



संदर्भ क्र. Ref. No.:HO:IRC:RKP:2024-25:253

दिनांक Date: 30-08-2024

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| Scrip Code: BANKINDIA | Scrip Code: 532149 |
| The Vice President – Listing Department, National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. | The Vice-President – Listing Department, BSE Ltd., 25, P.J. Towers, Dalal Street, Mumbai 400 001. |

Dear Sir/Madam,

**Reporting under Regulation 30 & Regulation 55
of SEBI (LODR) Regulations – Credit Rating of
Tier II Bonds by Infomerics Ratings – Reaffirmed**

In terms of Regulation 30 read with point 3 of Para A of Part A of Schedule III and Regulation 55 of SEBI (LODR) Regulations, 2015 and SEBI Circular No.CIR/CFD/CMD/4/ 2015 dated September 9, 2015, we wish to inform that the rating agency, Infomerics Ratings has reaffirmed our Bank's Basel-III compliant Tier II Bond rating as per details given below:

| Sr. No | ISIN | Name of the Credit Rating Agency | Credit Rating Assigned | Outlook (Stable/ Positive / Negative/No Outlook) | Rating Action (New/ Upgrade/ Downgrade/ Reaffirm/ Other) | Specify Other Rating Action | Date of Credit Rating | Verification Status of Credit Rating Agencies | Date of verification |
|--------|---------------------------------|----------------------------------|------------------------|--|--|-----------------------------|-----------------------|---|----------------------|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. |
| 1. | INE084A08151 (Tier-II Bonds) | Infomerics Ratings | AAA | Stable | Reaffirm | - | 30-08-2024 | Verified | 30-08-2024 |

The press release issued by Infomerics Ratings is attached.

2. This is for your information and appropriate dissemination.

भवदीय Yours faithfully,



(Rajesh V Upadhyia)

कंपनी सचिव Company Secretary

Classification: **Public**



Press Release

Bank of India (BOI)

Aug 30, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|--|--|--|---------------|--------------------------------|
| Long Term – BASEL III Compliant Tier II Bonds | 1800.00 | IVR AAA/ Stable (IVR Triple A with Stable outlook) | IVR AAA/ Stable (IVR Triple A with Stable outlook) | Reaffirmed | Highly Complex |
| Total | 1800.00 (Rupees One Thousand Eight Hundred Crores only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed the ratings assigned to the **BASEL III Compliant Tier II Bonds** of BOI which continues to derive strength from sovereign ownership with continued support, sustained improvement in the earnings profile, diversified loan portfolio coupled with growth in advances, established & well spread market reach, comfortable capitalization levels and healthy resource profile. The ratings are however partially constrained by modest, albeit improving, asset quality and moderate growth in deposits in comparison to the advances.

Infomerics Ratings expects outlook to remain stable on the expectations of continued support from the Government of India (GoI), growth in advances, healthy resource profile, comfortable capitalization levels and improvement in asset quality.



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Note on Basel-III Compliant Tier-II Instruments: The distinguishing feature of Tier-II capital instruments under Basel III is the existence of the point of non-viability (PONV) trigger, the occurrence of such situation might result in loss of principal to the investors and, henceforth, to default on the instrument by the issuer. According to the Basel III guidelines, the PONV trigger will be determined by the RBI. Infomerics Ratings believes the PONV trigger is a remote possibility in the Indian context, given the robust regulatory and supervisory framework and the systemic importance of the banking sector. The inherent risk associated with the PONV feature is adequately factored into the rating on the instrument.

Key Rating Sensitivities:

Upward Factors: None

Downward Factors:

- Any weakening of linkages with Gol thereby impacting the expectations of support from Gol.
- Any major increase in slippages leading to weakening of asset quality with gross NPAs , thereby impacting the earnings profile.
- Any material decline in overall capital adequacy ratios below the current level.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Sovereign ownership with continued support:**
Gol continues to be the majority shareholder holding 73.38% stake in BOI as on June 30, 2024. Gol has consistently provided capital infusions and implemented measures to enhance capitalization, operational efficiency, and asset quality in public sector banks (PSBs). Given the Gol's majority ownership and the significant role of PSBs in the domestic banking system, Infomerics Ratings anticipates that the BOI will continue to receive timely and sufficient capital and operational assistance from the Gol as needed.



