

November 20, 2025

Bank of India: [ICRA]AA+ (Stable) assigned to Basel III Tier II bonds; rating for fixed deposit programme reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II bonds	-	2,500.00	[ICRA] AA+ (Stable); assigned
Fixed deposit programme	-	-	[ICRA] AA+ (Stable); reaffirmed and withdrawn
Total	-	2,500.00	

*Instrument details are provided in Annexure I

Rationale

The rating continues to factor in Bank of India's (BoI) strong capital position as well as the continuous improvement in its solvency¹ level on the back of the declining net stressed assets level. It also considers the sovereign ownership and the demonstrated track record of capital support from the Government of India (GoI), which is expected to be forthcoming if required. The impact of the proposed transitioning to loan loss provisioning, based on the expected credit loss (ECL) framework, on BoI's capital and profitability levels is also likely to be manageable due to the improved capital buffers. Moreover, the rating takes into account the bank'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. Additionally, the improved operating profitability provides cushion to the capital against unforeseen asset quality shocks. Further, barring a marginal decline in its annualised return on assets (RoA) to 0.91% in H1 FY2026, BoI's profitability has been improving steadily and was reported at 0.95% in FY2025 compared to 0.74% in FY2024. Nevertheless, it remained below the public sector banks' (PSBs) average of 1.12% in H1 FY2026 (1.12% in FY2025) because of the lower net interest margin (NIM). BoI's ability to keep slippages and credit costs at lower levels and reduce its cost-to-income ratio will be important to ensure healthy profitability. Moreover, a material weakening in global 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 were mobilised using ICRA's ratings. Hence, at the bank's request and in accordance with ICRA's withdrawal policy, the rating for the fixed deposit has been withdrawn, which was previously placed on notice of withdrawal.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 September 30, 2025) and the demonstrated track record of capital infusions by the GoI of ~Rs. 29,784 crore during FY2017-FY2021. This supported a meaningful reduction in the net non-performing advances (NNPAs) over the last few years and BoI's exit from the prompt corrective action (PCA) framework of the Reserve Bank of India (RBI) in FY2019. 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.

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

Strong capitalisation levels – The bank’s core equity capital (CET I) and Tier I capital stood at 13.89% and 14.49% (excluding H1 FY2026 profit), respectively, as on September 30, 2025 (14.84% and 15.47%, respectively, as on March 31, 2025). While the capitalisation profile was supported by infusions in the past, BoI has remained profitable since FY2021, supporting its capital ratios despite the growth in assets. The capital position was also aided by the equity raise of Rs. 2,550 crore and Rs. 4,500 crore via qualified institutional placements (QIPs) in FY2022 and FY2024, respectively. Better capitalisation levels, along with the decline in the net stressed assets level, supported the gradual improvement in the solvency level to 6.84% as on September 30, 2025 (8.10% as on March 31, 2025 and 11.67% as on March 31, 2024). With the improved capital and profitability position, the impact of the proposed transitioning to ECL based on loan loss provisioning is also expected to be manageable.

ICRA notes that the bank may be required to support its subsidiaries and/or regional rural bank via capital infusions. Nevertheless, this is anticipated to stay at a manageable level. ICRA expects BoI to remain sufficiently capitalised as its internal capital generation is likely to provide the requisite growth capital.

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 5,399 branches as on September 30, 2025 (5,213 as on September 30, 2024), with a deep presence in rural and semi-urban areas (65% 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 39.24% of total domestic deposits as on September 30, 2025. The cost of funds of 5.18% in H1 FY2026 was slightly above the PSB average of 5.11%. As on September 30, 2025, domestic deposits rose by 8.53% year-on-year (YoY), which was slightly below the PSB average of 9.43%. However, this growth was lower than the 14.73% YoY increase in domestic advances. The deposit base remains granular, with the share of the top 20 depositors at 6.19% as on March 31, 2025 (5.97% as on March 31, 2024, and 7.67% as on March 31, 2023).

Credit challenges

Asset quality remains monitorable – The gross annualised fresh NPA generation rate moderated to 0.94% of standard advances in H1 FY2026 from 1.36% in FY2025 (1.58% in FY2024). 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 2.54% and 0.65%, respectively, as on September 30, 2025 (3.27% and 0.82%, respectively, as on March 31, 2025; 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 account² (SMA-1 + SMA-2) + standard restructured book) continues to be high in relation to the core capital. BoI’s ability to limit slippages from this book will remain a near-to-medium-term monitorable. Moreover, a material weakening in macroeconomic conditions will be monitorable as it could potentially impact the asset quality and profitability levels.

