बैंक ऑफ़ इंडिया Bank of India BOI

संदर्भ क्र. Ref. No.:HO:IRC:RKP:2024-25:492 दिनांक Date: 11-03-2025

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, 2015:
Fitch Ratings Affirms Bank of India at 'BBB-' / Stable and
Upgrades Viability Rating (VR) to 'BB-' from 'B+'

Pursuant to Regulation 30 the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform that the Rating Agency, Fitch Ratings, has affirmed the Long Term Issuer Default Rating (IDR) of Bank of India at 'BBB-'. The outlook is Stable. Fitch has also upgraded the Viability Rating (VR) of the Bank to 'BB-' from 'B+'. The rating action commentary is attached herewith.

2. This is for your information and appropriate dissemination.

भवदीय Yours faithfully,

RAJESH VENKATA RAJ UPADHYA

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(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Encl: As above

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Bank of India at 'BBB-'/Stable; Upgrades Viability Rating to 'bb-'

Tue 11 Mar, 2025 - 5:27 AM ET

Fitch Ratings - Singapore/Mumbai - 11 Mar 2025: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDRs) of Bank of India (BOI) and its wholly owned subsidiary, Bank of India (New Zealand) Limited (BOI NZ), at 'BBB-'. The Outlook is Stable. Fitch has also upgraded BOI's Viability Rating (VR) to 'bb-' from 'b+'.

At the same time, we have affirmed BOI's Government Support Rating (GSR) of 'bbb-' and BOI NZ's Shareholder Support Rating of 'bbb-'. A full list of rating actions is below.

KEY RATING DRIVERS

Government Support-Driven IDR: BOI's Long-Term IDR and GSR are equalised with India's sovereign rating (BBB-/Stable), reflecting our view of a high probability of extraordinary state support for the bank, if required. This considers the state's 73% ownership of the bank, the bank's size and our assessment that the state has a strong propensity to support the banking system in general. The Stable Outlook on the IDR mirrors that on the sovereign IDR.

The VR upgrade to 'bb-' is supported by improvements in the risk profile, which are also reflected in its financial performance in the past five years. Financial performance remains a key consideration in our assessment due to its historical volatility and vulnerability in light of the bank's moderate buffers.

Supportive Operating Environment: India's strong medium-term growth potential, and its large, diversified economy are reflected in Fitch's operating environment (OE) score of 'bb+', which is above the agency's implied 'b' category score. Fitch projects GDP growth of over 6% in the financial year ending March 2025 (FY25) and FY26, driven by domestic demand, government capex and improving capacity utilisation. The growth will support Indian banks' ability to sustain profitable business in the medium term, if risks are effectively managed.

Wide Reach; Competitive Market: BOI's business profile score reflects its pan-India franchise and position as the country's sixth-largest state-owned bank. This is counterbalanced by the government's influence, similar to other state banks, which has weighed on the bank's business model and risk appetite, manifesting in significant earnings volatility in the previous cycle, although volatility has reduced in recent years.

Improved Risk Profile: We have revised BOI's risk profile score to 'b+' from 'b' to reflect positive developments such as a more diversified loan mix and the resolution of legacy bad loans, which have contributed to improving financial metrics. However, BOI's history of cyclical growth and worsening financial metrics in challenging times remain a risk for the VR. Further improvements in financial metrics are unlikely to result in a higher VR without Fitch also assessing that there have been additional enhancements in BOI's risk management practices.

Improving Asset Quality: We have revised the outlook for the asset-quality score to positive, from stable, as we expect the impaired-loan ratio will continue to decline, driving the core metric towards a higher score. The ratio fell by 129bp to 3.7% in 9MFY25, outperforming Fitch's 4.1% FY25 projection. Credit costs and overdue loans were stable at 0.7% and 1.1% of loans, respectively, while specific loan-loss cover rose by 96bp to 77.5%.

Profitability Has Peaked: The operating profit/risk-weighted asset (RWA) ratio rose 10bp to 2.6% in 9MFY25, driven by higher treasury income, recoveries from previously written-off loans, and loan growth, which offset a nearly 30bp decline in net interest margin to 2.7%. We believe profitability has peaked but forecast only a limited reduction on margin contraction.

