

21 January 2026

Bank of India

Margin improves meaningfully and slippages remain controlled

RESULT UPDATE

Sector: Banks **Rating:** BUY
CMP: Rs 157 **Target Price:** Rs 190

Stock Info

Nifty	25,158
Bloomberg Code	BOI IN
Equity shares	4553mn
52-wk High/Low	Rs 165/ 93
Face value	Rs 10
M-Cap	Rs 717bn/ USD 7.8bn
3-m Avg volume	USD 0.2mn

Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	250	298	341
PPOP	161	196	222
PAT	101	111	125
EPS (Rs)	22	24	27
EPS Gr. (%)	9	10	12
BV/Sh (Rs)	169	189	211
Adj. BV/Sh (Rs)	160	180	201

Ratios

NIM (%)	2.5	2.7	2.8
C/I ratio (%)	52.6	50.2	50.3
RoA (%)	0.9	0.9	0.9
RoE (%)	12.2	12.2	12.4

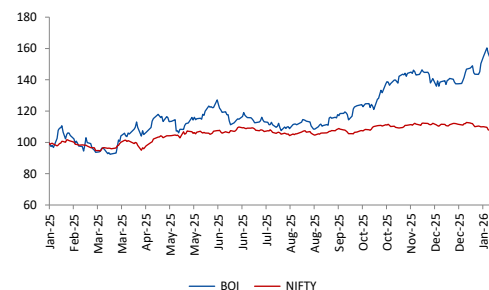
Valuations

P/E (x)	7.1	6.5	5.8
P/BV (x)	0.9	0.8	0.7
P/ABV (x)	1.0	0.9	0.8

Shareholding pattern (%)

	Jun'25	Sep'25	Dec'25
Promoter	73.4	73.4	73.4
-Pledged	-	-	-
FII	3.5	4.2	5.8
DII	15.9	15.6	15.2
Others	7.1	6.8	5.6

Stock Performance



Bank of India reported 3QFY26 PAT of Rs 27bn (24.8% above our estimates) which improved by 5.9% QoQ and by 7.5% YoY. The sequential improvement was mainly due to (i) Higher Net Interest Income (NII) (ii) healthy sequential growth in non-fee income. The bank has reported a net advances growth of 4.6% QoQ and 15% YoY in 3Q and has revised its growth guidance upwards to 13-14% for FY26. The deposits grew at a healthy, albeit lower pace compared to advances growth, by 4% QoQ and 11.6% YoY led by strong growth in term deposits (up 7.3% QoQ and 18.5% YoY). The management expects this pace of growth to sustain and has revised its guidance upwards to 11%-12% for FY26. The Global Net Interest Margins (NIMs) improved sequentially to 2.57%, up by 16 bps QoQ but down by -23 bps YoY. As guided earlier, the benefit of the term deposits (TD) repricing was visible in 3Q which led to a decline in cost of deposits by -8 bps QoQ. The management expects the benefit of TD repricing to continue flowing in while it is churning lower yielding advances (AAA rated corporates) for relatively those offering higher yields. Thus, it expects the full year NIMs for FY26 to come in at 2.5% levels. The annualised gross slippage ratio has increased by 11 bps QoQ but declined by -6 bps YoY to 0.63%. Based on further assessment of ECL draft norms, the management expects the same to have an adverse impact of 2% (calculated value ~Rs. 96bn) on the bank's CRAR. Utilising the glide path, the yearly effect is expected to be limited to 0.4%. We maintain BUY rating on the bank and increase our target price to Rs. 190 (earlier Rs. 172). We have moved our valuation to FY28E and are valuing the standalone bank at 0.9x on its FY28E book value per share of Rs. 211.

Slippages and credit cost remains well controlled: The annualised gross slippage ratio was at 0.63%, up 11 bps QoQ but down -6 bps YoY led by an uptick in corporate and MSME segment. The Retail and Agri slippages came in lower sequentially. The fresh slippage in the corporate segment was driven by a single 'road corporate' account. However, going forward the management does not expect any further slippages in the corporate segment while slippages in RAM segment are expected to remain controlled. The overall SMA (Rs 5cr and above) book declined to Rs. 5.4bn from ~Rs. 6.5bn in 2Q. The SMA books largely comprises of three state government accounts (~Rs. 3.5bn) which rolled through SMA 0, SMA 1 and SMA 2. However, these accounts are backed by state government guarantees and are being monitored closely by the bank. The management does not expect any further deterioration in the SMA book going forward. The provisions for the quarter increased by 30.5% sequentially and 89.7% YoY to Rs.5.8bn. The annualised credit cost for 3Q increased to 0.32%, up 6 bps QoQ. The GNPA stood at 2.3%, down -28 bps QoQ and -143 bps YoY while the NNPA stood at 0.6%, down -5 bps QoQ and -25 bps YoY. The Provision Coverage ratio (PCR) improved to 93.6% as compared to 93.4% in 2Q. Based on further assessment of ECL draft norms, the management expects the same to have an adverse impact of ~2% (calculated value ~Rs. 96bn) on the bank's CRAR. However, considering the glide path, the annual impact is expected to be negligible at 0.4%.

Net Interest Margins improved sequentially: The global NIMs stood at 2.57% for 3Q, up 16 bps QoQ but down -23 bps YoY. The Yield on Advances remained stable QoQ but declined by -74 bps YoY to 7.8%. Out of the total advances book, ~64% is linked to repo rate (EBLR) where the bank has absorbed the hit of the 125 bps rate cuts resulting in YoY decline in YoA. However, the bank is in the process of churning some

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low yielding portion of its advances book (AAA rated corporates) in favour of higher yielding advances to protect its YoA. Further, the Cost of Deposits declined sequentially by -8bps to ~4.8% driven by benefit of term deposit repricing. The management expects the benefit of TD repricing to continue flowing through going forward. The Cost of Funds declined by -9 bps during the same period. Based on the above factors, the management expects the full year margins for FY26 to come in at ~2.5% while the margins for 4Q are expected to improve further to ~2.6%.

Healthy Advances growth complimented by deposits growth: The gross advances grew at a healthy rate of 4.4% QoQ and by 13.6% YoY. The sequential growth was led by increase in the Agri segment (up 6.5% QoQ) followed by Retail segment (up 5.8% QoQ). The MSME and Corporate segments also grew by 5.5% and 4.5% QoQ respectively. The growth in Retail advances was driven by Mortgage loans (up 8.9% QoQ) and Vehicle loans (up 7.9% QoQ). The bank currently has a pipeline of Rs. 650bn for corporates which it expects to disburse over the course of next 6 months. Going forward, the bank is aiming to improve the share of RAM advances to 65% of the total advances in the long-term under 'BOI @125' plan i.e. by FY31. The management has revised its advances growth guidance upwards to 13%-14% from 12%-13% for FY26. The deposits grew at a healthy, albeit lower pace compared to advances growth, by 4% QoQ and 11.6% YoY led by healthy growth in term deposits (up 7.3% QoQ and 18.5% YoY). The CASA deposits growth was relatively slower at 1.1% QoQ and 4.5% YoY resulting in the CASA ratio moderating further to 37.97% of domestic deposits (39.39% in 2Q). The management highlighted the structural shift in the preference of depositors towards term deposits while the CASA mobilisation continues to remain under pressure. The management has revised its deposit growth guidance upwards to 11%-12% from 10-11% for FY26 driven by growth in retail term deposits.

Improved operating performance boosted by higher NII and Non-fee income: The pre-provision operating profit improved to Rs. 41.9bn in 3Q, up by 9.7% QoQ and by -13.2% YoY. The sequential improvement was led by a growth of 9.2% in NII while the non-fee income grew by 5.3% correspondingly. This led to the total non-interest income to improve by 2.7% sequentially despite the QoQ decline of 6.1% in the fee-based income. The management expects the recoveries in 4Q to come in at ~Rs. 20bn thus leading to recoveries in the range of ~Rs. 72-73bn for FY26. The total written off pool currently with the bank is ~Rs. 500bn and the quarterly run rate for recoveries from written off accounts is in the range of ~Rs. 4.4-4.5bn. The bank is targeting to improve the same to ~Rs. 7-7.5bn per quarter going forward.

Valuation and recommendation: We have revised our estimates to factor in the changes in net interest margins and other moving aspects. We maintain our BUY rating on Bank of India with a revised target price of Rs. 190 (earlier Rs. 172). We have moved our valuation to FY28E and are valuing the standalone bank at 0.9x on its FY28E book value per share of Rs. 211 for a RoE profile of 12.2%/12.2%/12.4% for FY26E/FY27E/FY28E.

