

## Indian Overseas Bank

August 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Tier II Bonds	665.00	CARE AA; Stable	Reaffirmed
Tier II Bonds	1,000.00	CARE AA; Stable	Reaffirmed
Certificate Of Deposit	10,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating reaffirmation to debt instruments of Indian Overseas Bank (IOB) factors in majority ownership by Government of India (GoI), its demonstrated support in the past and expected strong continued support in future, and the bank's long track record of operations with strong presence in south India. Ratings also consider IOB's diversified advances book and established depositor base with comfortable current account and savings account (CASA) proportion of 43.78% as on June 30, 2025.

Ratings continue to factor in the bank's comfortable capitalisation levels having significant cushion over minimum regulatory requirement, improvement in the bank's asset quality parameters with moderate slippages and relatively higher amount of recoveries in the last five years. Going forward, with comfortable capitalisation, CARE Ratings Limited (CareEdge Ratings) expects the bank's advances to grow at higher rate than that for the industry.

However, ratings are constrained by the bank's moderate profitability and its regional concentration. While the bank's overall asset quality has improved, asset quality of the recently originated advances would remain a key monitorable. Going forward, CareEdge Ratings expects some pressure on the bank's net interest margin (NIM) in line with the industry trend; due to faster transmission of the recent repo rate cuts in yield on advances than in cost of funds, which would impact profitability in FY26. The bank's ability to maintain its profitability in the medium term remains a monitorable.

However, ratings remain constrained due to moderate profitability despite improvement in FY25.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors – Factors that could individually or collectively, lead to positive rating action/upgrade:

- Consistent improvement in the profitability parameters.
- Significant improvement in the bank's size while maintaining comfortable capitalisation and good asset quality.

#### Negative factors – Factors that could individually or collectively, lead to negative rating action/downgrade:

- Weakening government support and/or reduction in GoI's shareholding to below 51%.
- Inability to maintain capitalisation cushion of 1% over the regulatory requirement.
- Deterioration in asset quality, with net non-performing assets (NNPA) of 3.5% or more on a sustained basis.

**Analytical approach:** Standalone, factoring in the expected support from the GoI.

#### Outlook: Stable

The stable outlook reflects CareEdge Ratings' expectation that bank will report healthy growth in advances while maintaining comfortable capitalisation levels.

### Detailed description of key rating drivers:

#### Key strengths

##### Majority ownership and support by GoI

IOB's credit profile mainly derives strength from the GoI ownership and its demonstrated support from the GoI in terms of capital infusion, management, and governance. CareEdge Ratings expects GoI to continue its support to the bank. The GoI has been

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

supporting public sector banks (PSBs) with regular capital infusions and has been taking steps to improve capitalisation and asset quality. With the continuous equity infusion of ₹27,634 crore in the last nine years, shareholding of GoI increased from 73.80% as on March 31, 2015, to 94.61% as on March 31, 2025. The bank is planning to raise equity capital through qualified institutional placement (QIP) of equity shares in FY26, which would bring down GoI shareholding to ~90%. The bank is also working towards increasing the public shareholding over 25% to comply with regulatory requirements by diluting GoI's stake to less than 75%. However, GOI is expected to maintain majority shareholding and CareEdge Ratings expects GoI to provide capital and operational support in the future.

#### **Diversified advances profile with a relatively high proportion of retail, agriculture and MSME in total advances**

IOB reported growth in gross advances by 14.15% in FY25 with advances growing from ₹2,19,018 crore as on March 31, 2024, to ₹2,50,019 crore as on March 31, 2025, and further increased to ₹2,62,421 crore as on June 30, 2025. The retail, agriculture, and MSME (RAM) advances continue to constitute the major portion of advances, forming 72.64% of the advances as on March 31, 2025, and 73.39% as on June 30, 2025 (66.53% as on March 31, 2024). The share of corporate & overseas advances stood at 27.36% as on March 31, 2025, against 33.47% as on March 31, 2024. As on March 31, 2025, retail, agriculture and MSME (RAM) book constituted 25.10%, 29.82%, and 17.72%, respectively.

Exposure to top 20 individual borrowers constituted ~104.23% of the net worth and 13.57% of the gross advances as on March 31, 2025. Notably, most top borrowers were government-owned entities and highly rated corporate accounts, which is expected to remain key focus areas for bank in the medium term. CareEdge Ratings expects the proportion of RAM to remain at similar levels in the medium term.

