and 7.6% share in total deposits as on June 30, 2018); and wider geographic spread, the operational synergies are expected to accrue only over the medium term given the immediate challenges related to integration and focus of management on improving the asset quality of the combined entity. The asset quality related issues and the consequent elevated credit costs are likely to maintain pressure on the amalgamated entity's performance. Given the weak financial position of one of the merged entities – Dena Bank, capital support from the Government of India will be an important determinant of the credit profile of the merged entity.

¹ Rated [ICRA]AAA/[ICRA]A1+ for Tier II bonds and certificate of deposit programme

While the Board of Dena has approved the merger on September 24, 2018, it is still in a nascent stage. Subsequent to the Board approvals by BOB and Vijaya, the share swap ratios will be determined, and the merger would be subject to shareholder, parliamentary and regulatory approvals which is expected to take at least few months. Given the initial stages of the proposed merger, ICRA has placed the ratings under Rating Watch with Developing Implications and will take an appropriate rating action as and when more clarity emerges.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[ICRA Rating Methodology for Banks](#)

About the company:

Bank of Baroda

BOB was incorporated in 1908 and was under private ownership and control till July 1969 when it was nationalised along with 13 other banks. The Government of India held a 64.03% stake in the bank as on March 31, 2018. The bank has a widespread domestic network of 5,467 branches (as on March 31, 2018) and a large overseas presence with 105 offices. During the year ended March 31, 2018, BOB reported a loss of Rs. 2,432 crore on total assets of Rs. 7.17 lakh crore compared to a net profit of Rs. 1,383 crore on total assets of Rs. 6.91 lakh crore during the previous year. The bank's gross and net NPA stood at 12.26% and 5.49%, respectively, as on March 31, 2018, against 10.46% and 4.72%, respectively, as on March 31, 2017. The regulatory capital adequacy ratio stood at 12.13% as on March 31, 2018 (Tier 1: 10.46% and CET 1 of 9.23%).

Key financial indicators (audited)

Instrument	FY2017	FY2018	Q1FY2018	Q1FY2019
Net Interest Income	13,513	15,522	3,405	4,381
Profit before tax	2,473	-2,791	280	840
Profit after tax	1,383	-2,432	203	528
Net advances	3,83,259	4,27,432	377,607	414,517
Total assets (adjusted for revaluation reserves)	6,91,299	7,16,843	660,906	711,003
% CET 1	8.98%	9.23%	8.83%	9.27%
% Tier 1	9.93%	10.46%	9.77%	10.50%
% CRAR	12.24%	12.13%	11.81%	12.13%
% Net interest margin / Average total assets	1.99%	2.20%	2.01%	2.45%
% Net profit/Average total assets	0.20%	-0.35%	0.12%	0.30%
% Return on net worth	3.80%	-6.32%	2.21%	5.22%
% Gross NPAs	10.46%	12.26%	11.40%	12.46%
% Net NPAs	4.72%	5.49%	5.17%	5.40%
% Provision coverage ratio excl. technical write offs	57.68%	58.42%	57.73%	59.94%
% Net NPA/ Net worth	49.23%	58.36%	52.85%	54.91%

Amount in Rs. crore; All ratios are as per ICRA calculations

Source: BOB; ICRA research

Vijaya Bank

Vijaya Bank is a mid-sized commercial bank, with the GoI holding a majority stake of 68.8% as on March 31, 2018. The bank had a share of about 1.4% in the banking system advances and deposits as on March 31, 2018. Headquartered in Bangalore, Vijaya Bank has a strong presence in South India, even as it has been extending its reach across India. The bank had 2,136 branches and 2,155 ATMs as on March 31, 2018.

For FY2018, the bank reported a net profit of Rs. 727 crore (Rs. 750 crore in FY2017) on a total asset base of Rs. 1.76 lakh crore as on March 31, 2018 (Rs. 1.54 lakh crore as on March 31, 2017).

Key financial indicators (audited)

	FY2017	FY2018	Q1 FY2018	Q1 FY2019
Net Interest Income (Rs. crore)	3,506.44	4,302.89	943.80	1,206.72
Profit before Tax (Rs. crore)	147.87	440.29	329.35	192.79
Profit after Tax (Rs. crore)	750.48	727.03	254.69	144.32
Net Advances (Rs. crore)	94,548.89	116,165.44	91,327.00	119,666.27
Total Assets (Rs. crore) (adjusted for revaluation reserve)	154,051.11	176,841.53	152,118.04	177,646.20
% CET 1	8.44%	10.36%	8.47%	10.35%
% Tier 1	9.96%	11.71%	10.01%	11.70%
% CRAR	12.73%	13.90%	12.73%	13.91%
% Net Interest Margin / Average Total Assets	2.34%	2.60%	2.47%	2.72%
% Net Profit / Average Total Assets	0.50%	0.44%	0.67%	0.32%
% Return on Net Worth	10.25%	7.39%	13.68%	5.40%
% Gross NPAs	6.59%	6.34%	7.30%	6.19%
% Net NPAs	4.36%	4.32%	5.24%	4.10%
% Provision Coverage incl Technical Write-offs	58.15%	59.39%	56.01%	61.18%
% Net NPA / Net Worth	56.25%	51.04%	63.15%	45.57%

Note: Amounts in Rs. crore

Source: Vijaya Bank, ICRA research

All ratios are as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Neha Parikh

+91 22 6114 3426

neha.parikh@icraindia.com

Swathi Hebbar

+91 80 43326404

swathi.hebbar@icraindia.com

Sandeep Sharma

+91 22 6114 3472

sandeep.sharma@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents