

Press Release

Brickwork Ratings reaffirms “BWR AAA” for Issuer rating of Bank of India and IPDI Issue aggregating ₹ 725 Crore

Brickwork Ratings has reaffirmed the rating of BWR AAA (Pronounced BWR Triple A) with a stable outlook for the following Issues of Bank of India:

Instruments	Assigned/Reaffirmed
Issuer Rating	BWR AAA (Stable) (Reaffirmed)
IPDI (₹ 400 crores)	BWR AAA (Stable) (Reaffirmed)
IPDI (₹ 325 crores)	BWR AAA (Stable) (Reaffirmed)

The rating “BWR AAA” stands for an instrument that is considered to have the HIGHEST degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. A “Stable” rating outlook signifies the expectation of the rating being stable in the near term. The rating has been reaffirmed taking into account the financial performance of the bank, publicly available information and clarifications sought from the bank.

The rating reaffirmation inter alia, factors in the bank’s stable earnings and operations capability, global presence, modest asset quality and the majority ownership by Government of India. The Bank’s ability to arrest deterioration of its asset quality in light of recent pressures, to sustain the drive to strengthen CASA level and to improve margins and profits are the key rating sensitivities.

The total business of the bank stood at ₹ 5,16,025 Crore as of September 30, 2011, recording a y-o-y growth of 21.28% over ₹ 4,25,447 Crore of total business as of September 30, 2010. Deposits at the end of Q2FY2012 stood at ₹ 2,99,074 Crore as compared to ₹ 2,41,071 Crore in Q2FY2011, registering a growth of 24.06% on y-o-y basis. On the other hand, gross advances recorded a growth of 17.67% (y-o-y) reaching the level of ₹ 2,16,950 Crore as on September 30, 2011 from ₹ 1,84,376 Crore as on September 30, 2010. However, the growth in advances has remained muted on a q-o-q basis. In FY2011 the bank had registered a healthy growth of 28.41% in total business, 30.08% in deposits and 26.17% in gross advances.

The bank displayed a decline in profitability, with the net profit for Q2FY12 falling by 20.38% to ₹ 491.1 Crore as against ₹ 616.8 Crore for Q2FY2011. On half yearly front, the bank registered contraction of 24.84% in net profits on y-o-y basis with the net profit reaching ₹ 1008.6 Crore in the 6 months to September 30, 2011. Net Interest Margin (NIM) of the bank improved by 25bps to 2.44% qoq in Q2FY2012 on the back of higher yield on advances and better yields from investments during the quarter.

Gross NPA ratio as of September 30, 2011 stood at 3.02% (Vs. 2.23% for the year FY2011) and the net NPA ratio stood at 1.98% (Vs. 0.91% for the year FY2011). The provision coverage ratio (including technical write-offs) for the bank declined to 59.13% as on quarter ending September 30, 2011 from 72.2% for year ending March 31, 2011. BOI's Capital Adequacy Ratio (CAR) has come down from 12.17% in FY2011 to 11.97% in Q2FY2012.

Though the Bank's performance has suffered in certain parameters mainly due to the current economic situation, its fundamentals are good and keeping in view the steps being taken to improve asset quality, its performance is expected to remain stable over the next one year. The Bank continues to enjoy the full support of the Govt. of India and remains one of the premier Banking Institutions of the country. The Government of India increased its stake in the Bank to 65.86% in FY2011 and contributed ₹ 1010 Crore to its capital.

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