



Bank of India

| Instrument | Amount | Rating Action |
|---|--------|------------------------|
| Corporate Governance practices of Bank of India | NA | CGR2 Rating Reaffirmed |

ICRA has reaffirmed a CGR2 rating to the Corporate Governance practices of Bank of India (BOI). This rating is on a scale of CGR1 to CGR6 where CGR1 denotes the highest rating. The CGR2 rating implies that in ICRA's current opinion, the rated bank has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. In case of banks, ICRA has considered financial stakeholders to include both shareholders and depositors. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated bank's future financial performance, credit rating or stock price.

The rating reflects BOI's transparent ownership structure with majority ownership with Government of India (GoI), experienced board composition, well-defined delegation of power and accountability, satisfactory board processes, effective oversight by the Board in the area of monitoring performance and strategy formulation, well established structure with various sub committees of the Board and the adherence to internal controls procedures and adoption of risk management practices laid down by the guidelines laid down by the Reserve Bank of India (RBI). The rating also favourably factors in the bank's adequate risk management policies and practises in line with the structure proposed by RBI, Board level committee for overseeing risk management system and BOI's preparedness for implementation of advanced approaches of BASEL II. Further, pursuant to PJ Nayak committee recommendation on splitting the position of Chairman and Managing Director for public sector banks, Mr. Melwyn Rego has been appointed as the MD & CEO and Mr. G Padmanabhan has been appointed as the Non-executive Chairman of the bank w.e.f August 2015. The favourable factors also include BOI's strong internal audit system which along with inspection by independent statutory audit firms and inspection by RBI provides comfort towards the audit process of the bank. As for overall credit risk profile of BOI, the bank has ratings of [ICRA]AA+ (Stable outlook) for its Lower Tier II bonds programmes, [ICRA]AA (Stable outlook) for its Upper Tier II bonds & Basel II compliant IPDI and MAAA (stable outlook) rating for its fixed deposits programme. The bond ratings were revised downwards recently on account of deteriorating asset quality and relatively weak profitability indicators of the bank.

BOI's corporate governance rating is however constrained by systemic and structural issues facing Public Sector Banks (PSBs) with respect to composition of the Board, limited scope to adopt emerging best practices in the area of succession planning / executive compensation, and weaker voting rights of minority shareholder rights compared to listed companies of other sectors. As for BoD composition, most of the directors are appointed/ nominated by GoI; as on August-2015 out of twelve members on the board of BOI, nine were appointed/ nominated by GoI and remaining three were appointed by minority shareholders (shareholders other than GoI). Also, key executives of PSBs (Managing Director and Executive Directors) are appointed by majority shareholder (GoI).

The Audit Committee of the Board (ACB) comprises 7 members chaired by a non executive CA category Shareholder Director. The bank has a well defined internal audit system in place. It has adopted RBI's guidance on Risk Based Internal Audit (RBIA) and as such, follows a system of assigning risk based rating to branches. In addition, the bank also conducts concurrent audit of branches.

The disclosure practices of BOI are broadly in line with RBI requirements in this regard and are comparable to other PSBs. Overall there have been improvement in disclosure standards of PSBs over last two-three years especially disclosure provided as part of investor presentation on annual/quarterly results of the banks which could be very helpful for investors. However, there is still scope for improvement due to limited segment-wise disclosures and limited disclosures of forward-looking nature.



Profile of the Bank

Bank of India (BOI) was incorporated in 1906 and was under private ownership and control till July 1969 when it was nationalized along with 13 other banks. Government of India holds 70.13% stake in the bank as on September 30, 2015. The bank has a wide spread network of 4907 branches across India along with 7479 ATMs as on June 30, 2015. During FY2015 the bank reported profit after tax of Rs.1709 Crores on total asset base of Rs.615,142 Crores as on March 31, 2015 against profit after tax of Rs.2729 Crores on total asset base of Rs.569,448 Crores as on March 31, 2014. The bank reported a capital adequacy of 10.75% under Basel III with a Tier I capital of 8.23% as on March 31, 2015.

Recent Results

BOI had a total deposit base of Rs. 508,260 Crores with a net loan portfolio outstanding at Rs. 395,614 Crores as on June 30, 2015. It earned a PAT of Rs 129.72 Crores on a total interest income of Rs 10,819 Crores in Q1FY2016 as compared to a negative PAT of Rs 56 Crores on a total interest income of Rs 11,138 Crores in Q4FY2015.

November 2015

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