July 17, 2026

Bank of India: [ICRA]AA+ (Stable) Issuer Rating assigned; rating for Basel III Tier II bonds programme reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Issuer Rating	-	-	[ICRA] AA+ (Stable); assigned	-$
Basel III Tier II bonds	2,500.00	2,500.00	[ICRA] AA+ (Stable); reaffirmed	SEBI
Total	**2,500.00**	**2,500.00**		

**Instrument details are provided in Annexure I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

$ Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Rationale

The rating continues to factor in the sovereign ownership of Bank of India (BoI) and the demonstrated track record of capital support from the Government of India (GoI), which is expected to be forthcoming if required. The rating also factors in BoI's strong capital position as well as the sustained improvement in its solvency[1] level on the back of the declining net stressed assets level. The impact of the proposed transitioning to loan loss provisioning, based on the expected credit loss (ECL) framework, on its capital and profitability levels is also likely to be manageable due to the enhanced 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 increased operating profitability provides cushion to the capital against unforeseen asset quality shocks. While profitability has improved materially over the last few years, the bank's return on assets (RoA) remained below 1%, rising only marginally to 0.96%[2] in FY2026 from 0.95% in FY2025 (0.74% in FY2024). Consequently, profitability continues to trail the Public Sector Bank (PSB) average RoA of 1.12% in FY2026. The relatively low profitability vis-à-vis peers is attributable to lower yields on advances and relatively higher cost-to-income ratios.

BoI's ability to enhance its yields and reduce its cost-to-income ratio will be important to improve its operating profitability in a sustainable manner. Moreover, its ability to keep its slippages, and consequently credit costs, under control in the backdrop of the weakening macroeconomic environment, spillovers from geopolitical conflicts and supply chain constraints will remain a key monitorable.

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 March 31, 2026) and the demonstrated track record of capital infusions by the GoI of ~Rs. 29,784 crore during FY2017-FY2021. This enhanced its ability to absorb the impact of writing off its non-performing advances (NPAs). This supported a meaningful reduction in the net NPAs (NNPAs) over the last few years as well as BoI's exit from the prompt corrective action (PCA) framework of the Reserve Bank of India (RBI) in FY2019. Given the steady improvement in

---

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

[2] All the ratios are as per ICRA's calculation

internal capital generation and the equity raise in FY2022 and FY2024, the bank 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 ratios stood at 15.05% and 15.36%, respectively, as on March 31, 2026 (14.84% and 15.47%, respectively, as on March 31, 2025). While the capitalisation profile was backed 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 5.68% as on March 31, 2026 (8.10% as on March 31, 2025 and 11.67% as on March 31, 2024). The bank has indicated a manageable impact of ~2.5% of its net worth upon transition to the ECL framework from April 1, 2027, which it may spread over the transition period till March 31, 2031.

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 5,511 branches as on March 31, 2026 (5,304 as on March 31, 2025), 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 at 37.64% of total domestic deposits (above the PSB average of 36.27%) as on March 31, 206. The cost of funds of 5.02% in FY2026 was slightly above the PSB average of 4.94%. As on March 31, 2026, domestic deposits rose by 14.3% year-on-year (YoY), which was above the PSB average growth of 9.43% YoY. The deposit base remains granular, with the share of the top 20 depositors at 7.31% as on March 31, 2026 (6.19% as on March 31, 2025).

Credit challenges

Asset quality remains monitorable – The gross annualised fresh NPA generation rate moderated to 0.86% of standard advances in 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 1.98% and 0.56%, respectively, as on March 31, 2026 (3.27% and 0.82%, respectively, as on March 31, 2025; 4.98% and 1.22%, respectively, as on March 31, 2024). Accordingly, its credit cost/average total assets (ATA) decreased to 0.31% in FY2026 from 0.47% in FY2025 (average of 0.43% in FY2022-FY2026). Nonetheless, despite the improvement in the headline asset quality metrics, the overall vulnerable book (special mention account[3] (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, particularly in the backdrop of the geopolitical issues, which could affect the debt-servicing ability of its borrowers.

Profitability improves but remains below peers - While profitability has improved materially over the last few years, the bank's return on assets (RoA) remained below 1%, rising only marginally to 0.96% in FY2026 from 0.95% in FY2025 (0.74% in FY2024). Consequently, profitability continues to trail the PSB average RoA of 1.12% in FY2026. The relatively lower profitability vis-à-vis peers is attributable to lower yields on advances and relatively higher cost-to-income ratios. The bank expects the net interest margins (NIMs) to increase in the coming quarters and to attain an RoA of 1% in FY2027, and its ability to achieve the same would remain monitorable.

[3] 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. The bank has not faced material lapses over the years. Banks, including BoI, also remain exposed to fraud risks, given the operational intensity of the business and the significant level of manpower involved in providing service to the customers.

Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce 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 average liquidity coverage ratio of 116.33% and net stable funding ratio of 125.30% in Q4 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 improve its profitability while 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 on a material deterioration in the asset quality metrics with NNPA of more than 2.5%. 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]
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 March 31, 2026. 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 March 31, 2026 and a widespread network of 5,511 branches across India.

