'CareEdge BBB+/Stable' rating assigned to Bank of Baroda

USD 4 billion global medium-term notes^	**CareEdge BBB+/Stable**
Long-term foreign currency issuer rating	**CareEdge BBB+/Stable**

^ Assuming the notes issued under the programme would be senior and rank pari passu with the issuer's other senior debt obligations. Facility-specific rating would be evaluated based on the instrument features once finalised closer to issuance.

CareEdge Global has assigned a '**CareEdge BBB+/Stable**' long-term foreign currency issuer rating to Bank of Baroda (BoB). It has also assigned the same rating to BoB's USD 4 billion global medium-term notes (GMTN) programme.

Rationale

BoB benefits from majority ownership by the Government of India (GoI; rated CareEdge BBB+/Stable 'Unsolicited'), which holds a ~64% stake in the bank as of March 31, 2026. The bank's systemic importance as the second-largest public sector bank (PSB) with a 5.5% share in domestic advances, high socio-political relevance, coupled with contagion risk, and strong public perception underscores the likelihood of strong, extraordinary sovereign support if required. The demonstrated history of capital infusion by the GoI into PSBs, along with BoB's role in policy transmission and financial inclusion, results in its credit profile being equated to that of the sovereign.

The GoI, through its Indradhanush framework, has demonstrated strong and sustained support to PSBs via recapitalisation packages and budgetary allocations, including total capital infusion of Rs 124 billion (FY18-FY20) into BoB. Further, the GoI's majority stake, coupled with substantial board-level representation alongside the Reserve Bank of India (RBI), results in a high degree of oversight and control, thereby promoting institutional stability.

BoB's core credit profile is healthy, as demonstrated by a robust domestic market position, a sizeable overseas presence, comfortable capitalisation, and strong funding and liquidity. However, these strengths are partly offset by its average profitability and asset quality risks, particularly concentrated within the micro, small and medium enterprises (MSMEs) and agricultural segments.

Outlook

The stable outlook for BoB, in line with the sovereign of India, reflects CareEdge Global's expectation of continued support from the GoI and the bank's ongoing strategic importance within the PSB framework. The rating outlook on BoB will move in tandem with CareEdge

Global's outlook on India's sovereign rating.

Rating sensitivities

Upward factors

- Any upward revision in the sovereign rating or outlook of India by CareEdge Global

Downward factors

- Any downward revision in the sovereign rating or outlook of India by CareEdge Global
- Material dilution in support philosophy of the GoI or a significant decrease in its shareholding below the majority mark
- Significant deterioration in its capitalisation profile or asset quality on a sustained basis indicating a weakening of systemic importance

Analytical approach

CareEdge Global has evaluated BoB's business and financial risk profile on a consolidated basis, including its subsidiaries, considering the business and financial linkages as well as the shared brand. CareEdge Global has equated BoB's rating with the GoI's rating, using its criteria for rating government-related entities (GRE).

Key rating drivers

Strengths

High criticality, majority ownership, and strong support from the GoI

BoB, as one of India's leading PSBs, plays a pivotal role in providing financial and banking access to a large population, including in rural areas, through its extensive network of more than 8,600 branches. It operates within the broader PSB ecosystem, which collectively accounts for nearly 55% of total banking assets, enabling the government to channel credit to priority sectors such as agriculture, MSMEs, and infrastructure. PSBs, including BoB, also act as stabilising agents during periods of economic stress by supporting countercyclical lending and ensuring uninterrupted credit flow to key sectors, making them critical for the country's economic and financial stability.

Over the past decade, the GoI has strengthened PSBs through reforms, including recapitalisation of over Rs 3 trillion (FY16-FY21), consolidation of 27 PSBs into 12, and enhancements in governance and risk management. Given this close linkage, PSBs carry significant reputation risk for the GoI, as their performance shapes investor confidence and market perception of India's financial stability. Therefore, the GoI has a strong moral obligation to extend timely financial support to such institutions. Additionally, the GoI and the RBI have consistently demonstrated such support not only to PSBs but also to the private sector scheduled commercial banks (SCBs). Notably, there is no history of any SCB defaulting on depositors or lenders money in India.

BoB's majority holding reflects strong sovereign backing and underscores the likelihood of continued support in both normal and stress scenarios. Any potential distress or failure of a PSB typically has significant systemic implications, including erosion of investor confidence and heightened contagion risk, reinforcing the strong expectation of sovereign backing. Accordingly, one notch benefit of sovereign support is factored in BoB's overall rating.

