DETAILED ANALYSIS REPORT

# NPA and Write-offs Analysis

## Bank of Baroda | FY2025-26

*Asset quality, recovery, provisioning and technical write-off assessment*

| Reporting period | Core lens | Prepared for |
|---|---|---|
| Year ended 31 March 2026 | NPA movement, recoveries, write-offs and provisioning | India CSR / editorial research use |

*Data basis: Bank of Baroda Annual Report 2025-26. Amounts are in Rs crore unless stated otherwise. This document is an editorial analysis, not investment advice.*

## Executive Summary

Bank of Baroda closed FY2025-26 with a materially stronger reported asset-quality profile. Gross non-performing assets, or GNPAs, fell to Rs 27,058.59 crore from Rs 27,834.88 crore. At the same time, gross advances grew from Rs 12,30,461 crore to Rs 14,29,879 crore. The GNPA ratio consequently declined from 2.26% to 1.89%, while the net NPA ratio fell from 0.58% to 0.45%. The improvement is important because it is visible in both absolute rupee balances and ratios. Management described the resulting GNPA and NNPA levels as multi-year lows, supported by underwriting, monitoring, recoveries, upgradations and strategic write-offs.

The quality of the improvement requires a nuanced reading. Fresh NPA additions were Rs 10,298.82 crore in FY2026, higher than the Rs 9,310 crore reported for FY2025. The inflow of new stressed loans therefore did not disappear. The closing GNPA stock declined because reductions of Rs 11,075.11 crore exceeded additions. Those reductions included Rs 1,128.28 crore of upgradations, Rs 3,352.44 crore of recoveries excluding recoveries from upgraded accounts, Rs 5,540.02 crore of technical or prudential write-offs, Rs 790.21 crore of other write-offs and Rs 264.16 crore of other adjustments or exchange movements. The reported improvement is real, but it was not solely cash-recovery-led.

The Bank also improved its loss-absorption buffer. Provision coverage ratio, including technical write-offs, rose to 93.94% from 93.29%. The ratio excluding technical write-offs rose to 76.66% from 74.87%. Provisions for NPAs and bad debts written off in the profit and loss account were Rs 5,694 crore, compared with Rs 5,170 crore in the preceding year. In addition, the Bank added Rs 1,900 crore of floating provisions, taking the closing floating-provision balance to Rs 2,500 crore. These measures reduce the residual loss exposure linked to the active GNPA stock and strengthen resilience if economic or sector conditions deteriorate.

Write-offs are central to the FY2026 story, but they should not be interpreted as a simple abandonment of recovery. A technical or prudential write-off generally removes an already provided exposure from the active balance-sheet NPA stock; it does not by itself extinguish the contractual claim or collection efforts. The annual report discloses Rs 6,330.23 crore of provision reversal because of write-offs in the asset-quality reconciliation. Separately, the technical and prudential written-off accounts register shows a Rs 7,292.48 crore annual addition, Rs 6,581.82 crore of recoveries from previously written-off accounts and a closing written-off-account balance of Rs 77,080.05 crore. These figures are related but not interchangeable.

The central conclusion is that the Bank's FY2026 asset quality strengthened on headline ratios, absolute NPA stock and provision coverage. The caution is that fresh slippages rose in rupee terms and write-offs remained the largest disclosed reduction channel. The next test is sustainability: whether low slippage, recoveries and upgrades can keep pace without a heavy dependence on stock clean-up. Sector data show that priority-sector lending remains the principal risk concentration, with a 4.75% GNPA ratio compared with 0.82% in non-priority lending. The Bank's stressed-assets structure, digital monitoring tools, SARFAESI actions and settlement channels are therefore core operating levers.

## 1. Introduction: Why NPA and Write-off Analysis Matters

For a bank, profitability and growth matter only when the loan book remains collectible. Non-performing assets are credit exposures on which repayment or interest servicing has deteriorated enough to trigger regulatory classification. They affect interest recognition, provisions, capital efficiency, management attention and public confidence. A low NPA ratio is desirable, but the ratio must always be read with the gross amount of NPAs, fresh additions, recoveries, provisioning and write-offs. Each measure answers a different question: how large is the impaired stock, how quickly is stress entering, how effectively is it being resolved, and how much loss protection already exists.

Bank of Baroda's FY2025-26 disclosures make this wider analysis possible. The Bank expanded global gross advances by about 16.2% while reducing its gross NPA stock by Rs 776 crore. Strong credit growth naturally lowers the NPA ratio because the denominator is larger. But the fall in the net NPA amount as well as the gross NPA amount shows that the improvement was not merely a denominator effect. The right reading is balanced: growth improved the percentage, while recovery, upgradation, provision management and write-off actions reduced active stressed assets.

This report evaluates the annual report through six linked lenses: the movement of gross and net NPAs; the composition of inflows and reductions; technical and other write-offs; recovery and written-off-account performance; provisioning and earnings protection; and sector, concentration and governance signals. The aim is to separate balance-sheet presentation from economic recovery without treating either as unimportant. All analytical commentary is grounded in the Bank's published disclosures and ordinary calculations based on those disclosed figures.