BoI reported a net profit of Rs. 10,527 crore in FY2026 on a total asset base of Rs. 11.55 lakh crore as on March 31, 2026, compared to a net profit of Rs. 9,219 crore in FY2025 on a total asset base of Rs. 10.34 lakh crore as on March 31, 2025.

Key financial indicators (standalone)

Bank of India	FY2025	FY2026
Total income^	31,515	33,373
Profit after tax	9,219	10,527
Total assets (Rs. lakh crore)*	10.34	11.55
CET I	14.84%	15.05%
CRAR	17.77%	18.01%
PAT/ATA	0.95%	0.96%
Gross NPA	3.27%	1.98%
Net NPA	0.82%	0.56%

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)
**Total assets exclude revaluation reserves*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating(FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	July 17, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	-	[ICRA]AA+ (Stable)	-	-	-	-	-	-
Basel III Tier II Bonds	Long term	2,500.00	[ICRA]AA+ (Stable)	Nov 20, 2025	[ICRA]AA+ (Stable)	-	-	-	-
Fixed deposit programme	Long term	-	-	Apr 29, 2025	[ICRA]AA+ (Stable)	Apr 26, 2024	[ICRA]AA+ (Stable)	Apr 24, 2023	[ICRA]AA+ (Stable)
				Nov 20, 2025	[ICRA]AA+ (Stable) (withdrawn)	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Basel III Tier II bonds	Highly Complex
Issuer Rating	NA

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	Financial sector regulator#
NA	**Issuer Rating**	-	-	-	-	[ICRA]AA+ (Stable)	-$
INE084A08227	**Basel III Tier II bonds**	Dec 12, 2025	7.28%	Dec 12, 2035	2,500.00	[ICRA]AA+ (Stable)	SEBI

Source: Bank of India

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

$ Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

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 Services 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 March 31, 2026*

^ Under the 'One State, One RRB' policy, the GoI 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

ANALYST CONTACTS

Mr. Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Mr. Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Mr. Sachin Sachdeva
+91 124 4545 307
sachin.sachdeva@icraindia.com

Nikita Garg
+91 22 6114 3465
nikita.garg@icraindia.com

Mr. Kuldeep Hange
+91 22 6114 3448
kuldeep.hange@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

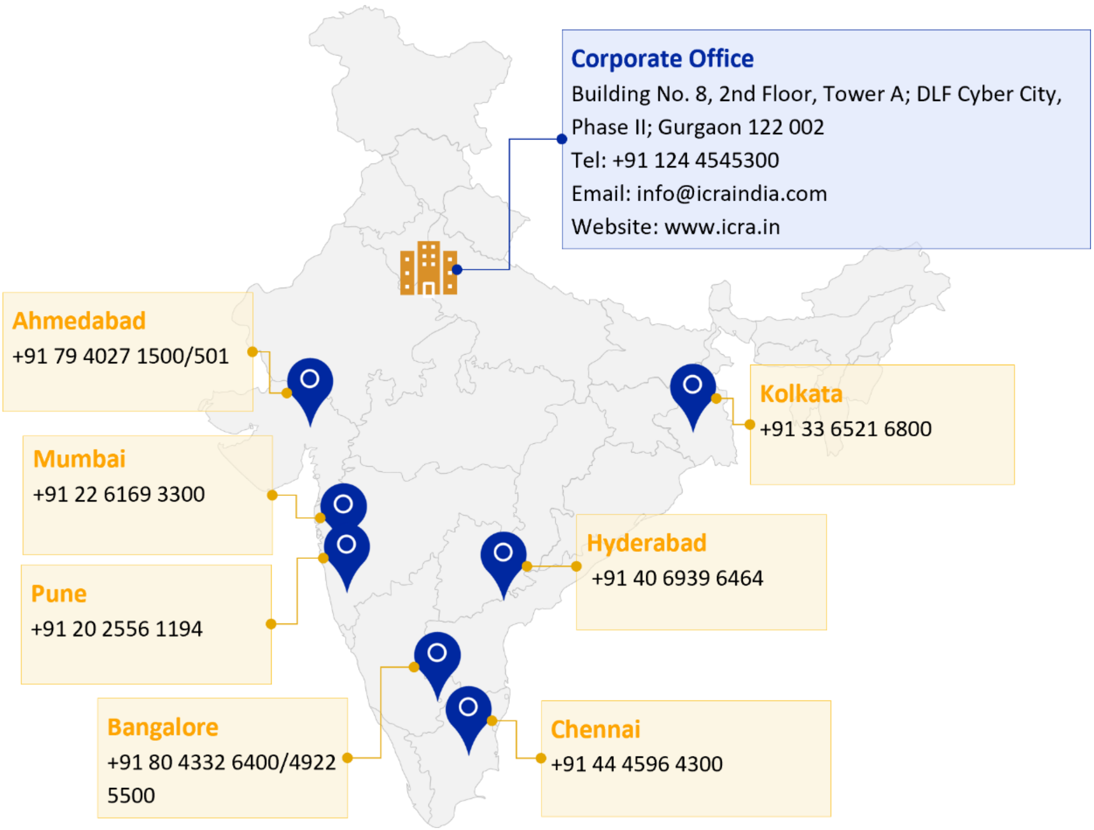
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.