बैंक ऑफ़ इंडिया
Bank of India BOI

संदर्भ क्र. Ref. No.:HO:IRC:SVM:2023-24:297 दिनांक Date: 31/08/2023.

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.

प्रिय महोदय/महोदया Dear Sir / Madam,

Disclosure under Regulation 30 and 51 of SEBI (LODR) Regulations, 2015: Fitch Ratings Affirms Bank of India and Bank of India New Zealand at BBB-; Outlook Stable

Pursuant to Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that Fitch Ratings has affirmed Bank of India's and Bank of India New Zealand's (wholly owned subsidiary of Bank of India) international rating at **BBB- with Stable Outlook**. The Press Release dated 31.08.2023 issued by Fitch Ratings is attached herewith.

This is for your information and dissemination.

भवदीय Yours faithfully,

RAJESH VENKATARAJ UPADHYA

Digitally signed by: RAJESH VENKATARAJ UPADHYA DN: CN = RAJESH VENKATARAJ UPADHYA C = IN O = BANK OF INDIA OU = BANNKING Date: 2023.08.31 15:13:12 +06'30'

बैंक ऑफ़ इंडिया BANK OF INDIA प्र. का. H.O. निवेशक संबंध विभाग Investor Relations Dept.

(Rajesh V Upadhya)
कंपनी सचिव Company Secretary

Encl: As above.

Classification: Public

प्रधान कार्यालय: निवेशक संबंध विभाग, स्टार हाउस–I, आठवीं मंजिल, सी-5, जी-ब्लॉक, बांद्रा कुर्ला संकुल, बांद्रा पूर्व, मुंबई - 400 051
Head Office: Investor Relations Cell, Star House - I, 8th Floor, C-5, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 Ph.: (022) 6668 4490 Fax: (022) 6668 4491 Email: headoffice.share@bankofindia.co.in

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Bank of India and Bank of India New Zealand at 'BBB-'; Outlook Stable

Thu 31 Aug, 2023 - 3:39 AM ET

Fitch Ratings - Singapore/Mumbai - 31 Aug 2023: Fitch Ratings has affirmed the Long-Term Issuer Default Ratings (IDRs) on 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 affirmed BOI's Viability Rating (VR) at 'b+'.

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

KEY RATING DRIVERS

Support Underpins IDR: BOI's Long-Term IDR is support driven, with the GSR is above the VR. BOI's GSR is the same as India's sovereign rating (BBB-/Stable), reflecting a high probability of extraordinary state support for the bank, if required. The Stable Outlook on the IDR mirrors the Outlook on the sovereign IDR. The 'b+' VR is a notch below the implied score of 'bb-', as Fitch believes that BOI's risk profile has a greater influence on the bank's intrinsic creditworthiness.

High Systemic Importance: BOI's GSR reflects its high systemic importance. It stems from the state's 81% ownership of the bank, BOI's position as the country's sixth-largest state-owned bank, and its quasi-policy role through social lending.

Risk Control is Key: BOI's risk profile is a high influence factor and weighs on our assessment of the overall VR. The 'b' score is aligned with its asset-quality score as its previously high risk appetite worsened the impact on key financial metrics in a weaker environment. Prudent risk underwriting and monitoring are key to our assessment as appetite returns to corporate lending, while segments such as retail continue to increase at an above the industry average rate.

Supportive Operating Environment: Fitch has revised the operating environment (OE) score to 'bb+' from 'bb' reflecting our view of structural improvements since the onset of the pandemic. The agency forecasts India to be one of the fastest-growing Fitch-rated sovereigns globally this fiscal year. Healthy business sentiment, resilient financial markets and the government's capital spending can buffer global economic headwinds and inflation.

Importantly, India also exhibits robust medium-term growth potential, supported by resilient investment prospects. Combined with an already large and diversified economy, we believe the environment is conducive for banks to do consistently profitable business, provided risks are well-managed.