Key takeaways from 3QFY26 earnings call:

Advances:

- RAM advances up by 18.05% YoY, current share at 58.4% of the total domestic book. Under the BOI@125 plan, the bank has an approved strategy by the board where the bank is aiming to improve its RAM share to 65% while balance 35% would be corporate.
- Target to improve the share of international advances book to 15-16% of the total advances book. However, owing to global political issues, the bank is proceeding cautiously on overseas advances.
- The management expects the momentum in RAM advances to sustain going forward in FY27 given the growth trajectory of the Indian economy combined with the change in the definition of medium enterprise within the MSME segment.
- The management has revised the guidance to 13-14% for global advances for FY26.
- The bank has also changed its strategy and shifted to agri-allied activities and food processing as the margins offered are better. The bank is aiming to increase the agri book to ~Rs. 9-10bn.
- ~Rs. 650bn corporate pipeline available with the bank for 4Q which includes in-principal approvals, sanctions given but documentation is pending and third category is where sanctions have been given and documentation has been done by drawdown is pending. These corporate advances are expected to be disbursed within a span of 6 months.
- Gold Loan book at Rs. 470 bn at the end of 3Q out of which NPA is limited to ~Rs. 700-750mn. The SOP followed by the bank is that it sells the gold after the account becomes NPA, thus recovering the outstanding amount within 30 days.
- Yield on Gold Loan advances is 9%. The bank has reduced its LTV to 75% thus keeping a safety margin of 25% compared to 10-15% earlier.

Deposits:

- The banking system is witnessing a structural shift in the deposits towards term deposits while facing challenges in terms of CASA mobilization. The management expects this
- The management has revised its guidance upwards for global deposit to grow by ~11-12% for FY26 driven by retail term deposits.
- ~85% of domestic deposits consist of CASA and retail term deposits while the balance are bulk deposits.
- The weighted average cost of retail TD is higher than the weighted average cost of bulk deposits as bulk deposits can be very short term in nature including as short as 7-15 days.

Asset Quality:

- Overall SMA book has declined to ~54bn but SMA-2 has nearly doubled driven primarily by 3 state govt accounts (~35bn). However, the same are backed by state govt guarantees and the bank is monitoring these advances closely.
- Fresh slippages up by ~2bn in 3Q sequentially driven by a corporate road account (consortium advance). However, the management stated that the overall slippage ratio remains within a comfortable range.
- The management expects total recovery for 4Q at ~Rs. 20bn putting the full year recoveries in the range of ~Rs. 72-73bn.
- Total outstanding written off book at ~Rs. 500bn and the run rate for recovery per quarter is in the range of ~Rs. 4-4.5bn. Internal target of improving the same to 7.5bn per quarter.
- ECL remains a work in progress and the management believes the ECL impact should be limited to 2% of CRAR. However, per annum the impact is expected to be 0.4% due to the glide path.
- The management does not expect any further slippages to happen in the corporate segment while the slippages in RAM segment are expected to remain controlled.

Margins:

- The bank has churned its advances portfolio (AAA corporates) for AA rated corporates where the yields are better by 25-30bps. This has helped the bank improve the global margins in 3Q.
- The YoY decline in YoA is attributed to the bank's large repo rate book (~64% of the total book) which has absorbed the adverse impact of 125 bps rate cut.
- The bank is aiming to improve its RAM advances, increase advances to AA rated corporates while reducing its exposure to low yielding advances to improve YoA and thus protect its margins.
- Further the management expects the benefit of TD repricing to continue flowing through in the near term.
- Based on the above factors, the management has guided for the full year NIMs to print in at 2.5% while for 4Q it is expected to be at 2.6%.

Opex

- The bank opened 211 branches in FY25. The bank has board approval in place for opening 200 new branches in FY26 and FY27 each.
- In 9MFY26, the bank has opened 140+ branches while the balance 50-55 branches will be opened in 4Q. Further, the bank has mapped 16 zones PAN India which cover all the states pertaining to new branch openings.
- 10% of the total opex is directed towards IT opex along with the capex being incurred by the bank.

