April 29, 2025

Bank of India: Rating reaffirmed and continues on notice of withdrawal

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fixed deposit programme	-	-	[ICRA] AA+ (Stable); reaffirmed and continues on notice of withdrawal
Total	-	-	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation continues to factor in Bank of India's (BoI) strong capital position as well as the steady improvement in its solvency[1] level on the back of the declining net stressed assets level. The rating continues to factor in sovereign ownership and the demonstrated track record of capital support from the Government of India (GoI), which is expected to be forthcoming if required. Moreover, the rating takes into account BoI's strong resource profile, given its well-developed retail franchise, which translates into a granular deposit base and a competitive cost of funds.

The bank's overall potential stress book, comprising the overdue and restructured book, has declined gradually from the higher level during the Covid-19 pandemic, though it remains elevated in relation to the core capital. Further, while its profitability has improved with an annualised return on assets (RoA) of 0.91% in 9M FY2025 (0.74% in FY2024), it remained below the public sector banks' (PSBs) average of 1.10% (0.98% in FY2024). BoI's ability to keep slippages and credit costs at lower levels will be important to ensure healthy profitability. Moreover, a material weakening in macroeconomic conditions will be monitorable as it could potentially impact the asset quality and profitability levels.

BoI has confirmed that there are no deposits outstanding, which have been mobilised using ICRA's ratings. Hence, at the bank's request and in accordance with ICRA's withdrawal policy, the rating remains on notice of withdrawal.

Key rating drivers and their description

Credit strengths

Sovereign ownership with demonstrated capital support from GoI – The rating continues to factor in the bank's majority sovereign ownership (73.38% as on December 31, 2024) and the demonstrated track record of capital infusions by the GoI of ~Rs. 29,784 crore during FY2017-FY2021, which supported a meaningful reduction in the net non-performing advances (NNPAs) over the last few years. Given the steady improvement in internal capital generation and the equity raise in FY2022 and FY2024, BoI is not expected to require further capital in the near term, though ICRA expects the same to be forthcoming if required. Moreover, the rating will be reassessed in case of a change in the sovereign ownership.

Strong capitalisation levels – The bank's core equity capital (CET I) and Tier I capital stood at 12.96% and 13.60% (excluding 9M FY2025 profit), respectively, as on December 31, 2024 (14.24% and 14.93%, respectively, as on March 31, 2024). While the capitalisation profile was supported by infusions in the past, BoI remained profitable since FY2021, supporting its capital ratios despite the growth in assets. The capital position was also supported by the equity raise of Rs. 2,550 crore via a qualified institutional placement (QIP) in FY2022 and Rs. 4,500 crore via a QIP in FY2024. Better capitalisation levels, along with a decline in the net stressed levels, supported the gradual improvement in the solvency level to 9.30% as on December 31, 2024 (11.67% as on March 31, 2024 and 16.7% as on March 31, 2023).

[1] Solvency is defined as (NNPAs + Net security receipts + Net non-performing investments) / Core capital)

ICRA also notes that some of the bank's subsidiaries have required capital support in recent years. Capital infusions may be required by the regional rural bank and/or its subsidiaries in the near to medium term, which has been factored into ICRA's estimates. This is expected to remain at a manageable level. ICRA expects BoI to remain sufficiently capitalised as its internal capital generation is likely to provide the requisite growth capital.

Notwithstanding the sufficient internal accruals and growth capital, the Reserve Bank of India's (RBI) implementation of the expected credit loss (ECL) framework for credit exposures remains monitorable from a capitalisation perspective.

Well-developed deposit franchise, leading to competitive cost of funds – BoI continues to derive strength from its granular deposit base, which is supported by its network of 5,224 branches as on December 31, 2024 (5,170 as on March 31, 2024), with a deep presence in rural and semi-urban areas (64% of total branches). Its liability profile has traditionally been dominated by deposits, driven by the low-cost domestic current account savings account (CASA) deposits, which stood above the PSB average at 41.05% of total domestic deposits as on December 31, 2024. The cost of funds of 5.21% in 9M FY2025 remained largely in line with the PSB average of 5.18%. While the overall deposit growth of 12.3% YoY, as of December 2024, was higher than the PSB average of 9.8%, it was lower than the YoY growth of 16.7% in advances. The deposit base remains granular, with the share of the top 20 depositors at 5.97% as on March 31, 2024 (7.67% as on March 31, 2023and 6.42% as on March 31, 2022). Going forward, ICRA expects BoI's liability profile to remain a significant positive for supporting its credit growth while maintaining strong liquidity and profitability.

