बैंक ऑफ़ इंडिया Bank of India BOI

संदर्भ क्र. Ref. No.: HO:IRC:SVM:2024-25:32 **दिनांक Date:** 10.04.2024

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 of SEBI (LODR) Regulations – Long Term Issuer Rating

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 rating agency, India Ratings & Research Pvt. Ltd., has affirmed Bank's Long Term Issuer Rating at 'IND AA+' and the Outlook is Stable.

The Rating press release is attached herewith.

This is for your information and appropriate dissemination.

भवदीय Yours faithfully,

RAJESH VENKATA RAJ UPADHYA

Digitally signed by: RAJESH VENKATARAJ UPADHYA
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बैंक ऑफ इंडिया BANK OF INDIA प्र. का. H.O. निवेशक संबंध विभाग Investor Relations Dept.

(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Encl: Rating Press Release

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India Ratings Affirms Bank of India at 'IND AA+'; Outlook Stable

Apr 10, 2024 | Public Sector Bank

India Ratings and Research (Ind-Ra) affirms Bank of India's (BoI) Long-Term Issuer Rating at 'IND AA+'. The Outlook is Stable.

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 rating affirmation reflects BoI's systemic importance, which is driven by the bank's net advances market share of 3.4% in 9MFY24 (FY23: 3.6%), along with a deposit market share of 3.6% (3.7%) and GoI's 73.38% stake in BoI at end-December 2023. Ind-Ra opines the GoI's support to BoI has been demonstrated through regular equity infusions over the last few years, which has helped the bank to step up provisions and strengthen its balance sheet.

The rating also reflects 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, are likely to have enabled the bank to witness material profitability in FY24 (9MFY24 annualised return on assets (RoA): 0.72%) and boost its share in advances and deposits over the medium term. Furthermore, the bank's high provision coverage moderates the requirements of additional provisioning requirements. Moreover, 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 post 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 an advances and deposits market share of 3.4% and 3.6%, respectively, at 9MFYE24. The bank had a sizeable network of 5,139 domestic and 22 overseas branches at 9MFYE24. 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's 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 (INR25.5 billion in August 2021 and INR45.0 billion in December 2023) from the market, led by an improvement in its financial position.

Adequately Capitalised Post 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 (CET) 1 to 13.16% at 3QFYE24 (FYE23: 13.60%, FYE22: 13.49%) and has resulted in a total capital adequacy ratio (CAR) of 16.06% (16.28%,16.51%). Both the ratios compare favourably with 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 compared to its previous performance through FY24-FY25, with a RoA of about 0.7%. Ind-Ra believes the existing capital buffers are adequately placed to also absorb asset quality shocks. After factoring in the elevated provisioning requirements in FY23, on account of the pandemic-induced potential slippages, the agency believes BoI's capital buffers will be moderately higher than the regulatory requirements while maintaining peer-comparable net NPA ratio.

Improvement in Asset Quality: The bank's gross NPA ratio reduced to 5.35% in 9MFY24 (FY23: 7.31%; FY22: 9.98%) and its net NPA ratio to 1.41% (1.66%, 2.34%), mainly on account of write-offs of INR91.68 billion (INR86.54 billion; INR103.23 billion) and a recovery and upgrade of INR47.92 billion (INR72.34 billion; INR95.29 billion), which had largely led to negative slippages in FY23 and 9MFY24 and likely to be negative in FY24 also. 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 74.8% (excluding technical write-offs) in 3QFY24 (FY23: 78.6%), and hence, provisions on 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 (9MFY24: 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 INR144.6 billion during FY21-9MFY24, after cumulative losses of INR221.95 billion over FY16-FY20. The bank reported stable net interest income (NII) growth of 16.0% in 9MFY24 (FY23: 44.2%), largely driven by stable net interest margin of 2.98% in 9MFY24 (9MFY23: 2.96%). The bank's pre-provision operating profit grew 14.1% in 9MFY24 (FY23: 33.4%, FY22: negative 7.7%) as the bank's cost-to-income ratio remained stable at 51.0% (51.1%, 54.4%). The contribution of treasury income and recoveries from written-off accounts constituted 29.1% of the pre-provision operating profit in 9MFY24 (9MFY23: 25.0%) and remains an important part of BoI's sustainable operating performance.

Moreover, a decline in credit costs to 54bp in 9MFY24 (9MFY23: 91bp), led to a stronger profit generation. BoI had written off loans amounting to about INR610.1 billion over FY18-9MFY24 (about 8.7% 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 36.9% at 9MFYE24 (FYE23: 37.7%; FYE22: 39.1%), marginally below the peer median levels. During 9MFY24, BoI's current account and savings account grew at about 5.9% yoy, the overall deposits, including fixed deposits, grew about 8.3% yoy, while net advances grew 13.9% 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 have increased 1%-1.5% yoy. 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 10.4% in the up-to-one-year bucket on the contractual asset-liability management at 2QFYE24. It also maintained about 23.1% of the total assets in balances with the Reserve Bank of India, banks and in government securities in 2QFY24 as part of the statutory liquidity ratio requirements. The bank's liquidity coverage ratio was 148.08% at 3QFYE24 on a standalone basis.

Rating Sensitivities

Positive: A substantial, demonstrated growth in franchise delivering consistent market share gains, consistency in profitability while maintaining capital buffers at materially higher levels than the regulatory requirements and a significant improvement in 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 9MFYE24, it had net advances share of about 3.4% and a deposit share of about 3.6%. The bank had a sizeable network of 5,139 domestic and 22 overseas branches at 9MFYE24.

FINANCIAL SUMMARY

Particulars (INR billion)	**FY23**	**FY22**
Total assets	8,155.6	7,346.1
Total equity	589.7	551.3
Net profit/loss	40.2	34.0
Return on assets (%)	0.49	0.43
Common equity tier 1 (%)	13.60	13.49
Capital adequacy ratio (%)	16.28	16.51
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	12 January 2023	13 October 2021
Issuer rating	Long-term	-	IND AA+/Stable	IND AA+/Stable	IND AA/Stable
Basel III tier 2 bonds	Long-term	INR10	WD	WD	IND AA/Stable

Complexity Level of the Instruments

Not applicable

APPLICABLE CRITERIA

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

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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.

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