Exhibit 1: Quarterly performance

P&L (INR, mn)	Q3FY26	Q2FY26	% QoQ	Q3FY25	% YoY
Interest Earned	1,89,271	1,84,061	2.8	1,82,105	3.9
Interest Expended	(1,24,664)	(1,24,923)	(0.2)	(1,21,402)	2.7
Net Interest Income	64,607	59,138	9.2	60,703	6.4
Fee income	4,800	5,110	(6.1)	4,620	3.9
Non-fee Income	17,988	17,088	5.3	12,844	40.1
Other Income	22,788	22,198	2.7	17,464	30.5
Total Net Income	87,395	81,336	7.4	78,167	11.8
Employee Expense	(26,518)	(24,523)	8.1	(24,414)	8.6
Other operating expense	(18,949)	(18,604)	1.9	(16,728)	13.3
Operating expenses	(45,467)	(43,128)	5.4	(41,141)	10.5
PPOP	41,928	38,209	9.7	37,026	13.2
Core PPOP	23,940	21,120	13.3	24,182	(1.0)
Provisions	(5,760)	(4,412)	30.5	(3,037)	89.7
PBT	36,168	33,796	7.0	33,989	6.4
Tax	(9,121)	(8,250)	10.6	(8,822)	3.4
PAT	27,047	25,546	5.9	25,167	7.5
Key Ratios (%)	Q3FY26	Q2FY26	chg QoQ	Q3FY25	chg YoY
Net interest margin-Global	2.57	2.41	16bps	2.80	-23bps
Yield on advances	7.81	7.81	0bps	8.55	-74bps
Cost of deposits	4.77	4.85	-8bps	4.96	-19bps
Loan to Deposit ratio	82.0	81.5	52bps	79.6	242bps
Fee Income to Avg. Total Assets	0.2	0.2	-1bps	0.2	-1bps
Non-interest income/Total income	26.1	27.3	-122bps	22.3	373bps
Cost to Income	52.0	53.0	-100bps	52.6	-61bps
Opex to Avg. Total Assets	1.7	1.6	6bps	1.6	4bps
Annualised Slippage Ratio	0.6	0.5	11bps	0.7	-6bps
Credit Cost	0.3	0.3	6bps	0.2	13bps
Gross NPA	2.3	2.5	-28bps	3.7	-143bps
Provision Coverage	93.6	93.4	21bps	92.5	112bps
Net NPA	0.6	0.7	-5bps	0.9	-25bps
RoA	1.0	0.9	5bps	1.0	0bps
RoE	15.3	15.1	28bps	16.5	-119bps
Capital adequacy ratio	17.1	16.7	40bps	16.0	109bps
Common equity tier 1	13.8	13.9	-13bps	13.0	80bps
Tier I capital ratio	14.4	14.5	-13bps	13.6	76bps

Source: Company, Systematix Research

Exhibit 2: Advances and Deposits break-up

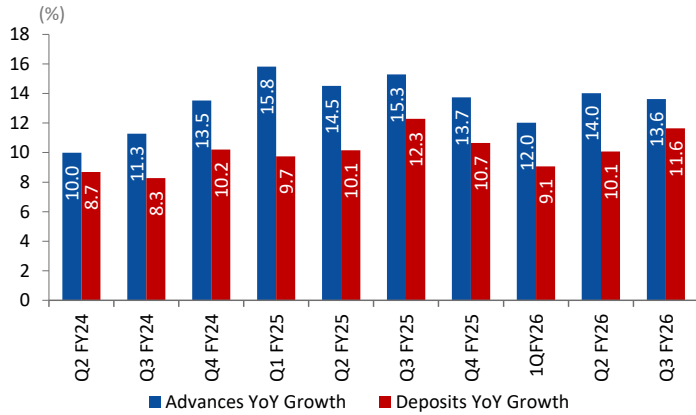
Particulars (Rs mn)	Q3 FY26	Q2 FY26	% qoq	Q3 FY25	% yoy
Global Gross Advances	74,03,140	70,91,450	4.4	65,15,070	13.6
Overseas Gross Advances	11,12,340	11,17,950	(0.5)	10,52,380	5.7
Domestic Gross Advances	62,90,800	59,73,500	5.3	54,62,690	15.2
Corporate Loans	26,08,380	24,96,410	4.5	23,43,190	11.3
MSME	10,31,910	9,78,340	5.5	8,91,340	15.8
Agri	11,08,440	10,41,070	6.5	9,49,910	16.7
Retail Loans	15,42,070	14,57,680	5.8	12,78,250	20.6
Home loans	7,60,610	7,28,070	4.5	6,53,680	16.4
Vehicle loans	2,39,250	2,21,770	7.9	2,00,180	19.5
Education loans	41,610	40,520	2.7	37,880	9.8
Mortgage loans	1,44,300	1,32,550	8.9	1,00,110	44.1
Personal loans	1,30,520	1,29,780	0.6	1,23,940	5.3
Others	2,25,780	2,04,990	10.1	1,62,460	39.0
Total Deposits	88,72,874	85,33,014	4.0	79,47,881	11.6
CASA	28,96,200	28,64,920	1.1	27,71,900	4.5
Term	47,58,790	44,36,060	7.3	40,14,350	18.5