## 2. Headline Asset-quality Outcome

| Metric | FY2025 | FY2026 | Change / interpretation |
|---|---|---|---|
| Gross advances | 12,30,461.15 | 14,29,879.12 | Up 16.2%; credit growth and larger denominator |
| Gross NPA | 27,834.88 | 27,058.59 | Down 776.29; absolute stock declined |
| GNPA ratio | 2.26% | 1.89% | Down 37 basis points |
| Net NPA | 6,994.24 | 6,315.56 | Down 678.68 |
| NNPA ratio | 0.58% | 0.45% | Down 13 basis points |
| PCR including technical write-offs | 93.29% | 93.94% | Up 65 basis points |
| PCR excluding technical write-offs | 74.87% | 76.66% | Up 179 basis points |
| Slippage ratio | 0.78% | 0.72% | Improved by 6 basis points |
| Credit cost | 0.47% | 0.46% | Stable despite higher floating provisions |

*Source: Bank of Baroda Annual Report 2025-26, management discussion and Asset Quality disclosures, printed pp. 12, 73, 79 and 252-255.*

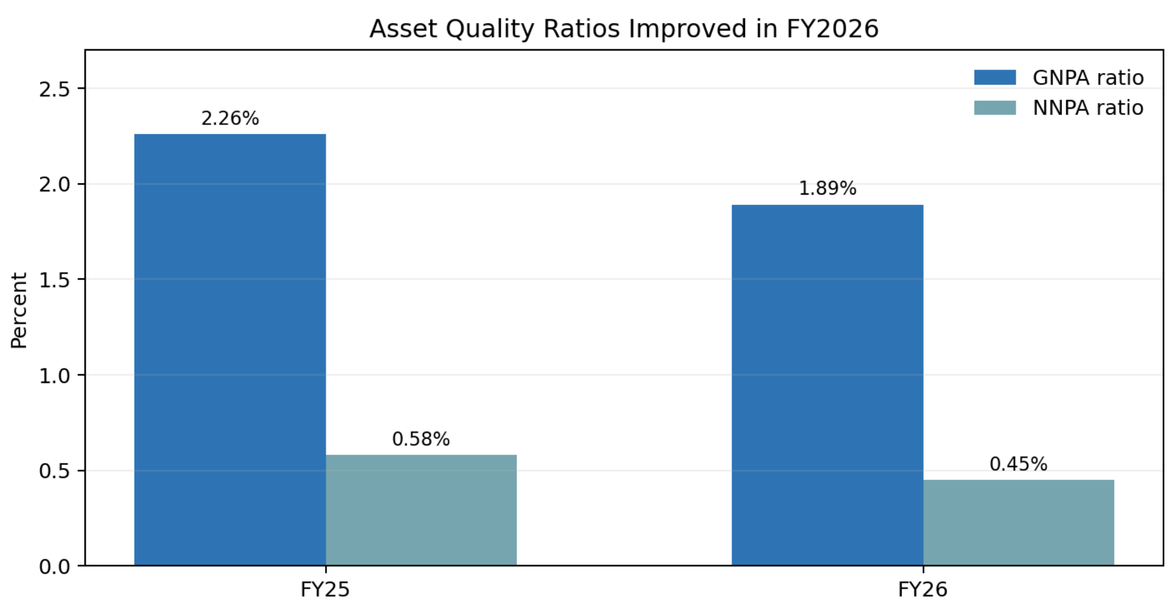

*Chart 1: GNPA and NNPA ratios declined in FY2026.*

The 37-basis-point decline in GNPA ratio has two drivers. The Bank reduced the numerator - gross NPAs - by Rs 776 crore. It also expanded gross advances by roughly Rs 1,99,418 crore. The percentage impact of loan growth is substantial, but the fall in the net NPA ratio confirms that the result was not solely mechanical. Net NPAs fell by Rs 679 crore after provisions, and the NNPA ratio of 0.45% indicates that the unprovided portion of impaired advances is relatively small compared with net advances.

The slippage ratio adds an essential flow perspective. Management reports that it improved to 0.72% from 0.78%. In ratio terms, the Bank contained fresh stress better than in FY2025. Yet fresh NPA additions rose by nearly Rs 989 crore in absolute terms because the loan book is considerably larger. This distinction matters: underwriting and monitoring performance improved relative to portfolio scale, but the operational workload for collections and resolution remained substantial. A larger balance sheet can still produce more stressed accounts even when its slippage rate improves.

Reported GNPA and NNPA ratios should consequently be considered together with the balance-sheet composition. The Bank has lower gross and net NPA amounts, stronger PCR and a lower credit cost. These are positive signals. However, the rising sub-standard category and the higher rupee value of fresh additions make it too early to assume that asset-quality management has become effortless. The Bank must continue converting early stress into cures, cash collection or timely resolution before accounts migrate into later, more costly categories.