Robust position in the domestic banking sector

The bank is an important PSB in India, underpinned by its large scale of operations, strong market position, extensive distribution network, and long-standing franchise. As of March 2026, the bank accounted for ~5.3% of total deposits and ~5.5% of advances in the Indian banking system (March 2025: 5.5% and 5.6%), positioning it as the second PSB by advances. Its scale is further reflected in its consolidated total assets of Rs 21,015 billion as of March 2026.

The bank benefits from a widespread domestic and international presence, with 8,600+ domestic branches, 80 overseas offices, over 9,500 ATMs, supported by a workforce of over 76,000 employees. Its global network spans 15 countries through 80 overseas offices, contributing ~18% to gross advances, and ~15% to total deposits. The amalgamation of Vijaya Bank and Dena Bank in April 2019 further strengthened its pan-India presence and franchise depth.

Comfortable capitalisation

BoB continues to have a comfortable capitalisation profile, with adequate cushion over the minimum regulatory requirements, supported by strong internal accruals over the past few years. As of March 31, 2026, the bank reported a capital adequacy ratio (CAR) of 15.8% (PY: 17.2%) and core equity tier 1 (CET-I) ratio of 13.2% (PY: 13.8%), both comfortably above the regulatory thresholds of 11.5% and 8.0%, respectively.

The bank's capital buffers, along with improving operating profitability, provide sufficient headroom to support business growth (estimated credit growth of 12-14%), while absorbing potential asset quality stress. Additionally, capitalisation has historically been supported by periodic equity infusions by the GoI under its recapitalisation programmes for PSBs. However, the impact of the proposed Expected Credit Loss (ECL) framework by the RBI on capital levels remains a monitorable.

Strong funding and liquidity profile

The bank's deposit base has consistently expanded; grew ~12% Y-o-Y to Rs 16,485 billion as of March 2026. Its current account and savings account (CASA) franchise remains robust, with a ratio of 37.2% as of March 2026, which is comparable with industry peers. The cost of deposits declined from 5.1% in FY25 to 4.9% in FY26, supported by the easing of benchmark rates. Notably, international deposits carry a lower cost of around 3.7%, compared with 5.1% for domestic deposits, further strengthening funding flexibility to raise low-cost deposits.

In addition, the bank benefits from a healthy proportion of retail term deposits, which account for ~63% of its domestic term deposit base, thereby providing stability to its liability profile. Its diversified depositor mix, strong retail franchise, and sustained focus on improving CASA share are expected to support resilience of its funding costs over the medium term, effectively countering intensifying competitive pressures for low-cost deposits.

Weaknesses

Improving yet moderate asset quality profile

The bank's asset quality, despite steady improvement, is exposed to vulnerabilities in select segments, particularly MSME and agriculture, which reported elevated gross non-performing assets (GNPA) of ~6.1% and ~4.5%, respectively, as of March 2026. Additionally, risks persist from potential slippages in the restructured portfolio and external factors such as macroeconomic uncertainties, geopolitical developments, and borrower leverage. The bank's ability to sustain low slippages—guided at 1-1.25%—and effectively manage risks from these segments while supporting growth is a key monitorable.

Nevertheless, the bank has exhibited consistent and broad-based improvement in asset quality over recent years. GNPA and net non-performing asset (NNPA) ratios improved to 1.9% and 0.4%, respectively, as of March 2026, supported by lower slippages, healthy recoveries/upgrades, and write-offs. Fresh slippages are contained at 0.7-1.1% since FY23, significantly below the 1.6-4.3% range observed during FY19-FY22, reflecting strengthened underwriting standards and risk management practices. The improvement has been particularly pronounced in the corporate and international portfolios, with a sharp decline in corporate GNPA and meaningful moderation in international stress. The bank has also strengthened the credit profile of its corporate loan book, with incremental lending increasingly skewed towards higher-rated corporates, as reflected in the share of A and above-rated exposures rising to 96% as of March 2026 from 78% as of March 2022.

Provisioning buffers are comfortable, with a provision coverage ratio (PCR) of ~77% and near-complete provisioning against legacy National Company Law Tribunal (NCLT) exposures, enhancing loss absorption capacity. Notwithstanding some segmental risks, the bank's asset quality metrics are expected to remain stable, supported by prudent underwriting, adequate provisioning, and a continued shift towards a higher-quality portfolio mix.

