बैंक ऑफ़ इंडिया Bank of India BOI

संदर्भ क्र. Ref. No.:HO:IRC:RKP:2024-25:262 दिनांक Date: 11-09-2024

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 Long Term Infra Bond – Reaffirmed Long Term Infra Bond & Tier II Bonds – Assigned (New)

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, India Ratings and Research, has reaffirmed our Bank's Long Term Infra Bond and assigned new rating for Long Term Infra Bond and Tier II Bond 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.	INE084A08185 (Long Term Infra Bonds)	India Ratings & Research	AA+	Stable	Reaffirm	-	11.09.2024	Verified	11.09.2024
2.	New Infra Bond Issue-ISIN to be allotted	India Ratings & Research	AA+	Stable	New	-	11.09.2024	Verified	11.09.2024
3.	New Tier-II Issue-ISIN to be allotted	India Ratings & Research	AA+	Stable	New	-	11.09.2024	Verified	11.09.2024

The rating rationale is attached.

2. This is for your information and appropriate dissemination.

भवदीय Yours faithfully,

RAJESH VENKATA RAJ UPADHYA

Digitally signed by: RAJESH VENKATARAJ UPADHYA
DN: CN = RAJESH VENKATARAJ UPADHYA C = IN O = AADPU0825G OU = DGM AND COMPANY SECRETARY
Date: 2024.09.11 18:11:55 +06'30'

बैंक ऑफ़ इंडिया BANK OF INDIA प्र. का. H.O. निवेशक संबंध विभाग Investor Relations Dept.

(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Classification: Public

India Ratings & Research
A Fitch Group Company

India Ratings Assigns Bank of India’s Bonds ‘IND AA+’/Stable; Affirms Existing Rating

Sep 11, 2024 | Public Sector Bank

India Ratings and Research (Ind-Ra) has taken the following rating actions on Bank of India (BoI) and its debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	IND AA+/Stable	Affirmed
Infrastructure bonds#	-	-	-	INR50	IND AA+/Stable	Affirmed
Infrastructure bonds*		-	-	INR50	IND AA+/Stable	Assigned
Basel III tier 2 bonds*	-	-	-	INR25	IND AA+/Stable	Assigned

Details in the annexure

*Yet to be issued

Analytical Approach

Ind-Ra continues to factor in the support from the government of India (GoI) to arrive at the ratings.

Detailed Rationale of the Rating Action

The ratings reflect BoI’s systemic importance, which is driven by an increase in the bank’s market share in net advances, along with a stable market share in its deposits and GoI’s 73.38% stake in the bank at FYE24. Ind-Ra opines the GoI’s support to BoI has been demonstrated through regular equity infusions over the past few years, which has helped the bank to step up provisions and strengthen its balance sheet.

The ratings also reflect the bank’s improving capital position and operating buffers, indicating its increasing ability to absorb the impact of any expected and unexpected increase in credit costs. Further, BoI’s provision cover has been improving without any significant deterioration in its credit profile and market position. These factors, in the agency’s opinion, have enabled the bank to witness material profitability in FY24 (FY24 annualised return on assets (RoA): 0.70%) and boost its share in advances and deposits over the medium term. Furthermore, the bank’s high provision coverage moderates its additional provisioning requirements. With the slippages slowing down, the bank’s overall profitability has been on an improving trend since FY21.

List of Key Rating Drivers

Strengths
- Continuing systemic importance
- Adequately capitalised after capital raise in December 2023

- Improvement in asset quality
- Improvement and sustainability of quality of earnings key to performance

Weaknesses
- Deposit profile could come under pressure

Detailed Description of Key Rating Drivers

Continuing Systemic Importance: BoI remains the sixth-largest public sector bank with a market share of 3.5% in advances at FYE24 (FY23: 3.6%) and 3.6% in deposits (3.7%). The bank had a sizeable network of 5,155 domestic and 22 overseas branches at 1QFYE25. BoI continues to hold a high systemic importance for the GoI, resulting in a high probability of ordinary and extraordinary support from it, if required. BoI received a capital infusion of INR309.44 billion from the GoI over FY16-FY21; Ind-Ra expects the government support to continue, if required; the same has been factored into the ratings. Like other large public sector banks, BoI has been able to raise equity (December 2023: INR45.0 billion; August 2021: INR25.5 billion) from the market, led by an improvement in its financial position.

Adequately Capitalised after Capital Raise in December 2023: Since FY21, the bank has been reporting consistent profitability, which, along with timely capital raise, has largely led to an improvement in its common equity tier 1 to 13.62% at 1QFYE25 (FY24:14.24%; FYE23: 13.60%) and resulted in a total capital adequacy ratio of 16.18% (16.96%; 16.28%). Both the ratios compare favourably with its peer banks. Furthermore, with a sharp rise in internal accruals and the provision coverage ratio over FY18-FY21, the need to provide for its legacy non-performing assets (NPA) has been taken care of, which reduces the pressure on BoI's profitability.

Ind-Ra believes the manageable asset quality would enable the bank to maintain a relatively material profitability over FY25, with an RoA of about 0.7% in 1QFY25. Ind-Ra believes the existing capital buffers are adequately placed to absorb any asset quality shocks. After factoring in the elevated provisioning requirements in FY23, on account of the COVID-19 pandemic-induced potential slippages, the agency believes BoI's capital buffers will be moderately higher than the regulatory requirements over the medium term while maintaining peer-comparable net NPA ratio.