## 3. Gross NPA Movement: What Reduced the Stock?

| FY2026 GNPA movement | Rs crore | Share of stated reductions |
|---|---|---|
| Opening GNPA | 27,834.88 | - |
| Fresh additions | 10,298.82 | - |
| Upgradations | 1,128.28 | 10.2% |
| Recoveries excluding upgrades | 3,352.44 | 30.3% |
| Technical/prudential write-offs | 5,540.02 | 50.0% |
| Other write-offs | 790.21 | 7.1% |
| Other adjustment / exchange | 264.16 | 2.4% |
| Total reductions | 11,075.11 | 100.0% |
| Closing GNPA | 27,058.59 | - |

*Source: Asset Quality - Classification of advances and provision held as on 31 March 2026, Annual Report printed p. 252. Shares calculated from total reductions.*

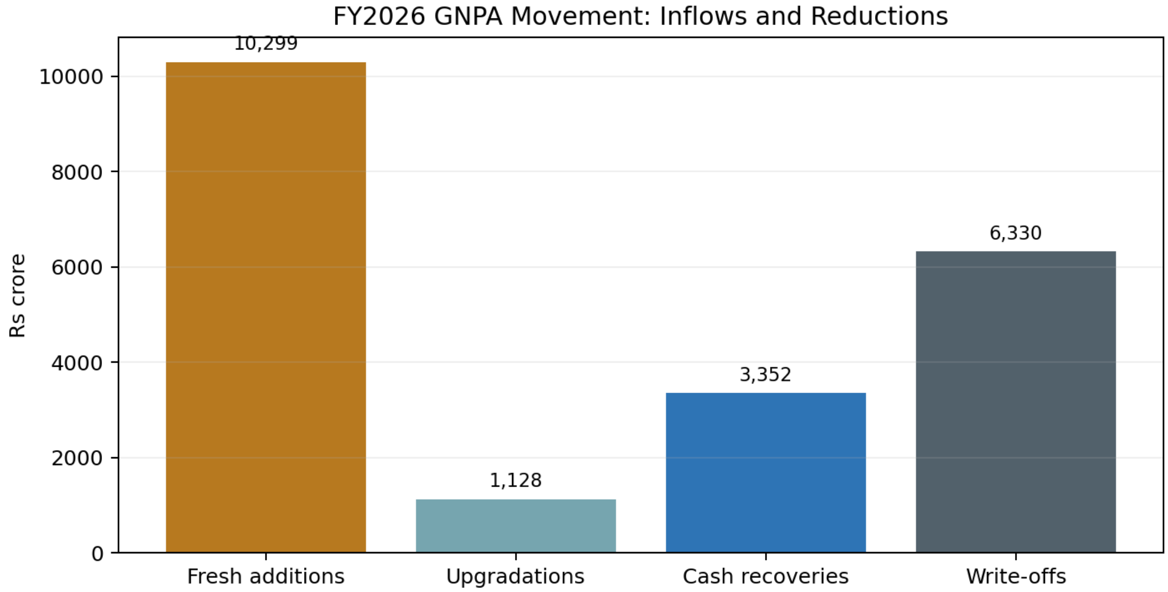


*Chart 2: Write-offs were the largest disclosed FY2026 reduction component.*

The gross NPA movement is the most useful disclosure for judging the quality of the headline ratio improvement. The Bank began with Rs 27,834.88 crore of GNPAs, recorded Rs 10,298.82 crore of fresh additions and then achieved Rs 11,075.11 crore of reductions. The excess of reductions over additions - Rs 776.29 crore - explains the lower closing stock. A bank can reduce NPA stock despite material fresh slippage when recovery, upgradation, write-off and other resolution activity is greater than new stress. That is the pattern reported in FY2026.

Cash recoveries excluding upgraded accounts accounted for Rs 3,352.44 crore, around 30% of stated reductions. Upgradations contributed a further Rs 1,128.28 crore. Together, these channels total Rs 4,480.72 crore and are generally more durable evidence of borrower cure or value realisation than a balance-sheet clean-up alone. The management discussion reports Rs 4,481 crore for recovery and upgradations, which is consistent with the broad combined scale after rounding and presentation differences. A future increase in this share would improve the quality of stock reduction.

Technical or prudential write-offs of Rs 5,540.02 crore and other write-offs of Rs 790.21 crore total Rs 6,330.23 crore, around 57.2% of total disclosed reductions. The management discussion likewise reports FY2026 write-offs including technical and other categories of Rs 6,330 crore, compared with Rs 8,980 crore in FY2025. Thus the Bank used less write-off volume than in the previous year, but write-offs remained material to the active GNPA reduction. Their prominence should be explicitly disclosed in any fair summary of the ratio improvement.

This reliance does not make the improvement artificial. Prudential write-offs can be appropriate after loss recognition and adequate provisioning, and they keep long-standing fully provided accounts from obscuring the active NPA book. But a write-off does not itself produce current-period cash recovery. The appropriate conclusion is twofold: the Bank ended with a lower active GNPA stock, and more than half of stated FY2026 reductions came from write-off channels. Subsequent reports should show whether cash recoveries and upgrades take an increasing share as legacy stress is worked through.

## 4. Understanding Technical Write-offs and Other Write-offs

| Technical/prudential written-off account | FY2025 | FY2026 | FY2026 observation |
|---|---|---|---|

| register | | | |
|---|---|---|---|
| Opening balance | 75,799.32 | 76,369.39 | Large legacy recovery pool |
| Add: write-offs during year | 9,747.50 | 7,292.48 | Annual addition declined 25.2% |
| Less: recoveries from previously written-off accounts | 9,177.43 | 6,581.82 | Collections continue after write-off |
| Closing balance | 76,369.39 | 77,080.05 | Net increase of 710.66 |

*Source: Asset Quality - Technical write-offs and recoveries made thereon, Annual Report printed pp. 253-254.*

A technical or prudential write-off is primarily an accounting and regulatory treatment, not necessarily a waiver. A fully or adequately provided exposure may be removed from the balance-sheet loan asset, while the Bank retains recovery rights and continues security enforcement, legal action, settlement or insolvency processes. This distinction is critical for public interpretation. A decline in GNPAs caused by technical write-offs should be assessed with the balance of written-off accounts and actual collections from those accounts, rather than being treated as either a pure loss or a full recovery.