Average profitability[1]

BoB's consolidated profitability moderated in FY26, driven by pressure on margins and lower non-interest income. Net interest margins (NIMs) contracted due to the faster repricing of advances at lower yields, while deposit costs remained elevated, leading to subdued growth in net interest income and moderation in core operating profitability. Despite margin

[1] All profitability ratios are computed based on average total assets

compression, the bank's return metrics have been resilient, with return on assets (RoA) sustaining at healthy levels of ~1.0% in FY26 and 1.2% in FY25.

Profitability was supported by a materially improved credit cost trajectory, with annualised credit costs declining to ~0.4% in FY26 from ~1% in FY22. This was supported by a sustained improvement in asset quality, reflected in lower slippages and healthy recoveries and upgrades, thereby limiting provisioning requirements. Further, non-interest income remained supportive, aided by robust treasury gains and steady fee income, partially offsetting the pressure on core margins.

While margin pressures present near-term challenges, the bank's profitability is expected to remain resilient, supported by its improved asset quality and provisioning coverage.

Liquidity

The bank's liquidity coverage ratio remained robust at 127% as of March 2026, supported by a stable retail and CASA deposit base, a strong pool of liquid investments, and access to diversified funding sources. Liquidity is reinforced by the bank's ability to tap systemic funding avenues, including the RBI's liquidity adjustment facility (LAF), marginal standing facility (MSF), repo against SLR securities, refinance from institutions such as NABARD, NHB, and SIDBI, as well as the call money market. Additionally, given its sovereign ownership, the bank benefits from its ability to raise capital as well as access emergency support from the GoI.

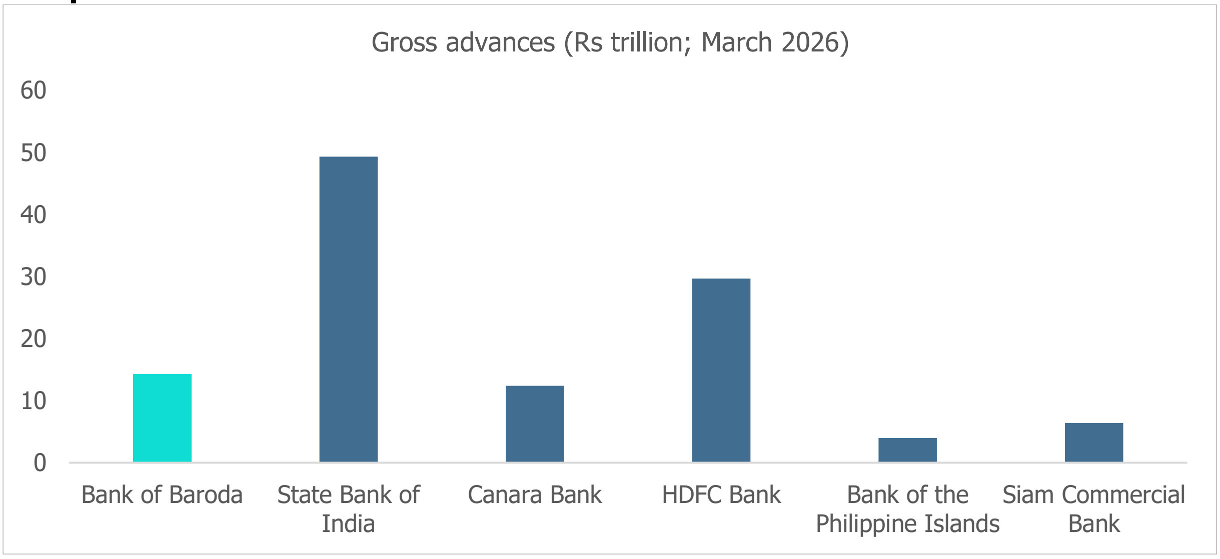
Environmental, social and governance (ESG) considerations