Improvement in Asset Quality: The bank's gross NPA ratio reduced to 4.63% in 1QFY25 (FY24: 4.98%; FY23: 7.31%) and its net NPA ratio to 0.99% (1.22%; 1.66%), mainly on account of write-offs of INR13.12 billion billion (INR97.49 billion; INR86.54 billion) and a recovery and upgrade of INR20.85billion (INR63.05 billion; INR72.34 billion), leading to negative net slippages in 1QFY25. Further, Ind-Ra believes the bank may not see significant net slippages in FY25 and the asset quality is likely to continue to improve and would be manageable over the near-to-medium term.

BoI's provision coverage ratio stood at 79.43% (excluding technical write-offs) in 1QFY25 (FY24: 76.5%; FY23: 78.6%), and hence, provisions on its legacy gross NPAs would not be substantial. Furthermore, among the gross NPA accounts, there are accounts which are 100% provided for but not written off, which could bring down the headline gross NPA. Ind-Ra expects the credit costs to be absorbed by the bank's expected steady state pre-provisioning operating profit (1QFY25: 2.8%; FY24: 2.7% of average net advances; FY23: 3.0%) over the medium term; thus, the agency does not expect the bank to make significant losses on account of credit costs as witnessed in the past.

Improvement and Sustainability of Quality of Earnings Key to Performance: BoI reported a net profit of INR176.03 billion during FY21-1QFY25, after cumulative losses of INR221.95 billion over FY16-FY20. The bank's net interest income growth declined to 6.1% in 1QFY25 (FY24:13.7%; FY23: 44.2%), while net interest margin saw an uptick of 6bp sequentially to 3.07% (2.97%; 3.01%). The bank's pre-provision operating profit growth was marginally down 2% yoy in 1QFY25 (FY24: 5.0%; FY23: 33.4%) while the bank's cost-to-income ratio remained stable at 51.5% (51.7%; 51.1%). The contribution of treasury income and recoveries from written-off accounts constituted 19.1% of the pre-provision operating profit in 1QFY25 (FY24: 17.1%; FY23: 21.7%) and remains an important part of BoI's sustainable operating performance.

Moreover, the bank credit costs remained subdued at 90.7bp in 1QFY25 (FY24: 78bp; FY23: 79bp), leading to a healthy profit generation. BoI had written off loan's worth about INR638.9billion over FY18-1QFY25 (about 11.1% of its current net advances), and if recoveries pick up further, this could be a source of profitability, and internal accruals which add to the capital buffers.

Deposit Profile Could Come under Pressure: BoI's low-cost current account and savings account deposits remained steady at 36.0% at 1QFY25(FYE24: 36.6%; FYE23: 37.7%), marginally below the peer median levels. During 1QFY25, BoI's current account and savings account grew at about 5.5% yoy, the overall deposits, including fixed deposits, grew about 9.7% yoy, while net advances grew 17.6% yoy. Given the deposit growth has lagged advance growth for a few quarters, the banking sector has been under pressure and accordingly the banks' term deposit rates increased about 1.5% in the past two years. Furthermore, the agency expects as interest rate curve is adverse, the banks' interest rates on deposits will continue to increase over the medium term.

Liquidity

Adequate: BoI maintained a small cumulative funding deficit of 7.27%% in the up-to-one-year bucket on the contractual asset-liability management at FYE24. It also maintained about 21.7% of the total assets in balances with the Reserve Bank of India, banks and in government securities in FY24 as part of the statutory liquidity ratio requirements. The bank's liquidity coverage ratio was 126.41% at 4QFYE24 on a standalone basis.

Rating Sensitivities

Positive: A substantial, demonstrated growth in franchise delivering consistent market share gains, consistency in the profitability while maintaining capital buffers at materially higher levels than the regulatory requirements and a significant improvement in the deposit profile, hereon, could result in a positive rating action.

Negative: BOI's Long-Term Issuer Rating could be downgraded if there is any unfavourable change in the government's support stance that restricts the bank's ability to maintain its systemic importance, or if the equity buffers of the bank consistently operate at close to the minimum regulatory levels, which could restrict its ability to grow its business and market share. There could also be a negative rating action if the bank loses its market share materially compared to other public sector banks.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BOI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

BoI is the sixth-largest Indian public sector bank. At 1QFYE25, it had net advances share of about 3.5% and a deposit share of about 3.6%. The bank has a sizeable network of 5,155 domestic and 22 overseas branches as of 1QFY24.

Key Financial Indicators

Particulars (INR billion)	**FY24**	**FY23**
Total assets	9,125.98	8,155.6
Total equity	688.8	589.7
Net profit/loss	63.2	40.2
Return on assets (%)	0.70	0.49
Common equity tier 1 (%)	14.24	13.60
Capital adequacy ratio (%)	16.96	16.28
Source: BoI, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating	3 July 2024	10 April 2024	12 January 2023	13 October 2021
Issuer rating	Long-term	-	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable	IND AA/Stable
Infrastructure bonds	Long-term	INR100	IND AA+/Stable	IND AA+/Stable	-	-	-
Basel III tier 2 bonds	Long-term	INR25	IND AA+/Stable	-	-	-	-
Basel III tier 2 bonds	Long-term	INR10	IND AA+/Stable	-	-	WD	IND AA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III tier 2 bonds	Low
Infrastructure bonds	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Infrastructure bond	INE084A08185	19 July 2024	7.54	19 July 2034	INR50.00	IND AA+/Stable

Source: NSDL, BoI

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA

Rating Bank Subordinated and Hybrid Securities

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process