The written-off-account register shows the size of the continuing collection task. The closing technical/prudential written-off balance was Rs 77,080.05 crore, up from Rs 76,369.39 crore. The Bank recorded Rs 7,292.48 crore of additions and Rs 6,581.82 crore of recoveries during the year, leaving a net increase of Rs 710.66 crore. The favorable reading is that recoveries were large, at around 90% of annual additions in this register. The cautionary reading is that the stock remains much larger than active GNPAs and still increased marginally.

Readers will notice that the Rs 7,292.48 crore annual addition to the written-off-account register is higher than Rs 5,540.02 crore disclosed as technical/prudential write-offs in the active GNPA movement. The report also states Rs 6,330.23 crore of provision reversal because of write-offs, equal to the sum of Rs 5,540.02 crore technical/prudential write-offs and Rs 790.21 crore other write-offs. These tables have different purposes: one tracks a written-off-account register, while another explains active GNPA stock reductions and provision movements. The face of the annual report does not provide an exact bridge between them.

The analytical discipline is therefore to label each amount by source and purpose. The active-NPA movement should be used to analyse the reported GNPA stock. The written-off-account register should be used to evaluate the cumulative recovery pool and collection productivity. The profit-and-loss provision line should be used to assess the period's earnings charge. Adding all figures together or treating them as substitutes could overstate write-offs, cash loss or recoveries. Management clarification of this bridge would improve disclosure transparency for investors and other stakeholders.

## 5. Recoveries: Active NPAs and Written-off Accounts

Recovery is the bridge between asset-quality management and economic value creation. The active-NPA movement records Rs 3,352.44 crore of recoveries, excluding recoveries from upgraded accounts. The detailed asset-quality register records Rs 6,581.82 crore of recoveries from previously technical or prudential written-off accounts. The management discussion presents Rs 4,392 crore of recoveries in write-off accounts, while Schedule 14 says miscellaneous income includes Rs 3,424.85 crore of recoveries made in write-off accounts. These figures appear in different reporting contexts and may reflect scope, timing, accounting classification or presentation differences.

Multiple disclosed recovery measures are not unusual in a large bank, but they create a clear editorial rule: a single number should not be described as the universal write-off recovery figure. It is better to specify whether a metric concerns the technical/prudential written-off account register, management's operating dashboard or income booked in miscellaneous income. This report uses the detailed register for the flow in the written-off account pool because it presents opening balance, additions, recoveries and closing balance together. That permits a more coherent assessment of the continuing recovery workload.

Bank of Baroda describes a substantial recovery architecture. It reports an Apex Stressed Assets Management Vertical at corporate office, five Stressed Assets Management branches for NCLT-related accounts, 12 Stressed Assets Recovery Branches at zonal level for certain larger accounts, and 69 Regional Stressed Assets Recovery Branches for accounts with outstanding balances from Rs 20 lakh to Rs 5 crore. This tiering matters because recovery economics differ by account size, collateral, legal stage and borrower segment. Large corporate accounts can require insolvency resolution, while smaller retail, agriculture and MSME exposures may need standardised outreach, settlement or legal channels.

Management also describes QLIK-based real-time reporting for days past due, NPA movement charts and mock runs; an ILMS account-monitoring repository; BAANKNET for property auctions; and digital e-OTS processing. It reports SARFAESI action in eligible NPA accounts and a special Rin Samadhan Yojana for defined MSME, retail and agriculture limits. These systems can reduce turnaround time and improve account visibility. Their eventual success should be assessed through hard outputs: cash recovery, upgrades, reduced slippage, faster legal milestones and lower re-default rates after restructuring.

## 6. Provisioning, PCR and Earnings Protection

| Provisioning indicator | FY2025 | FY2026 | Analytical reading |
|---|---|---|---|
| Provisions for NPAs and bad debts written off | 5,170 | 5,694 | Up 10.1%; greater earnings charge/support |
| Total provisions other than tax | 5,980 | 7,149 | Up 19.5% |
| Provision for standard advances | 419 | 1,207 | More forward-looking provisioning |
| Closing provisions against NPAs, excluding floating | 19,749.01 | 17,819.58 | Lower stock alongside GNPA reduction |
| Closing floating provisions | 600 | 2,500 | Rs 1,900 crore added |
| PCR including technical write-offs | 93.29% | 93.94% | Very high protection level |
| PCR excluding technical write-offs | 74.87% | 76.66% | Underlying coverage improved |

*Source: Annual Report operating performance and Asset Quality disclosures, printed pp. 73, 253 and 255.*