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- **Sustained improvement in the earnings profile:**

BOI's earnings profile has shown sustained improvement since FY21 after being constrained by high credit costs from FY16 to FY20. As on 30th June 2024, BOI's NII has grown moderately y-o-y by ~6% to Rs. 6,275 crores (FY24 (refers to period 1st April 2023 to 31st March 2024) : Rs. 60,710 crores) whereas its net interest margin (NIM) has largely remained stable at 3.07% on a y-o-y basis (FY24: 2.97%) on back of elevated credit costs. BOI's credit cost (annualised) has increased to 0.85% as on 30th June 2024 on a y-o-y basis (FY24: 0.78%) on back of higher cost of funds. BOI's operating profit has marginally declined y-o-y by ~2% to Rs. 3677 crores as on 30th June 2024 (FY24: Rs. 14,069 crore) on back of lower non- interest income. Additionally, BOI's return on assets (ROA) and cost to income ratio has remained stable at 0.70% & 51.47% respectively as on 30th June 2024. BOI's ability to improve profitability and manage credit costs will remain a key rating monitorable.

- **Diversified loan portfolio coupled with growth in advances:**

BOI's loan portfolio is diversified with Retail, Agriculture & MSME's (RAM) share in the portfolio continues to be ~56%. As on 30th June 2024, BOI's gross domestic advances have grown y-o-y by ~17% to Rs. 5,08,169 crores (FY24: 4,92,392 crore) driven by the growth in RAM segment. RAM has grown y-o-y by ~19% to Rs. 2,84,646 crores as on 30th June 2024 on back of growth in agriculture segment which has grown y-o-y by ~22% followed by retail and MSME which has grown y-o-y by ~20% and ~13% respectively. The corporate & other segment have grown y-o-y by ~15% to Rs. 2,23,523 crores with major exposure to sectors like infrastructure and NBFCs. Infomerics Ratings expects continuity in RAM segment to be a key focus area for BOI to drive credit growth over medium term.

- **Established and well spread market reach:**

BOI has a geographically well spread branch network in India and abroad. BOI has 5,155 domestic branches, 8234 ATMs & CRA, 21,272 BCs and 34,683 customer touch points and strong international presence with 22 foreign branches as on 30 June 2024 which keeps BOI presence felt in all times zones and important financial centres of the globe.



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- **Comfortable capitalisation:**

BOI's capitalization levels are comfortable, with Common Equity Tier-1 (CET 1) ratio, Tier-I capital adequacy ratio (CAR) and overall, CAR at 13.62%, 14.29% & 16.18% respectively, as on June 30, 2024 (14.24%, 14.93% & 16.96%, respectively, as on March 31, 2024). Additionally, BOI has raised capital worth Rs. 6,500 crore in FY24 out of which Rs. 4,500 crore was through qualified institutional placement (QIP) and remaining Rs. 2000 crore through Tier II bonds and has additional capital raising plan worth Rs. 5,000 crores in FY25 out of which Rs. 2,500 crores will be done through Additional Tier I Bonds and the balance Rs. 2,500 crores through Tier II Bonds. Infomerics Ratings expects BOI maintaining a sufficient buffer above the minimum regulatory capital requirement to meet credit growth on back of expected capital infusion ably supported by improvement in internal accruals over medium term.

- **Healthy resource profile:**

BOI's resource profile is healthy marked by the proportion of current account and savings account (CASA) deposits which remained stable at 42.68% as on 30th June 2024 (FY24 : 43.21%) despite the challenges faced by the banking industry in mobilizing CASA deposits as post rate hikes in FY23, depositors preference have shifted to term deposits with attractive rates along with mutual funds which has seen record inflows as the capital markets are at a record high in the post pandemic era. Additionally, BOI's retail term deposits are largely stable at ~44% which provides it additional comfort on the liabilities side as probability of premature withdrawal is remote. BOI's cost of funds and cost of deposits have increased to 4.81% & 4.82% respectively as on 30th June 2024 (FY24: 4.36% & 4.51% respectively). Infomerics Ratings expects BOI's resource profile to remain healthy over medium term on back of stability in CASA deposits due to its well diversified geographical presence.



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Key Rating Weaknesses

- **Modest, albeit improving, asset quality:**

BOI's asset quality continues to remain moderate despite improvement over the years as marked by gross non-performing asset (GNPA) and net non-performing asset (NNPA) which stood at 4.62% & 0.99% respectively as on 30th June 2024 (FY24: 4.98% & 1.22% respectively, FY23: 7.31% & 1.66% respectively) primarily driven by the NPAs in the agriculture and MSME segment on account of general elections and heatwave across the country in Q1FY25. Additionally, BOI's slippage ratio stood at 0.35% (FY24: 1.58%) as on 30th June 2024 whereas its provision coverage ratio (PCR) stood at a healthy 92.11% (FY24: 90.59%) as on 30th June 2024. BOI's asset quality will continue to remain a key rating monitorable.