Wide Reach; Intense Competition: BOI's business profile is same as the OE score, reflecting the bank's pan-India franchise, which will support the generation of profitable business commensurate with the score, provided risks are controlled. The bank's significantly higher-risk appetite had weighed on its business profile, partly under government influence, similar to other state banks.

We expect the bank to maintain its traditional business model (loans: 63% of assets), although some recalibration in loan growth strategy might be necessary to target segments where it can grow its franchise without elevating risks.

Improving Asset Quality: Fitch has revised up BOI's asset-quality score to 'b' from 'b-', reflecting easing pressure on asset quality. The impaired-loan ratio further improved to 6.7% in the first three months of the financial year ending March 2024 (1QFY24), from 7.3% in FY23. The outlook is positive, as we expect the core metric to continue to improve on lower generation of impaired loans (1QFY24: 0.5%, 1QFY23: 0.6%), steady recoveries and continued write-off of legacy stress.

Credit Costs Key to Sustained Earnings: We have revised BOI's earnings and profitability score to 'b+' from 'b', considering its improved profitability. The operating profit/risk-weighted assets (RWA) ratio increased to 3.2% in 1QFY24, from 1.8% in FYE23, on a sharp decline in loan and securities impairment charges. The positive outlook reflects our view that profitability is likely to be maintained at these levels, provided asset quality remains in check.

CET1 Ratio Exceeds Peers: BOI's common equity Tier 1 (CET1) ratio of 13.4% at end-1QFY24, including profit, is the highest among state peers. Further improvement is likely in FY24 should the plan to raise fresh equity to get the state's controlling stake below 75% be executed. The net impact could be even higher if the pace of internal accrual seen in 1QFY24 (return on equity: 10.4%) is sustained for the whole year. It will keep BOI's CET1 ratio above other large state banks provided RWA growth is not sustained above internal accruals.

Deposit-Backed Funding: Loans/customer deposits trended lower to 74.4% in 1QFY24, from roughly 77% at FYE23 on comparable terms, as deposit accretion exceeded a relatively flat loan book, due partly to the inflow of discontinued high denomination currency notes. Funding remains a relative strength as customer deposits constituted about 94% of total funding, supported by a domestic low-cost deposit ratio of 44.5%. The bank's liquidity position remains healthy with liquidity coverage ratio at 181% and net stable funding ratio at 129% at FYE23.

RATING SENSITIVITIES

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

IDR AND GSR

The GSR is 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 similar action on the Long-Term 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, in which case we will reassess the GSR and IDR, although that is not our base case.

VR

A VR downgrade is less likely in our base scenario, but is possible if, upon a significant deterioration in the operating environment, we assess the bank's risk appetite to have increased and it becomes a more binding constraint on its moderate loss-absorption buffers or if its key financial parameters deteriorate by more than we expect. This deterioration could manifest through significantly weaker key financial metrics, on all of the following three factors:

- the four-year average impaired-loan ratio approaching 15% (current: 11.5%);

- the four-year average operating profit/RWA ratio is sustained well below 1.25% (current: 0.73%);

- 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 Fitch's 'bb' threshold.

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

IDR AND GSR

Positive sovereign rating action would lead to corresponding changes to BOI's Long-Term IDR, provided the sovereign's propensity to provide support remains unchanged. An upgrade of the IDR and GSR could occur in the event of a sovereign upgrade if Fitch believes that the sovereign's ability and propensity to support the bank has improved. However, an upgrade of the sovereign rating appears unlikely in the near term.

VR

A VR upgrade is possible upon a higher score in any of the key rating factors, particularly if we assess the bank's risk profile to have improved. This improvement could manifest in stronger key financial metrics, including all of the three factors below:

- the CET1 ratio is sustained well above 12%;

- the four-year average impaired-loan ratio approaches 5%;

- the four-year average operating profit/RWA ratio is sustained above 1.25%

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

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

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

BOI's Long-Term IDR (xgs) is driven by its VR. BOI NZ's Long-Term IDR (xgs) and Long-Term Local-Currency IDR (xgs) are driven by expectations of shareholder support from its parent. 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 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 NZ's Long-Term IDR (xgs) and Long-Term Local-Currency IDR (xgs) 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).