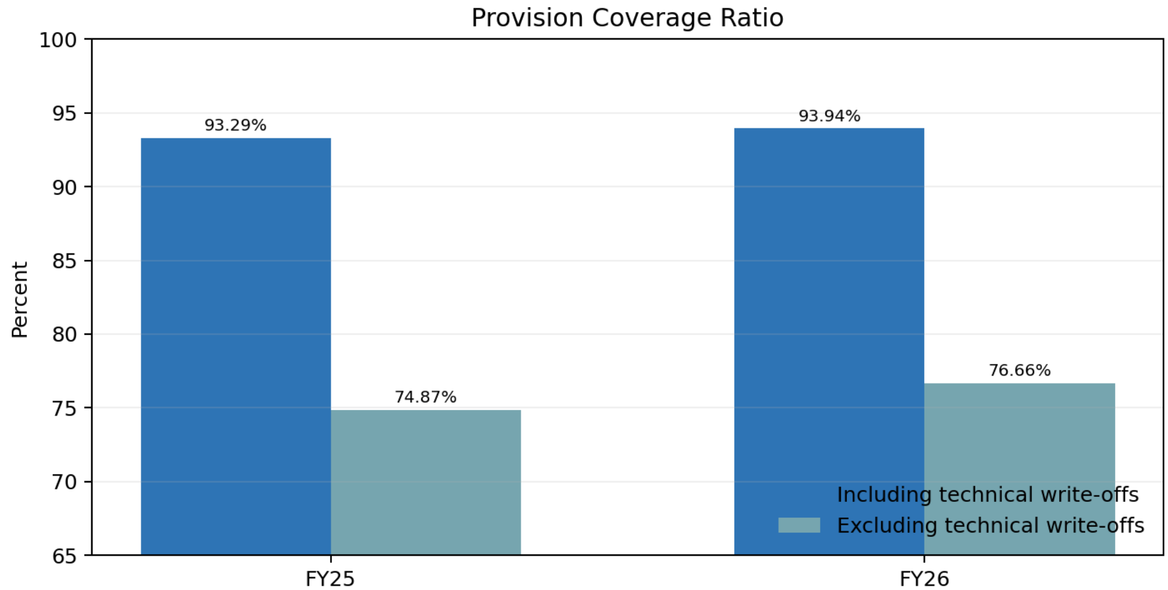


*Chart 3: Provision coverage improved under both reported measures.*

PCR is the necessary companion to the GNPA ratio. GNPA measures impaired loans before provisions; PCR shows how much of that stock is covered by provisions and, under the Bank's wider measure, technical write-offs. The Bank's 93.94% PCR including technical write-offs is high and suggests that most loss exposure associated with gross impaired assets has already been addressed through provisions and eligible write-off treatment. The 76.66% PCR excluding technical write-offs is also important because it captures coverage without that wider treatment. Its 179-basis-point improvement is a strong underlying signal.

The FY2026 profit and loss account included Rs 5,694 crore for provisions for NPAs and bad debts written off, against Rs 5,170 crore in FY2025. Provision for standard advances rose to Rs 1,207 crore from Rs 419 crore. The Bank says it used certain tax-provision reversals prudently to create Rs 1,900 crore of additional floating provisions, increasing the floating-provision balance from Rs 600 crore to Rs 2,500 crore. A floating provision is not assigned to a particular account; it is a general buffer that can strengthen resilience when unexpected stress arises.

The earnings trade-off is clear. More provisions reduce reported profit in the year of creation, but they lower the risk of future earnings volatility and can support confidence in the balance sheet. Bank of Baroda's net profit nevertheless rose 2.2% to Rs 20,021 crore. Credit cost was 0.46%, nearly unchanged from 0.47%. The combination of higher buffers, stable credit cost and modest profit growth indicates that the Bank could strengthen protection without materially weakening profitability. It is a constructive result, even though it does not guarantee the future path of provisions.

Lower NPAs should not automatically be assumed to mean lower future provision needs. The outcome depends on fresh slippage, recovery values, collateral quality, sector conditions, regulatory treatment and the speed with which sub-standard accounts resolve. The rise in fresh additions and sub-standard assets shows that the risk pipeline remains active. Additional floating provisions are therefore a prudent signal: management appears to be using a favorable reporting period to increase resilience rather than solely maximise short-term profits.

## 7. Composition of the NPA Book

| NPA category | FY2025 | FY2026 | Change | Interpretation |
|---|---|---|---|---|
| Sub-standard | 6,806.13 | 7,487.17 | +681.04 | Early-stage stress increased |

| | | | | |
|---|---|---|---|---|
| Doubtful | 12,118.72 | 12,056.86 | -61.86 | Legacy stress broadly stable |
| Loss | 8,910.03 | 7,514.55 | -1,395.48 | Severe category declined |
| Total GNPA | 27,834.88 | 27,058.59 | -776.29 | Net stock reduction |