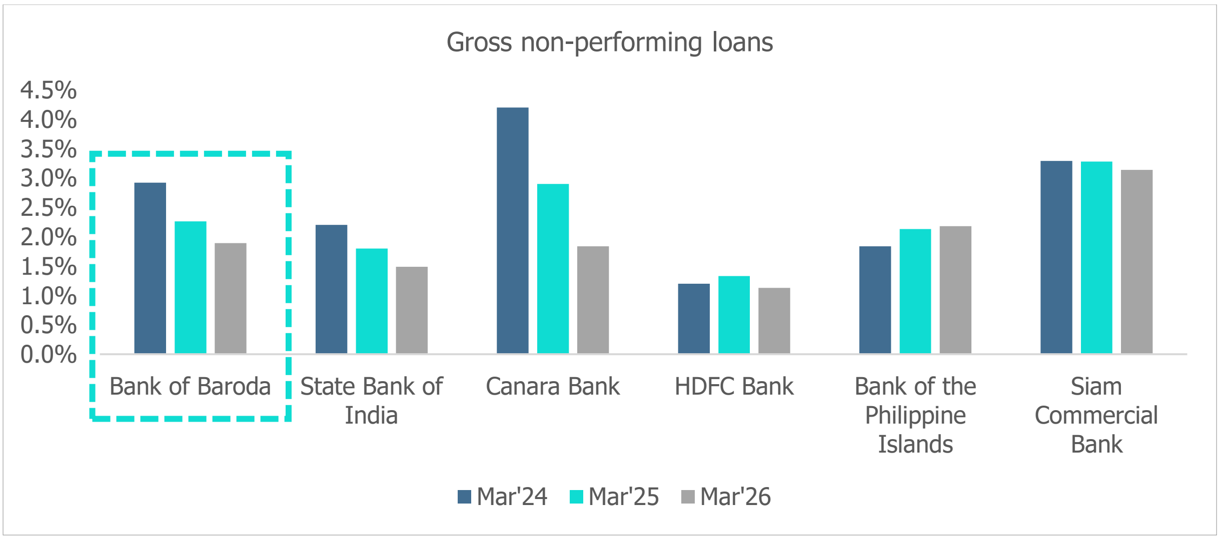
BoB's ESG profile aligns well with its robust credit risk framework, with governance standing out as a key strength, consistent with trends across the broader financial sector. While the bank has minimal direct exposure to environmental risks due to its service-oriented model, indirect risks arise through its lending portfolio if counterparties face climate-related disruptions or transition challenges. However, BoB mitigates this through diversified exposures. The bank is strengthening its environmental initiatives, including a Net Zero aspiration by 2057, green financing programmes, and renewable energy adoption across branches. Social risks, particularly cybersecurity, data privacy, and customer protection, remain critical. BoB continues to promote financial inclusion through prudent lending and targeted schemes, while maintaining healthy asset quality. Its governance framework is supported by board diversity, independent committees, and strong grievance redressal mechanisms.

About the company

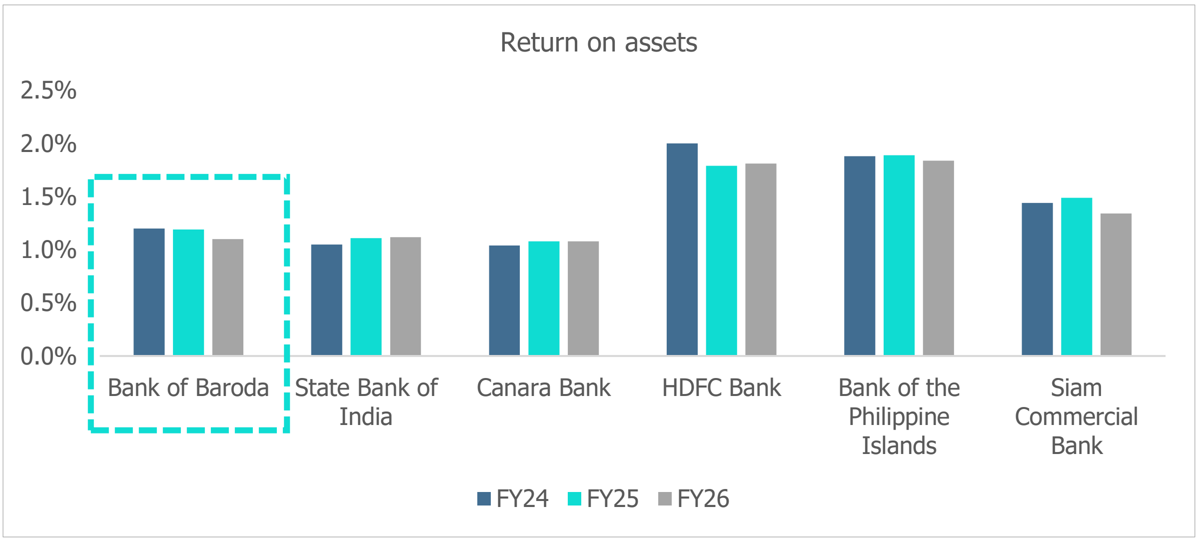
Established in 1908 as a privately owned institution and nationalised in 1969, BoB is one of India's largest PSBs. It is headquartered in Vadodara with a corporate office in Mumbai. Strengthened by the merger with Vijaya Bank and Dena Bank effective April 1, 2019, BoB has emerged as a leading PSB in terms of asset size and total business. As of March 2026, the bank has a vast network of more than 8,600 domestic branches, over 9,500 ATMs, and a significant global presence spanning 80 overseas offices across 15 countries. Its diversified loan book of Rs 14.3 trillion, includes corporate (31.9%), retail (21.2%), agriculture (13.4%), MSME (11.2%), and other segments (4.2%), with international advances contributing 18.2%. The GoI holds a 63.97% stake in the bank.