Source: Company, Systematix Research

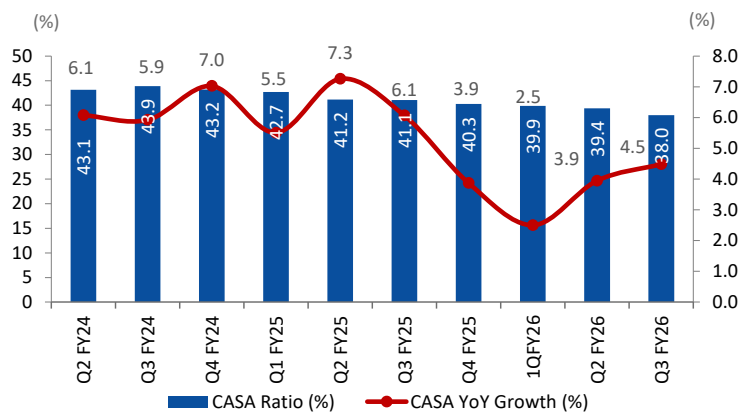
Exhibit 3: Actuals Vs Expectation

Q3FY26 (Rs. mn)	Actuals	Estimates	Variance
Net Interest Income	64,607	60,333	7.1
Pre-Prov. Operating Profit	41,928	38,256	9.6
Profit After Tax	27,047	21,669	24.8

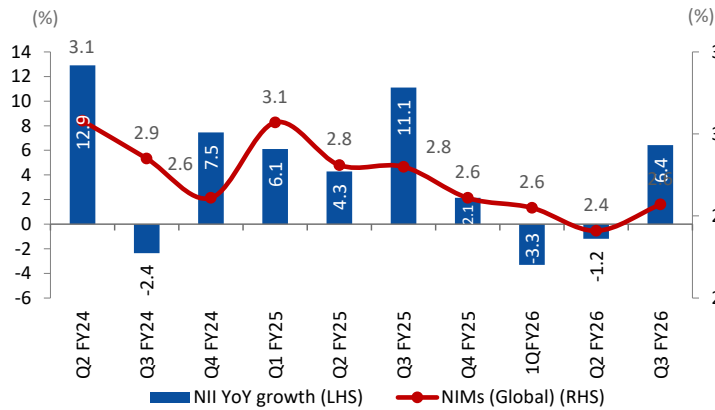
Source: Company, Systematix Research

Exhibit 4: Advances and Deposits YoY Growth (%)

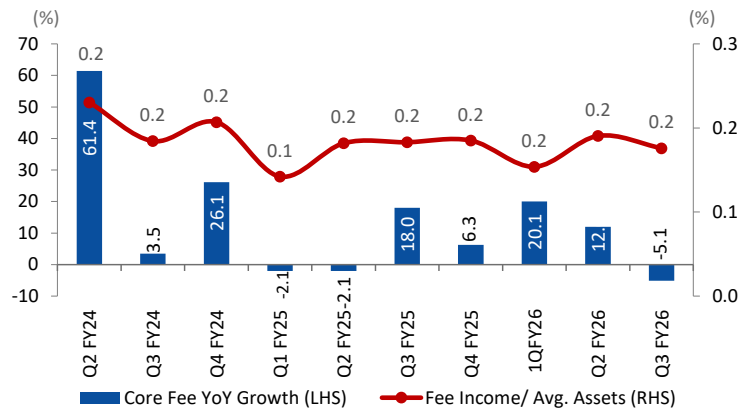
Source: Company, Systematix Research

Exhibit 5: CASA Ratio and CASA YoY Growth (%)