*Source: Asset Quality disclosure, Annual Report printed pp. 252-253.*

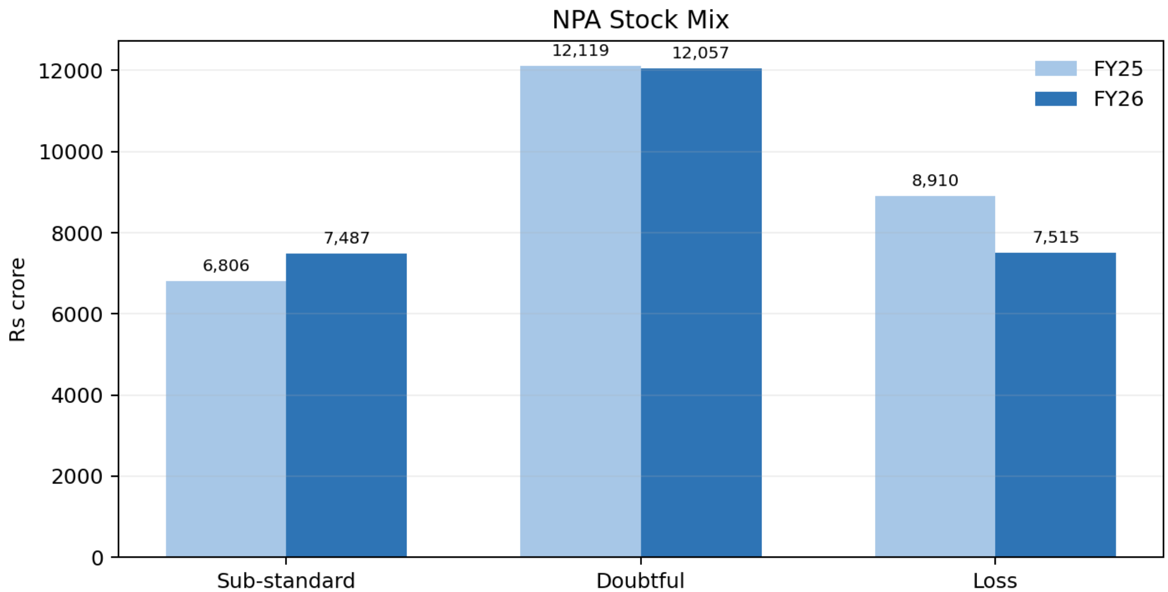


*Chart 4: Loss assets fell significantly, while sub-standard assets increased.*

The mix of NPAs provides a more refined view than the total stock. Loss assets declined by Rs 1,395 crore, the largest movement among the three categories. This is favorable because loss assets are the most severely impaired category and ordinarily carry the greatest provisioning burden. Doubtful assets remained broadly stable, decreasing by about Rs 62 crore. The reduction in loss assets and stability in doubtful assets point to progress in dealing with older, more impaired exposures.

The less favorable signal is the rise in sub-standard assets by Rs 681 crore. Sub-standard assets are generally earlier-stage NPAs. Their increase is consistent with fresh inflows that entered the NPA stock but have not yet either cured, been upgraded, migrated to later stages or been resolved. This does not negate the overall improvement, because total GNPA and ratios declined, but it strengthens the case for monitoring roll rates. If sub-standard accounts are upgraded or recovered promptly, portfolio quality can improve further. If they migrate into doubtful or loss categories, future provision pressure can rise.

Net NPA composition changed in a similar way. Net sub-standard NPAs rose from Rs 4,415.03 crore to Rs 4,643.54 crore, while net doubtful NPAs fell from Rs 2,579.21 crore to Rs 1,672.03 crore and net loss NPAs were nil. This pattern is consistent with stronger provision coverage in more severe categories. It indicates that the residual unprovided risk is increasingly concentrated in earlier-stage stress. That is normally a better risk posture, provided early-warning, collection and restructuring systems remain effective.

## 8. Sector-wise Risk: Priority Sector is the Key Watch Area

| Sector / grouping | FY2026 advances | FY2026 GNPA | FY2026 GNPA ratio | FY2025 GNPA ratio |
|---|---|---|---|---|
| Priority - agriculture/allie | 1,90,259.16 | 8,449.66 | 4.44% | 4.70% |

| | | | | |
|---|---|---|---|---|
| d | | | | |
| Priority - eligible industries | 51,287.03 | 2,076.88 | 4.05% | 6.77% |
| Priority - services | 1,00,786.72 | 6,674.81 | 6.62% | 7.70% |
| Priority - personal loans | 47,227.71 | 1,293.65 | 2.74% | 2.80% |
| Priority subtotal | 3,89,560.62 | 18,495.00 | 4.75% | 5.57% |
| Non-priority subtotal | 10,40,318.50 | 8,563.59 | 0.82% | 1.02% |
| Total Bank | 14,29,879.12 | 27,058.59 | 1.89% | 2.26% |

*Source: Sector-wise Advances and Gross NPAs, Annual Report printed p. 256.*

The sector table reveals a sharp difference between priority-sector and non-priority asset quality. Priority-sector lending was about 27.2% of total advances but accounted for roughly 68.4% of gross NPAs. Its GNPA ratio was 4.75%, compared with 0.82% for the non-priority portfolio. The priority-sector ratio still improved from 5.57%, showing progress in a higher-risk part of the loan book. The data therefore indicate a concentrated risk-management challenge rather than broad-based weakness across every business line.

Priority-sector services had the highest ratio at 6.62%, despite an improvement from 7.70%. Agriculture and allied activities carried Rs 8,449.66 crore of GNPAs, the largest amount in the sector table, at a 4.44% ratio. Priority-sector eligible industries improved sharply in ratio terms, falling to 4.05% from 6.77%. The picture is positive but incomplete: recovery and resolution have delivered gains, while absolute priority-sector stress remains material and requires segment-specific monitoring, particularly as these portfolios can be sensitive to local economic and climatic conditions.

Non-priority industry and services had low ratios of 0.88% and 0.43%. Non-priority agriculture and allied activities, however, had a 13.72% GNPA ratio on a small advance base of Rs 1,585 crore. A high ratio on a small portfolio has limited effect on the overall Bank but should not be ignored. The data support a layered approach: prioritise the scale of priority-sector stress, while managing outlier pools with high ratios even where balances are smaller.