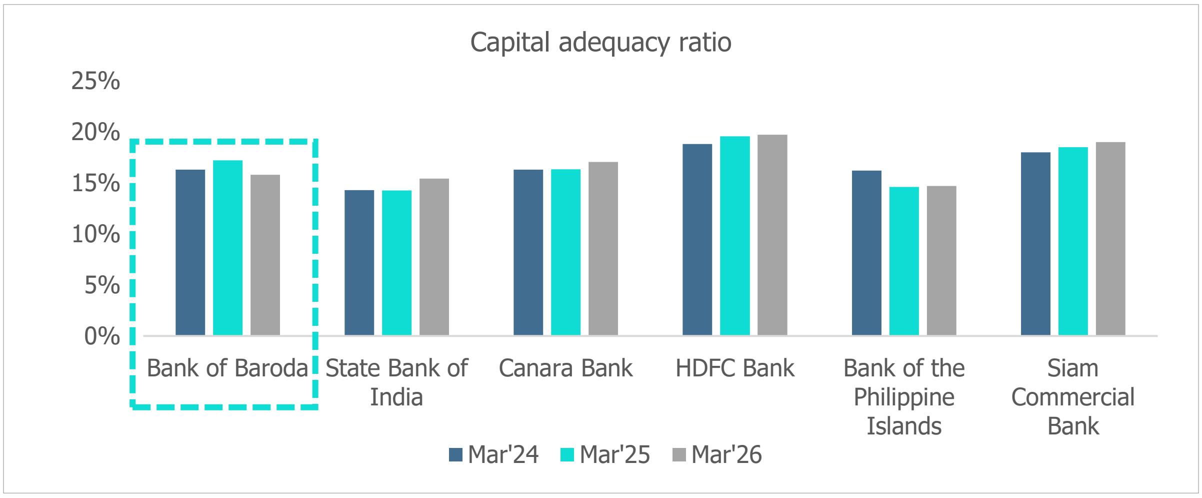
Comparison with other banks[2]





[2] For Bank of the Philippine Islands (BPI) and Siam Commercial Bank (SCB), gross advances pertain to Dec'25, while all the ratios correspond to the CY23-CY25 period. Gross advances have been converted into INR using exchange rates of PHP/INR 1.53 for BPI and THB/INR 2.86 for SCB as of December 31, 2025.





Key financial metrics (consolidated)

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
Total assets	Rs billion	16,548	18,618	21,015
Total income	Rs billion	1,418	1,529	1,568
Profit after tax	Rs billion	188	207	198
RoA	%	1.2	1.2	1.0

Key financial metrics (standalone)

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
Total assets	Rs billion	15,858	17,812	20,092
Profit after tax	Rs billion	178	196	200
CAR[3]	%	16.3	17.2	15.8
GNPA[3]	%	2.9	2.3	1.9
NNPA[3]	%	0.7	0.6	0.4
RoA	%	1.2	1.2	1.1

Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Details of the instrument

Instrument	ISIN	Date of issuance	Coupon rate (%)	Maturity date	Issue size	Rating
Global medium-term notes	-	-	-	-	USD 4 billion	CareEdge BBB+/Stable

Rating history

Instrument	Type	Rating	Date
Global medium-term notes	Long-Term Foreign Currency	CareEdge BBB+/Stable	June 17, 2026
Issuer rating	Long-Term Foreign Currency	CareEdge BBB+/Stable	June 17, 2026

[3] As per reported financials

Criteria applied

CareEdge Global's Government Related Entity Rating Methodology

CareEdge Global's Financial Institutions Rating Methodology

CareEdge Global's Consolidation Methodology

Analytical contacts

Ankit Kedia
ankit.kedia@careedgeglobal.com

Abhilash Dash
abhilash.dash@careedgeglobal.com

Pankaj Chaplot
pankaj.chaplot@careedgeglobal.com

Media contact

Mradul Mishra
mradul.mishra@careedge.in

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CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 l www.careedgeglobal.com
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