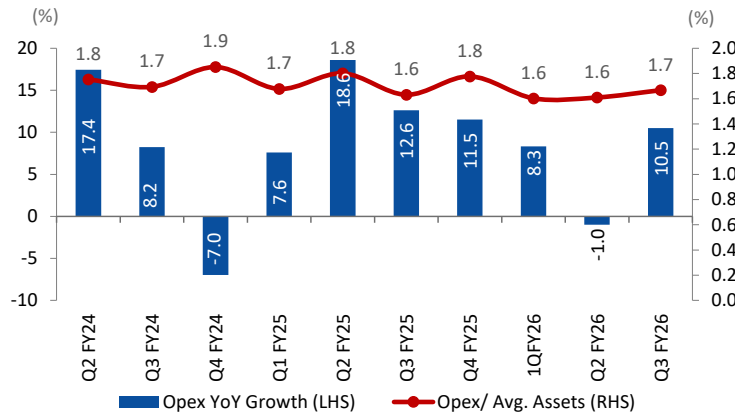
Source: Company, Systematix Research

Exhibit 6: NII YoY Growth and NIM (%)

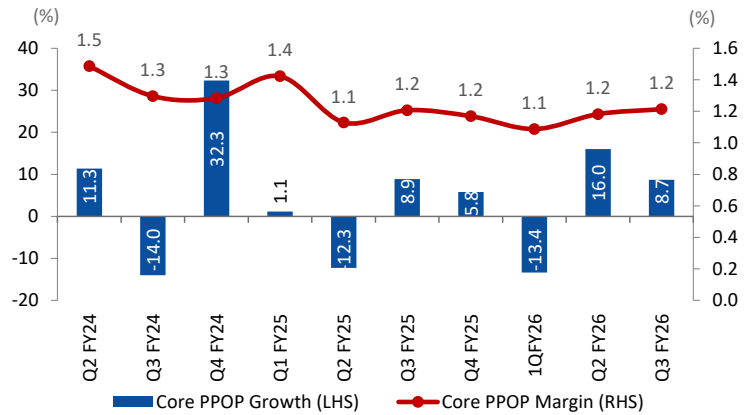
Source: Company, Systematix Research

Exhibit 7: Fee Income YoY Growth and as % of average assets (%)

Source: Company, Systematix Research

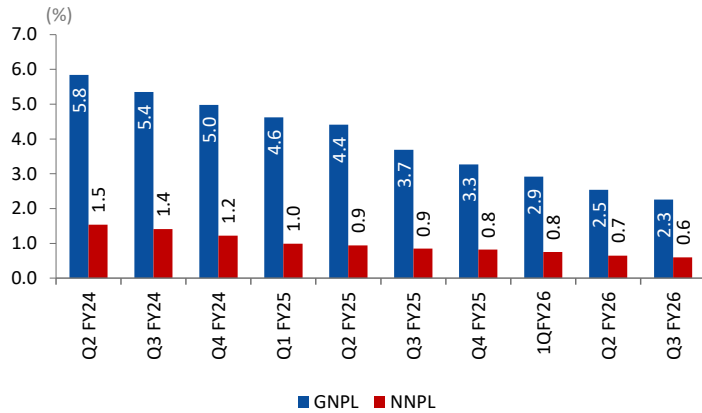
Exhibit 8: Opex YoY growth and as % of average assets (%)

Source: Company, Systematix Research

Exhibit 9: Core PPOP YoY Growth and Margin (%)

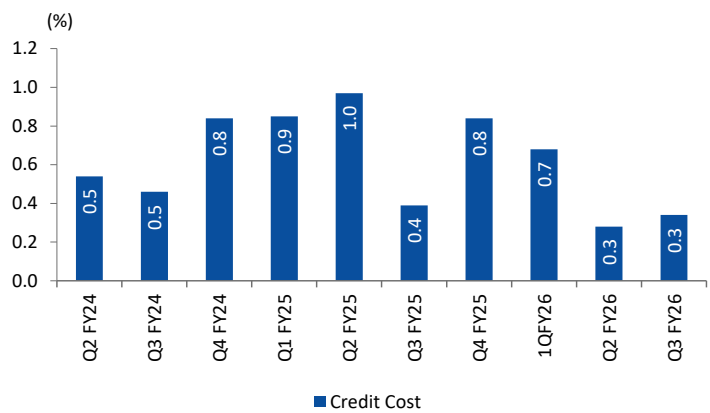
Source: Company, Systematix Research

Exhibit 10: GNPA and NNPA Ratio (%)



Source: Company, Systematix Research

Exhibit 11: Credit Cost (%)