## 9. Concentration, Overseas Exposure and Risk Signals

Concentration risk matters because a low overall NPA ratio can conceal vulnerability if a small number of borrowers represents a large share of stressed exposure. Bank of Baroda reported total exposure to its top 20 NPA accounts at Rs 2,735.74 crore as of 31 March 2026, equivalent to 10.11% of total gross NPAs. This was lower than Rs 3,158.19 crore and 11.35% a year earlier. The decline is constructive because the largest stressed accounts have a lower weight within the GNPA book. It also means the remaining problem is more dispersed, which can require a different recovery operating model.

The top 20 borrowers represented 12.11% of total advances, down from 12.58%, while the top 20 borrower exposures represented 13.42% of total exposure, slightly above the previous year’s 13.17%. These are not direct impairment measures, but they matter for future credit-risk concentration. A bank with a broad portfolio can absorb individual borrower stress more easily than one with high concentration. The disclosed metrics point to meaningful but manageable concentration that should continue to be tracked alongside sector and geography.

The overseas portfolio is another relevant signal. The annual report discloses overseas assets of Rs 3,58,041.34 crore and overseas NPAs of Rs 3,100.67 crore, down from Rs 4,034.62 crore in FY2025. This decline is encouraging, particularly as management refers to geopolitical challenges in some international geographies. Yet overseas asset quality should not be judged only by the NPA amount: country risk, foreign exchange, local legal enforceability and changing economic cycles can alter recovery outcomes. The reported reduction is a positive marker, not a reason to stop monitoring.

## 10. Governance and Recovery Architecture

Asset quality is ultimately an operating discipline. The Bank says a Committee of the Board for Monitoring of Recovery reviews NPA management, collection systems, recovery performance and the status of large value NPA accounts. At management level, the stressed-assets vertical and specialist branch network create a tiered system. Such architecture can improve accountability, ensure early escalation and match staff capability to case complexity. Its value should be judged by observable results: faster legal milestones, improved cash recovery, more upgrades, lower re-defaults and better resolution values.

The Bank describes a cluster or area approach for agriculture, MSME and retail portfolios, with dedicated recovery officers. It reports allocation of small NPA and SMA accounts to recovery agents or feet-on-street through portfolio managers; Pre-Lok Adalat meetings; SARFAESI action in eligible accounts; marketing of auction properties; and a digital e-OTS scheme. For stressed entrepreneurs, it also cites restructuring consistent with RBI guidelines. These tools cover the spectrum from early engagement and negotiated settlement to legal enforcement and restructuring.

The digital elements deserve special attention. QLIK pulls data from core banking to create daily DPD reports, NPA movement charts and mock runs for projected degradation. ILMS provides account-level monitoring of legal status, provisioning, recoveries and settlement proposals. BAANKNET supports property auctions. If used well, these systems can make recovery a continuously managed pipeline rather than a periodic manual exercise. This is particularly relevant to the rising sub-standard bucket, where early intervention is typically more valuable than late-stage legal recovery.

The governance challenge is to avoid a narrow focus on quarter-end ratios. A balanced scorecard should track fresh slippages, upgrades, cash recoveries, recoveries from written-off accounts, legal-resolution timelines, settlement haircuts, re-default rates after restructuring and collection productivity by segment. A bank can report a lower GNPA ratio while still accumulating a large off-balance-sheet written-off recovery pool. Conversely, a bank can take a short-term provision charge while materially improving future collectibility. The annual report offers many of the building blocks for this wider assessment.

## 11. Financial Impact, Key Takeaways and Outlook

The asset-quality actions took place alongside a profitable year. Operating profit was Rs 32,259 crore, slightly below Rs 32,435 crore in FY2025. Total provisions other than tax rose to Rs 7,149 crore from Rs 5,980 crore, but net profit increased to Rs 20,021 crore from Rs 19,581 crore. Return on average assets was 1.06% and return on equity 15.38%. In simple terms, the Bank retained the earnings capacity to fund additional buffers and manage stressed assets without a material decline in reported net profit.

The annual report says miscellaneous income included Rs 3,424.85 crore of recoveries in write-off accounts. Such receipts can benefit earnings when received, but they may be volatile and should not be treated as recurring core operating income. A robust analysis should separate sustainable interest and fee income from gains related to legacy recovery. At the same time, real cash recoveries from previously written-off loans are economically valuable because they validate continued collection efforts after a technical write-off and can release value from older stress.

For FY2027, the most useful indicators will be the slippage ratio, fresh NPA additions, the share of gross-NPA reductions generated by cash recoveries and upgrades rather than write-offs, sub-standard roll rates, written-off-account recoveries, priority-sector stress and PCR excluding technical write-offs. If low slippages are sustained while cash-based recoveries rise and the written-off-account pool declines, the quality of asset improvement will become stronger. If fresh additions rise or write-offs remain the main reduction channel, the GNPA ratio may remain healthy while resolution work stays demanding.

Overall, FY2026 disclosures show a bank with better reported credit quality, strong provision discipline and a broad recovery architecture. The strongest evidence is the simultaneous decline in gross and net NPA amounts, the improvement in both PCR measures and the reduction in loss assets. The principal caution is interpretive, not a reversal of the positive conclusion: write-offs, written-off-account recoveries, active-NPA recoveries and income recognition are related but distinct measures. Keeping those distinctions clear is essential to a reliable assessment of Bank of Baroda’s performance.