Profitability improves but remains below peers – The bank’s profitability has been improving over the years, barring a marginal decline in H1 FY2026 due to compressed NIMs because of rate cuts, as seen by the industry. It reported RoA of 0.91% (annualised) in H1 FY2026 and 0.95% in FY2025 compared to 0.74% in FY2024. Nevertheless, it remains below the peer PSB average RoA, which rose to 1.12% in FY2025 from 0.98% in FY2024. BoI’s relatively lower profitability vis-à-vis the PSB average was primarily due to lower yields, subdued non-interest income and the higher operating cost ratio. The bank expects the repricing of the remaining deposits in the coming quarters and expects to achieve an RoA of 1% by the exit quarter of FY2026.

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

Environmental and social risks

While banks like BoI do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for BoI as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. BoI has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. BoI has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the steady improvement in its asset quality numbers.

Liquidity position: Strong

BoI's reported liquidity coverage ratio of 119.76% and net stable funding ratio of 113.88% in Q2 FY2026 were well above the regulatory requirement of 100%. ICRA expects the bank to maintain its strong liquidity profile, given the large proportion of retail deposits and the high portfolio of liquid investments. It can also avail liquidity support from the RBI (through reverse repo against excess statutory liquidity ratio (SLR) investments and marginal standing facility mechanism) in case of urgent liquidity requirements.

Rating sensitivities

Positive factors – BoI's ability to increase its scale of operations meaningfully, while improving its profitability and maintaining a comfortable solvency profile and healthy capitalisation profile, will be a positive factor.

Negative factors – The rating will be reassessed in case of a change in the sovereign ownership. ICRA could also downgrade the rating if the asset quality or capitalisation profile deteriorates, thereby weakening the solvency profile. Further, RoA of less than 0.5% on a sustained basis will be a negative trigger.

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 September 30, 2025. 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 September 30, 2025 and a widespread network of 5,399 branches across India.

BoI reported a net profit of Rs. 4,807 crore in H1 FY2026 on a total asset base of Rs. 10.69 lakh crore as on September 30, 2025 compared to a net profit of Rs. 4,076 crore in H1 FY2025 on a total asset base of Rs. 9.78 lakh crore as on September 30, 2024.

Key financial indicators (standalone)

Bank of India	FY2024	FY2025	H1 FY2026
Total income	28,519	31,515	15,234
Profit after tax	6,318	9,219	4,807
Total assets (Rs. lakh crore)	9.06	10.34	10.69
CET I	14.24%	14.84%	13.89%^
CRAR	16.96%	17.77%	16.69%^
PAT/ATA	0.74%	0.95%	0.91%*
Gross NPA	4.98%	3.27%	2.54%
Net NPA	1.22%	0.82%	0.65%

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)

*Calculated on annualised basis

^Excluding interim profit

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2026)		Chronology of rating history for the past 3 years				
			Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		
			Nov 20,2025	Apr-29-2025	Apr-26-2024	Apr-24-2023	Jun-08-2022	Apr-21-2022	
1 Fixed deposit programme	Long term	-	[ICRA]AA+ (Stable) (withdrawn)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	MAAA (Stable)
2 Basel III Tier II bonds	Long term	2,500.00	[ICRA]AA+ (Stable)						

Complexity level of the rated instrument

Instrument	Complexity indicator
Basel III Tier II bonds	Highly Complex
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); withdrawn
Unplaced	Basel III Tier II bonds	-	-	-	2,500.00	[ICRA]AA+ (Stable)

Source: Bank of India

Key features of rated debt instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These Basel III bonds have equity-like loss-absorption features, which may translate into higher loss severity vis-à-vis conventional debt instruments.

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	27.48%	Full consolidation
Madhya Pradesh Grameen Bank [^]	35.00%	Full consolidation

Source: BoI; *As on September 30, 2025

[^] Under the 'One State, One RRB' policy, the Govt merged Madhya Pradesh Gramin Bank and Madhyanchal Gramin Bank to form a single entity named Madhya Pradesh Grameen Bank (MPGB). The merger became effective on May 1, 2025

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Branches



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