Credit challenges

Asset quality remains monitorable – The gross annualised fresh NPA generation rate moderated to 1.34% of standard advances in 9M FY2025 from 1.58% in FY2024 (1.94% in FY2023). Further, BoI's headline asset quality metrics have improved steadily, supported by high recoveries, upgrades, and write-offs. As a result, the gross NPA (GNPA) and NNPA declined to 3.69% and 0.85%, respectively, as on December 31, 2024 (4.98% and 1.22%, respectively, as on March 31, 2024). Despite the improvement in the headline asset quality metrics, the overall vulnerable book [special mention account [2] (SMA-1 + SMA-2) + standard restructured book] continues to be high in relation to the core capital. Slippages from this pool could remain elevated in the near term, leading to higher credit costs and lower profitability. Moreover, a material weakening in macroeconomic conditions will be monitorable as it could potentially impact the asset quality and profitability levels.

Environmental and social risks

Given the service-oriented nature of its business, the bank's direct exposure to environmental risks is not material, though it faces asset quality risks from regulatory changes that affect its borrowers. BoI's business strategy encompasses efforts and investments towards energy conservation, carbon management, water conservation, waste reduction and reuse. The bank is guided by RBI-prescribed guidelines on priority sector lending and government-led initiatives to improve the access of disadvantaged, vulnerable and marginalised stakeholders to financial services. Performance-related evaluation of various initiatives is conducted at regular intervals and the initiatives are fine-tuned accordingly.

Liquidity position: Strong

BoI's liquidity profile remains strong, supported by its robust liabilities franchise and sovereign ownership. Further, the bank has excess statutory liquidity ratio (SLR) holdings of 4.6% of net demand and time deposits as on December 27, 2024, which can be utilised to avail liquidity support from the RBI (through repo against excess SLR investments and the marginal standing facility mechanism) in case of urgent liquidity requirement. Moreover, the liquidity coverage ratio of 115.4% and net stable funding ratio of 125.1% for the quarter ending December 31, 2024 were well above the regulatory requirement of 100%.

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[2] *SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days*

Rating sensitivities

Positive factors – BoI's ability to enhance its profitability, with an RoA of more than 1%, and maintain a healthy solvency profile with net stressed assets/core equity of less than 20% on a sustained basis, and Tier I cushions of more than 2% over the regulatory Tier I levels (including capital conservation buffers), will be positive factors.

Negative factors – The rating will be reassessed in case of a change in the sovereign ownership. Deterioration in the asset quality or capitalisation profile, thereby weakening the solvency profile with net stressed assets/core equity exceeding 30% on a sustained basis, will lead to a negative impact on the rating. Further, a sustained RoA of less than 0.3% and/or a decline in the capital cushions over the regulatory levels to less than 1% on a sustained basis will remain negative factors.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions Policy on Withdrawal of Credit Ratings
Parent/Group support	The rating factors in BoI's sovereign ownership and the demonstrated track record of capital infusions by the GoI.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of BoI. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

About the company

Bank of India (BoI) was incorporated in 1906 and was nationalised, along with 13 other banks, in July 1969. The GoI's stake in the bank was 73.38% as on December 31, 2024. As per ICRA's estimates, BoI had a market share of 3.6% and 3.7%, respectively, in the total advances and deposits of the Indian banking sector as on December 31, 2024 and a widespread network of 5,224 branches across India.

For 9M FY2025, BoI reported a net profit of Rs. 6,593 crore on a total asset base of Rs. 10.25 lakh crore as on December 31, 2024 compared to a net profit of Rs. 4,879 crore in 9M FY2024 on a total asset base of Rs. 8.63 lakh crore as on December 31, 2023.

Key financial indicators (standalone)

Bank of India	FY2023	FY2024	9M FY2025
Total income	25,540	28,519	22,901
Profit after tax	4,023	6,318	6,593
Total assets (Rs. lakh crore)	8.09	9.06	10.25
CET I	13.60%	14.24%	12.96%^
CRAR	16.28%	16.96%	16.00%^
PAT/ATA	0.52%	0.74%	0.91%
Gross NPA	7.31%	4.98%	3.69%
Net NPA	1.66%	1.22%	0.85%

Source: Bank of India, ICRA Research; Amount in Rs. crore unless mentioned otherwise; Note: All calculations are as per ICRA Research
Total income includes net interest income and non-interest income (excluding Treasury income)
^Excluding 9M FY2025 profit

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
					Apr-29-2025	Apr-26-2024	Apr-24-2023	Jun-08-2022	Apr-21- 2022
1	Fixed deposit programme	Long term	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	MAAA (Stable)