Stable CET1 Ratio: BOI's common equity Tier 1 (CET1) ratio rose by about 20bp to 14.4% (including profit) in 9MFY25, driven by higher internal capital generation and lower risk density. We expect the ratio to settle closer to 14% by FYE25 due to a dividend payout before falling moderately over the next two years due to RWA growth, although still supporting the current score. The net impaired loan/CET1 ratio fell by 237bp to 9.3%, indicating improved tolerance against moderate stress.

Deposit-Backed Funding: Funding remains a rating strength, with customer deposits making up about 85% of BOI's funding. The loan/customer deposit ratio rose by about 260bp to about 82% in 1HFY25, as loan growth outpaced deposit growth. However, we expect BOI to closely manage this ratio, which is comparable with that of most peers. The bank's liquidity position has been healthy, with the liquidity coverage ratio at 116% and net stable funding ratio at 123% in 1HFY25.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

IDRs and GSR

The Long-Term IDR and GSR are most sensitive to Fitch's assessment of the government's propensity and ability to support BOI, based on the bank's size, systemic importance, and linkage to the state. A weakening of the government's ability to provide extraordinary support - reflected by negative action on India's sovereign rating - would lead to a downgrade of the IDR.

Negative action on the IDR is also likely if we believe that the government's propensity to extend timely support to BOI has decreased, which would lead to a reassessment of the GSR and IDR, although that is not our base case.

The Short-Term IDR is mapped to the bank's Long-Term IDR, in line with Fitch's criteria, which would lead to negative action if the Long-Term IDR is downgraded.

VR

We expect BOI's VR to be stable in the near term. A VR downgrade appears unlikely in our base scenario, but is possible if there is a significant deterioration in the OE, and/or its key financial parameters, indicating a weaker risk profile, such as the following:

- The four-year average of the impaired-loan ratio significantly worsening from current level (9MFY25: 6.5%);

- Four-year average of the operating profit/RWA ratio is sustained below 1.25% (9MFY25: 2.1%);

- A significant drop in BOI's CET1 ratio closer to the regulatory minimum of 8%, without a credible plan to restore it to closer to or above 10%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive sovereign rating action could lead to corresponding changes to BOI's Long-Term IDR and GSR, provided the sovereign's propensity to provide support remains unchanged. However, an upgrade of the sovereign rating appears unlikely in the near term.

The bank's Short-Term IDR may be upgraded if the sovereign's Short-Term IDR is also upgraded. If the bank's Long-Term IDR is upgraded based on a strengthening of its VR, any upgrade of the bank's Short-Term IDR would be contingent on our assessment of the funding and liquidity score being at least 'bbb+', which is two notches above our current assessment. We do not foresee this possibility in the medium term.

A VR upgrade is less likely in the near term as it has just been upgraded, assuming no changes to our assessment of the OE score. However, it is possible if we believe the bank's risk profile has improved further, supported by significantly better key financial metrics, such as any two factors below:

- The CET1 ratio is sustained at around 15% or higher;

- Four-year average of the impaired-loan ratio is sustained well below 3%;

- Four-year average of the operating profit/RWA ratio is sustained at or above 3%.

BOI's risk profile will remain an important consideration in determining whether the improvements to its financial metrics can be sustained on a steady-state basis.

The VR could also be upgraded if the OE score is revised upwards to 'bbb-', while also positively influencing the bank's risk profile.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's medium-term note (MTN) programme is rated at the same level as its Long-Term IDR, in line with Fitch's criteria.

Ex-Government Support Rating

BOI's Long-Term IDR (xgs) has been upgraded to 'BB-(xgs)' from 'B+(xgs)', in line with the bank's VR upgrade. BOI's Short-Term IDR (xgs) is in accordance with its Long-Term IDR (xgs) and the short-term rating mapping outlined in Fitch's criteria. BOI's senior unsecured long-term ratings (xgs) are assigned at the level of the Long-Term IDR (xgs).

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

BOI's MTN programme rating will move in tandem with the IDR. The rating will be downgraded if the bank's Long-Term IDR is downgraded. It will also be upgraded in the event the IDR is upgraded, although we view this to be unlikely in the near term.