BOI's Short-term IDR (xgs) is primarily sensitive to changes in its Long-Term IDR (xgs) and would be mapped 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

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

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

Any change in BOI's IDR would have a similar impact on BOI NZ, but the latter's IDR could also be downgraded by a weaker propensity of its parent and, ultimately, the government, to support the subsidiary.

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

VR ADJUSTMENTS

Fitch has used the risk profile as a negative adjustment factor to arrive at the assigned VR. This reflects the greater impact of BOI's risk profile on its VR - as seen in its asset quality, earnings and capitalisation - than what the weighting suggests.

The operating environment score of 'bb' is above the implied category 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 of 'bbb' for the following adjustment reason: management and governance (negative).

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

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579

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 and Outlook are the same as India's sovereign ratings and directly linked via the bank's GSR, which reflects our view of the probability of extraordinary state support, should there be a need.

BOI NZ's IDRs and Outlook are the same as BOI's IDR and Outlook and directly linked via the subsidiary's SSR. It reflects our view of the high probability of extraordinary support from BOI, if needed.

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 to be less developed, evident from its significant lending to higher-risk borrowers and large exposure to some sectors, which has resulted in high levels of impaired loans and losses in recent years. The board is dominated by government appointees and the business model often focuses on supporting government strategy with lending directed towards promoting socioeconomic and macroeconomic policies, which may include lending to government-owned companies. These factors also drive our view on the bank's state linkages. These affect support prospects and drive the long-term ratings.

Fitch has revised BOI's ESG Relevance Score for Financial Transparency to the sector default score of '3' from '4'. The change primarily highlights the change in Fitch's view that risks from Covid-affected loans under forbearance have receded, despite some limitations in disclosure for those loans. This is because we believe that a large proportion of those stressed loans may actually be covered by government guarantee, which materially minimises the risk of losses from this portfolio. In addition, the quality and frequency of financial reporting and audit processes are commensurate with a score of '3', and does not weight materially on our assessment of their intrinsic creditworthiness.

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- Rating Outlook Stable	Affirmed	BBB- Rating Outlook Stable
	ST IDR	F3	Affirmed	F3
	Viability	b+	Affirmed	b+
	Government Support	bbb-	Affirmed	bbb-

	ST IDR (xgs) B(xgs) Affirmed	B(xgs)
	LT IDR (xgs) B+(xgs) Affirmed	B+(xgs)
senior unsecured	LT BBB- Affirmed	BBB-
senior unsecured	LT (xgs) B+(xgs) Affirmed	B+(xgs)
Bank of India (New Zealand) Limited	LT IDR BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable
	LC LT IDR BBB- Rating Outlook Stable Affirmed	BBB- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Tania Gold
Senior Director
Primary Rating Analyst
+65 6796 7224
tania.gold@fitchratings.com
Fitch Ratings Singapore Pte Ltd.
1 Wallich Street #19-01 Guoco Tower Singapore 078881

Prakash Pandey
Associate Director
Secondary Rating Analyst
+91 22 4000 1773
prakash.pandey@fitchratings.com

Jonathan Cornish
Managing Director
Committee Chairperson
+852 2263 9901

jonathan.cornish@fitchratings.com

MEDIA CONTACTS

Bindu Menon
Mumbai
+91 22 4000 1727
bindu.menon@fitchratings.com

Leslie Tan
Singapore
+65 6796 7234
leslie.tan@thefitchgroup.com

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. 08 Sep 2022) (including rating assumption sensitivity)

Bank Ex-Government Support Ratings Criteria (pub. 11 Apr 2023) (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

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.