Source: Company, Systematix Research

Exhibit 12: 1-year forward P/BV (x) trajectory



Source: Company, Systematix Research

Exhibit 13: 1-year forward P/BV (x) near long term average



Source: Company, Systematix Research

Exhibit 14: Revised vs earlier estimates

Particulars (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest Income	2,50,461	2,97,904	3,41,268	2,47,140	2,96,601	3,46,693	1.3	0.4	(1.6)
Pre-Prov. Operating Profit	1,60,942	1,96,301	2,22,075	1,56,362	1,90,391	2,29,499	2.9	3.1	(3.2)
Profit after tax	1,00,509	1,10,862	1,24,701	92,203	1,07,291	1,31,963	9.0	3.3	(5.5)

Source: Company, Systematix Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	607	708	750	832	935
Interest expense	(377)	(464)	(500)	(534)	(594)
Net interest income	231	244	250	298	341
Fee Income	17	20	21	27	33
Other Income	43	70	68	70	72
Total Non-interest income	61	90	89	97	105
Total income	291	334	340	394	447
Operating expenses	(151)	(170)	(179)	(198)	(225)
PPoP	141	164	161	196	222
Core PPOP	97	94	93	126	150
Provisions	(40)	(40)	(29)	(50)	(58)
Profit before tax	101	124	132	146	164
Taxes	(38)	(32)	(32)	(35)	(39)
Net profit	63	92	101	111	125

Source: Company, Systematix Research

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YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	7.0	7.2	6.9	7.0	7.0
Interest expense	(4.4)	(4.7)	(4.6)	(4.5)	(4.5)
Net interest income	2.7	2.5	2.3	2.5	2.6
Non-interest income	0.7	0.9	0.8	0.8	0.8
Total income	3.4	3.4	3.1	3.3	3.4
Operating expenses	(1.7)	(1.7)	(1.6)	(1.7)	(1.7)
PPoP	1.6	1.7	1.5	1.6	1.7
Provisions	(0.5)	(0.4)	(0.3)	(0.4)	(0.4)
Profit before tax	1.2	1.3	1.2	1.2	1.2
Taxes	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Net profit	0.7	0.9	0.9	0.9	0.9

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	46	46	46	46	46
Reserves & surplus	643	740	821	910	1,009
Net worth	689	786	866	955	1,055
Deposits	7,379	8,165	9,145	10,243	11,472
Borrowings	809	1,239	1,078	1,067	1,227
Other liabilities	249	236	240	270	295
Total liabilities	9,126	10,426	11,329	12,535	14,049
Total cash & equ.	829	1,003	897	919	1,028
Investments	2,271	2,591	2,617	2,669	2,776
Advances	5,631	6,497	7,471	8,592	9,880
Fixed assets	102	119	127	134	142
Other assets	291	216	218	220	222
Total assets	9,126	10,426	11,329	12,535	14,049

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth Trend (%)					
Net interest income	13.7	5.8	2.7	18.9	14.6
Total Income	6.5	14.5	1.8	16.1	13.2
PPoP	5.0	16.7	(1.9)	22.0	13.1
Net profit	57.0	45.9	9.0	10.3	12.5
Advances	15.9	15.4	15.0	15.0	15.0
Deposits	10.2	10.7	12.0	12.0	12.0
Return Ratios (%)					
Return on Average Equity	9.9	12.5	12.2	12.2	12.4
Return on Average Assets	0.7	0.9	0.9	0.9	0.9
Per share data (Rs)					
EPS	14	20	22	24	27
BVPS	130	152	169	189	211
ABVPS	115	140	160	180	201
Valuation multiples (x)					
P/E	11.3	7.8	7.1	6.5	5.8
P/BV	1.2	1.0	0.9	0.8	0.7
P/ABV	1.4	1.1	1.0	0.9	0.8
Spread Analysis (%)					
Net interest margin	3.0	2.8	2.5	2.7	2.8
Yield on loans	8.2	8.3	7.8	7.8	7.8
Cost of deposits	4.4	4.9	4.7	4.6	4.6
Loan-deposit ratio	76.3	79.6	81.7	83.9	86.1
Opex control (%)					
Cost/Income ratio	51.7	50.8	52.6	50.2	50.3
Cost to average assets	1.7	1.7	1.6	1.7	1.7
Asset quality (%)					
Gross NPL ratio	5.0	3.3	2.2	1.9	1.7
Gross Slippage ratio	1.4	1.3	0.8	1.0	1.0
Total Credit Cost	0.8	0.7	0.4	0.6	0.6
Net NPA ratio	1.2	0.8	0.5	0.5	0.4

Source: Company, Systematix Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

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