## 12. Analytical Issues to Monitor in FY2027

The first issue for FY2027 is the conversion of fresh slippages into either cure or later-stage stress. FY2026 added Rs 10,298.82 crore to GNPAs while sub-standard assets rose by Rs 681 crore. The relevant next-period question is not simply whether GNPA ratio falls again. It is whether accounts newly classified in FY2026 are being upgraded, recovered or resolved early enough to avoid migration into doubtful and loss categories. An improving GNPA ratio accompanied by stable or declining sub-standard balances would provide stronger evidence of durable credit improvement than a ratio decline alone.

The second issue is the mix of NPA reductions. Cash recoveries and upgradations together were about Rs 4,481 crore in the management presentation, while write-offs including technical and other categories were about Rs 6,330 crore. Neither route is inherently improper. Yet a recovery-led reduction tends to provide a clearer economic signal because it realises value or restores an account to performing status. A narrowing gap between cash-and-upgrade reductions and write-offs would be favorable. A widening gap would indicate that the Bank is continuing to clean up legacy stock but may need more time for economic resolution.

The third issue is the written-off account pool. The technical/prudential written-off account balance of Rs 77,080.05 crore is sizeable, and annual recoveries from this pool are valuable. However, a large pool may generate variable income depending on legal outcomes, collateral sale values, settlements and borrower circumstances. Stakeholders should track both the recovery rate and the absolute closing balance. An ideal direction would be meaningful annual collections with a declining closing stock, rather than collections that are broadly offset by fresh additions to the pool.

The fourth issue is provisioning quality. The Bank’s PCR excluding technical write-offs rose to 76.66%, which is a helpful measure of cushion that does not rely on the broader technical-write-off treatment. Floating provisions rose to Rs 2,500 crore. These are strengths, but the adequacy of protection should be reassessed against the risk profile of the rising sub-standard segment, priority-sector stresses and any change in economic conditions. Maintaining high coverage while keeping credit cost controlled will be an important balance-sheet objective.

The fifth issue is priority-sector portfolio management. Priority-sector GNPA of Rs 18,495 crore represented the majority of total gross NPAs. The improvement in its ratio to 4.75% is encouraging, yet the segment remains much weaker than the non-priority portfolio. Performance should be assessed at a sufficiently granular level: agriculture, priority services, eligible industries and retail can respond differently to policy changes, local conditions, crop cycles, small-business cash flows and collection methods. A uniform recovery strategy may not be as effective as segment-based interventions.

Finally, disclosure clarity itself is a governance consideration. The annual report provides rich information, but the parallel figures for technical/prudential write-offs, provision reversal due to write-offs, recovery in written-off accounts and miscellaneous-income recoveries can be confusing without a bridge. A reconciliation that clearly maps active NPA reductions, register additions, cash recoveries and P&L recognition would make the Bank's progress easier to evaluate. Greater clarity would not necessarily change the underlying numbers; it would make the quality of analysis more reliable for shareholders, depositors, borrowers, employees and the public.

A useful way to read the FY2026 result is through three scenarios. In a favourable scenario, portfolio growth remains disciplined, the lower slippage ratio holds, early-stage accounts are cured quickly and recoveries continue to reduce the active as well as written-off stock. In a base scenario, fresh additions remain linked to the larger loan book, but recoveries, upgrades and provisioning broadly offset them, keeping ratios stable. In an adverse scenario, stress in priority-sector services, agriculture or MSME lending rises, sub-standard accounts migrate and recovery timelines lengthen. The Bank's high coverage and floating provisions are most valuable in the latter scenario, because they provide capacity to absorb a deterioration without an immediate balance-sheet shock.

For editorial and public-policy readers, the wider lesson is that NPA analysis should not be reduced to a single headline number. A GNPA ratio tells an important story, but it does not show whether improvement came from cash collection, borrower cure, portfolio growth, accounting write-offs or a combination of each. Bank of Baroda's disclosures permit that distinction: they show lower active NPAs, high coverage and sustained recovery systems, while also showing a continuing legacy written-off pool and significant fresh inflows. This is the balanced lens through which the Bank's credit-quality progress should be assessed.

A final practical benchmark is consistency between management commentary and the audited financial disclosures. The Bank's commentary highlights better ratios, lower slippage, improved PCR and stable credit cost. The asset-quality tables support those broad conclusions, while adding the important details on fresh additions, sub-standard stress and write-off flows. When the two sources are read together, the conclusion is more useful than either in isolation: FY2026 was a year of genuine strengthening, with the quality of that strengthening dependent on continued recovery execution and careful portfolio surveillance.

## Source Notes and Methodology

Primary source: Bank of Baroda Annual Report 2025-26, including the management discussion, operating performance, stressed-assets narrative, Schedule 14 and Asset Quality disclosures. Printed pages cited are 12, 73, 79, 252-256 and related notes. Amounts are in Rs crore unless stated otherwise. Percentages and year-on-year changes in this report are calculated from published figures and may differ marginally because of rounding.

This report does not independently audit the Bank, reclassify exposures or estimate future losses. Where the annual report presents more than one recovery or write-off-related figure in different contexts, the report labels the source context rather than forcing an unsupported reconciliation. Readers seeking an exact bridge should request clarification from the Bank's investor-relations or finance function.