#### **Strong deposit base with comfortable CASA proportion**

IOB's deposit base has been steadily growing over the years. In FY25, the bank deposits registered a growth of 9.11% and stood at ₹3,11,938 crore as on March 31, 2025, against ₹285,905 crore as on March 31, 2024, and further grew by 6.04% in Q1FY26 and stood at ₹3,30,792 crore as on June 30, 2025. The CASA deposits remained stable comprising 43.65% as on March 31, 2025, against 43.90% as on March 31, 2024. CASA proportion stood at 43.78% as on June 30, 2025. Bulk term deposits have remained stable in FY25. The proportion of bulk term deposits stood at 4.46% of the total deposits as on March 31, 2025 (5.01% as on March 31, 2024). CareEdge Ratings expects CASA proportion to remain stable in the medium term.

#### **Comfortable capitalisation levels**

The bank has maintained comfortable capitalisation levels in the last three years supported by internal accruals with improvement in profitability. Earlier, the bank received significant amount of capital infusion from GoI after it was placed under the RBI's prompt corrective action (PCA) from October 2015 to September 2021 due to high NNPA levels and loss reported in FY15. The bank has raised ₹4,100 crore equity from GoI in the form of zero-coupon bonds in FY21 and unwinding of the same every year would also improve capital adequacy ratio (CAR) gradually. As on March 31, 2025, CAR and CET-I Ratio stood at 19.74% and 17.13% as on March 31, 2025, against 17.28% and 14.47%, respectively, as on March 31, 2024. CAR and CET-I Ratio stood at 18.28% and 15.78%, respectively, as on June 30, 2025, against regulatory requirements. CareEdge Ratings expects capital adequacy to remain comfortable in the medium term.

#### **Improvement in asset quality parameters in the last five years**

In the last five years, bank's asset quality parameters witnessed significant improvement supported by lower slippages, better recoveries, and higher write-offs. Gross NPA (GNPA) improved from 3.10% as on March 31, 2024, to 2.14% as on March 31, 2025, and NNPA improved from 0.57% as on March 31, 2024 to 0.37% as on March 31, 2025. CareEdge Ratings notes that the bank has written-off a portfolio amounting to ₹3,883 crore in FY25. Slippage ratio stood at 1.66% in FY25 from 0.94% in FY24. GNPA and NNPA further improved and stood at 1.97% and 0.32% as on June 30, 2025.

The bank's provision coverage ratio (including technically written-off accounts) also stood healthy at 97.30% as on March 31, 2025, against 96.85% as on March 31, 2024. The bank's gross stressed assets position (GNPA+ Standard restructured assets+ Security Receipts) as a percentage of gross advances also witnessed improvement from 5.70% as on March 31, 2024 to 3.55% as on March 31, 2025. Net stressed assets as a percentage of the net worth stood at 10.21% as on March 31, 2025 (25.41% as on March 31, 2024).

#### **Key weaknesses**

##### **Moderate profitability**

Net interest income (NII) increased to ₹10,890 crore in FY25 against ₹9,829 crore in FY24 in line with increase in the advances book. Non-interest income (as a percentage of total assets) stood at 1.49% in FY25 against 1.71% in FY24 aided by recovery from written-off accounts. CareEdge Ratings notes that recovery from written-off accounts contribute a significant amount to the non-interest income. The bank's NIM has fallen to 2.93% in FY25 against 2.98% in FY24 due to the recent rate cuts. Majority non-interest income has been from recoveries of written-off accounts which constituted ~40% of non-interest income. The CD ratio (net advances/ deposits) stood at 78.72% as on March 31, 2025, against 74.61% as on March 31, 2024, aided by healthy

loan book growth in FY25. The bank's operational expenses decreased to 2.08% in FY25 from 2.64% in FY24. The bank's credit cost has seen an increase to 1.12% in FY25 from 1.02% in FY24 with increase in slippages. Consequently, the bank's return on total assets (ROTA) improvement to 0.90% in FY25 against 0.80% in FY24. However, it continues to remain moderate in comparison to the industry. The bank's ability to improve asset quality by limiting credit cost, protecting the earnings profile, will be a key rating monitorable.

In Q1FY26, IOB reported a profit after tax (PAT) of ₹1,111 crore on a total income of ₹8,866 crore against a PAT of ₹633 crore on a total income of ₹7,568 crore in Q1FY25. CareEdge Ratings expects the bank to sustain the profitability levels in the medium term, with credit costs remaining moderate in line with the industry.

### High geographical concentration

IOB has high geographical concentration in advances with top five states contributing ~70% of advances (Tamil Nadu contributing ~38% of advances) as on June 30, 2025. The bank's deposits are also geographically concentrated with top five states constituting ~64% of total deposits, with Tamil Nadu being the highest contributor at ~35% of total deposits as on June 30, 2025.