- **Moderate growth in deposits in comparison to the advances:**

BOI's credit - deposit ratio stood at 78.53% as on 30th June 2024 (FY24: 79.36%) primarily on account of higher growth in gross advances as compared to the deposits. As on 30th June 2024, BOI's gross advances have grown y-o-y by ~16% whereas its deposits have grown moderately y-o-y by ~10%, however deposit growth has exceeded the credit growth on a sequential basis. Additionally, BOI is raising capital through infrastructure bonds to create additional resources for sustaining the credit growth cycle. Infomerics Ratings expects BOI's credit – deposit ratio to remain stable on back of BOI's branch expansion strategy with a focus on liabilities growth coupled with capital raising through infrastructure bonds and unwinding of some excess statutory liquidity ratio (SLR) to fund credit growth.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Banks](#)

[Criteria for Government Support](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments](#)

Liquidity – Strong

BOI's liquidity position is supported by the strength of its liabilities franchise and its sovereign ownership. BOI is having a sizeable retail deposit base that forms a significant part of the total deposits. Its liquidity coverage ratio stood at 153.12% as on March 31, 2024, as against minimum regulatory requirement of 100%. Liquidity is further supported by the BOI's access to systemic sources of funds, such as the liquidity adjustment facility from RBI and access to the call money market.

About the Company

BOI was founded on 7th September 1906 by a group of eminent businessmen from Mumbai. BOI was under private ownership and control till July 1969 when it was nationalised along with 13 other banks. Beginning with one office in Mumbai, with a paid-up capital of Rs.50 lakh and 50 employees, BOI has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, BOI occupies a premier position among the nationalized banks.



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Financials (Standalone):

(Rs. crore)

| For the year ended* / As on | 31-03-2023 | 31-03-2024 |
|---|------------|------------|
| | Audited | Audited |
| Total Income | 54,748 | 66,805 |
| PAT | 4,023 | 6,318 |
| Total Advances | 5,15,852 | 5,85,595 |
| Total Deposits | 6,69,586 | 7,37,920 |
| Total Business | 11,85,438 | 13,23,515 |
| Tangible Net Worth | 58,971 | 68,881 |
| Ratios | | |
| NIM (%) | 3.01 | 2.97 |
| ROTA (%) | 0.49 | 0.70 |
| CET I CRAR (%) | 13.60 | 14.24 |
| Overall, CAR (%) | 16.28 | 16.96 |
| Gross NPA (%) | 7.31 | 4.98 |
| Net NPA (%) | 1.66 | 1.22 |
| PCR (Including Technical Write-off) (%) | 89.68 | 90.59 |
| CASA (%) | 44.73 | 43.21 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------------|--------------------------------|--------------------------------|------------------|---|---|---|
| | | Type (Long Term/Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | -- | 08 Sept 2023 | 16 Sept 2022 | 21 Sept 2021 |
| 1. | BASEL III Compliant Tier II Bonds | Long Term | 1800.00 | IVR AAA / Stable | IVR AAA / Stable | IVR AAA / Stable | IVR AAA / Stable |

Analytical Contacts:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Instrument/Facility Details :

| Name of instrument | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Listing Status | Rating Assigned/ Outlook |
|-----------------------------------|--------------|-------------------|------------------|-------------------|------------------------------|----------------|--------------------------|
| Basel III Complaint Tier II Bonds | INE084A08151 | 30 September 2021 | 7.14% | 30 September 2031 | 1800.00 | Listed | IVR AAA/ Stable |

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated instrument:

Basel III complaint Tier II Bonds – Issue Size – Rs. 1800 crores

| | |
|---------------------------|--|
| Security Description | 7.14% Bank of India BASEL III Tier II (Series XV) Bonds in the nature of Debentures |
| Issue Size (Rs in Crores) | Rs 1800 Crores |
| Objects of the Issue | Augmenting Tier II Capital |
| Tenor | 120 months |
| Covenants | Write-down trigger of Non-Viability ("PONV Trigger") PONV Trigger, in respect of the bank means the earlier of: i. Notify the trustee. ii. cancel any Coupon which is accrued and unpaid on the Bonds as on the write-down date; and iii. Without the need for the consent of Bondholders or the Trustee, write down the outstanding principal of the Bonds by such amount as may be prescribed by RBI ("PONV Write Down Amount") and as is otherwise required by the RBI at the relevant time. The Issuer will affect a write-down within thirty days of the PONV |



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|-------------|--|
| | <p>Write- Down Amount being determined and agreed with the RBI.</p> <p>PONV Trigger, in respect of the Issuer or its group, means the earlier of:</p> <ul style="list-style-type: none">i. a decision that a principal write-down, without which the Issuer or its group (as the case may be) would become nonviable, is necessary, as determined by the RBI; andii. the decision to make a public sector injection of capital, or equivalent support, without which the Issuer or its group (as the case may be) would have become non-viable, as determined by the RBI. |
| Coupon rate | 7.14% subject to “Loss Absorbency”, “Permanent principal write-down on PONV trigger event |
| Call Option | On or after the fifth anniversary from the date of allotment, the Issuer may at its sole discretion, having notified the debenture trustee not less than 21 days prior to the date of exercise of the issuer call date |

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.