Complexity level of the rated instrument

Instrument	Complexity indicator
Fixed deposit programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fixed deposit programme**	-	-	-	-	[ICRA]AA+ (Stable)

Source: Bank of India

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership*	Consolidation approach
BOI Shareholding Limited	100.00%	Full consolidation
BOI Investment Managers	100.00%	Full consolidation
BOI Trustee Services	100.00%	Full consolidation
BOI Merchant Bankers Limited	100.00%	Full consolidation
PT Bank of India Indonesia Tbk	90.96%	Full consolidation
Bank of India (Tanzania) Limited	100.00%	Full consolidation
Bank of India (New Zealand) Limited	100.00%	Full consolidation
Bank of India (Uganda) Limited	100.00%	Full consolidation
STCI Finance Limited	29.96%	Full consolidation
ASREC (India) Limited	26.02%	Full consolidation
Indo Zambia Bank Limited	20.00%	Full consolidation
Star Union Dai-Ichi Life Insurance Co. Limited	28.96%	Full consolidation
Madhya Pradesh Gramin Bank	35.00%	Full consolidation
Vidharbha Konkan Gramin Bank^	35.00%	Full consolidation
Aryavart Bank (erstwhile Gramin Bank of Aryavart)^	35.00%	Full consolidation

*Source: BoI; *As on December 31, 2024*

^ Effective May 01, 2025, BoI will cease to be the sponsor bank of Vidharbha Konkan Gramin Bank and Aryavart Bank due to their amalgamation with other regional rural banks (RRBs)

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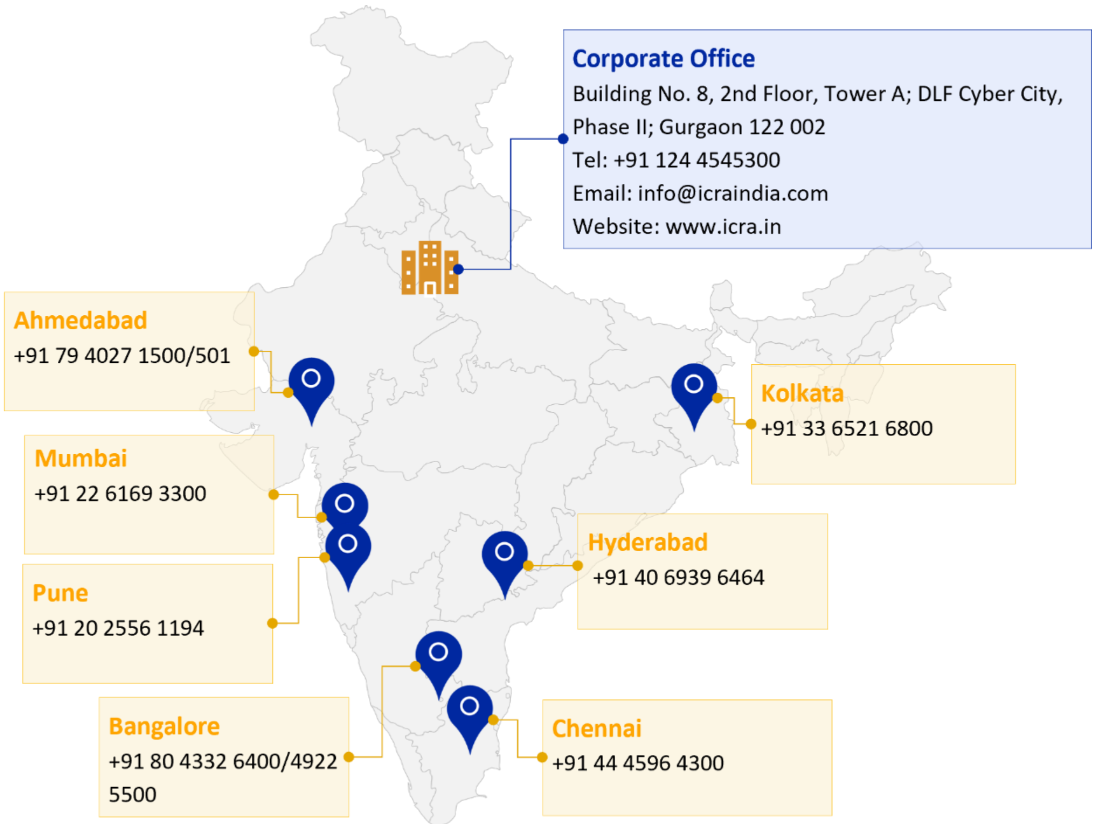

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