BOI's Long-Term IDR (xgs) would move in tandem with its VR.

BOI's Short-Term IDR (xgs) is primarily sensitive to changes in its Long-Term IDR (xgs) and would be mapped to the rating under Fitch's criteria. A change in BOI's Long-Term IDRs (xgs) would lead to a similar change in its long-term senior unsecured ratings (xgs).

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

BOI NZ's IDR is equalised with BOI's IDR, driven by a high probability of support from the parent and, ultimately, the Indian sovereign.

Fitch's expectation of BOI's support for BOI NZ is underpinned by the parent's strong legal commitment to support its wholly owned subsidiary and the parent's strong ability to provide that support should there be a need. The support ability is driven by BOI NZ's small size relative to the parent, which implies that any required support would be immaterial relative to the ability of the parent to provide it. Fitch believes that favourable shareholder regulations and BOI NZ's high level of integration with BOI also support the parent's ability and propensity to support BOI NZ.

Ex-Government Support Rating

BOI NZ's Long-Term IDRs (xgs) have been upgraded to 'BB-(xgs)' from 'B+(xgs)', in line with the change in the parent's Long-Term IDR (xgs).

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

Any change in BOI's IDR would have a similar impact on BOI NZ's IDR. The subsidiary's IDR could also be downgraded due to a weaker propensity of its parent and, ultimately, the Indian government, to support it. However, the latter scenario would first require the removal of the parent's guarantee.

Any upgrade in BOI's IDR, although highly unlikely, would have a similar effect on BOI NZ's IDR.

BOI NZ's Long-Term IDR (xgs) and Long-Term Local-Currency IDR (xgs) are driven by Fitch's expectations of shareholder support from the parent. They are sensitive to BOI's ability and propensity to provide support, as assessed by Fitch, which could stem from a corresponding change in BOI's Long-Term IDR (xgs).

VR ADJUSTMENTS

The operating environment score of 'bb+' is above the implied category score of 'b' for the following adjustment reasons: economic performance, and size and structure of the economy (positive).

The business profile score of 'bb+' has been assigned below the implied category score of 'bbb' for the following adjustment reason: management and governance (negative).

The funding and liquidity score of 'bbb-' is above the implied category score of 'bb' for the following reason: deposit structure (positive).

Sources of Information

The principal sources of information used in the analysis are described in the applicable criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

BOI's IDRs are driven by India's sovereign rating. A change in the sovereign's IDRs would be reflected in BOI's IDRs.

BOI NZ's IDRs are driven by BOI's IDR. A change in BOI's IDRs would be reflected in BOI NZ's IDRs.

ESG CONSIDERATIONS

BOI has an ESG Relevance Score of '4' for Governance Structure, in line with other state banks. This reflects our assessment that key governance aspects, particularly board independence and effectiveness, ownership concentration and protection of creditor or stakeholder rights, are of a moderately negative influence on BOI's credit profile, and are relevant to the ratings in conjunction with other factors.

We regard BOI's governance as less developed, evident from its significant lending to higher-risk borrowers and large exposure to some sectors, resulting in high levels of impaired loans and losses in recent years. Government appointees dominate the board and the business model often focuses on supporting government strategy with lending directed towards social and economic policies, which may include lending to state-owned companies. These factors also drive our view on the bank's state linkages. These affect support prospects and drive the long-term ratings.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being

managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Bank of India	LT IDR	BBB-	Affirmed	BBB-
	ST IDR	F3	Affirmed	F3
	Viability	bb-	Upgrade	b+
	Government Support	bbb-	Affirmed	bbb-
	ST IDR (xgs)	B(xgs)	Affirmed	B(xgs)
	LT IDR (xgs)	BB-(xgs)	Upgrade	B+(xgs)
senior unsecured	LT	BBB-	Affirmed	BBB-
senior unsecured	LT (xgs)	BB-(xgs)	Upgrade	B+(xgs)
Bank of India (New Zealand) Limited	LT IDR	BBB-	Affirmed	BBB-
	LC LT IDR	BBB-	Affirmed	BBB-

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 16 Mar 2024) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Bank of India	EU Endorsed, UK Endorsed
Bank of India (New Zealand) Limited	EU Endorsed, UK Endorsed

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