### Liquidity: Adequate

The bank's liquidity profile remains adequate, with no cumulative negative mismatches up to three months bucket per the asset and liability management (ALM) profile as on June 30, 2025. The bank reported liquidity coverage ratio (LCR) stood at 123.54% and net stable funding ratio (NSFR) stood at 128.49% for the quarter ended on June 30, 2025, against the regulatory requirement of 100%. The bank also had excess statutory liquidity ratio (SLR) investments of ₹23,758 crore as on June 30, 2025, translating into 7.22% of net demand and time liabilities (NDTL), which provides comfort. The bank has an established deposit profile and has witnessed majority deposits getting rolled over, helping its liquidity profile. Access to call money markets, RBI's repo, Marginal Standing Facility (MSF) and an option to refinance from refinance institutions, provide comfort.

### Assumptions/Covenants – Not applicable

### Environment, social, and governance (ESG) risks

While IOB's business model limits its direct exposure to environmental risks, credit risk may arise, if operations of any asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect IOB's regulatory compliance and reputation and hence remain a key monitorable. The bank has been extending IOB credit schemes for women and has opened the Sakthi IOB Chidambaram Chettiar Memorial Trust to empower women and financial literacy centres under the name of "Sneha".

IOB's Board comprises 10 Directors, with three Independent Directors but does not include female Director/s, which is a non-compliance per SEBI LODR regulations. The bank has one Government Nominee Director, one RBI nominee Director and one Shareholder Director.

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages – Government Support](#)

[Rating Outlook and Rating Watch](#)

[Banks](#)

[Financial Ratios – Financial Sector](#)

[Rating Basel III – Hybrid Capital Instruments issued by the Banks](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

IOB was founded by M. Ct. M. Chidambaram Chettiyar in 1937 and was nationalised by GoI in 1969. Currently, IOB is one of the 12 PSBs in India. As on March 31, 2025, GoI holds 94.61% in IOB followed by institutional investors, public, and others.

As on March 31, 2025, IOB was operating in India through 3,335 branches (excluding eight retail loan processing centres), 3,497 ATMs, and 10,135 business correspondence (BC) relationships. The bank also has presence in overseas countries through four branches, Singapore, Hong Kong, Colombo, and Bangkok. As on March 31, 2025, IOB has a total business (Deposits + Advances) of ₹5,61,958 crore through its domestic (3,335 branches) and overseas presence (four countries).

IOB has two joint ventures (JVs), Universal Sompo General Insurance Company Limited (USGI) with equity participation of 18.06%, and Indian International Bank (Malaysia), Berhad, (IIMB) with equity participation of 35%. In addition, the bank is also a sponsor for an RRB, Odisha Gramya Bank (35% shareholding).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	29,706	33,676	8,866
PAT	2,656	3,335	1,111
Total Assets	3,49,311	3,95,015	4,14,114
Net NPA (%)	0.57	0.37	0.32
ROTA (%)	0.80	0.90	1.14

A: Audited UA: Unaudited; Note: these are latest available financial results

Note: All financial calculations are per CARE Ratings

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities:**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	INE565A08043	31-Mar-2022	8.60%	31-Mar-2032	665.00	CARE AA; Stable
Bonds-Tier II Bonds	INE565A08050	24-Mar-2023	9.00%	24-Mar-2033	1000.00	CARE AA; Stable
Certificate Of Deposit	INE565A16BB8	23-May-2025	6.42%	22-Aug-2025	1,000.00	CARE A1+
Certificate Of Deposit	INE565A16BC6	27-May-2025	6.28%	26-Aug-2025	500.00	CARE A1+
Certificate Of Deposit	INE565A16BD4	10-Jun-2025	5.88%	09-Sep-2025	1,000.00	CARE A1+
Certificate Of Deposit	INE565A16BE2	23-Jun-2025	5.95%	22-Sep-2025	1,000.00	CARE A1+
Certificate Of Deposit	INE565A16BF9	07-Jul-2025	5.88%	01-Oct-2025	1,000.00	CARE A1+
Certificate Of Deposit	INE565A16BG7	17-Jul-2025	5.90%	16-Oct-2025	1,000.00	CARE A1+
Certificate Of Deposit (Proposed)	-	-	-	-	4,500.00	CARE A1+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Tier II Bonds	LT	665.00	CARE AA; Stable	-	1)CARE AA; Stable (06-Aug-24)	1)CARE AA-; Positive (06-Oct-23) 2)CARE AA-; Stable (10-Aug-23)	1)CARE AA-; Stable (16-Dec-22)
2	Bonds-Tier II Bonds	LT	1000.00	CARE AA; Stable	-	1)CARE AA; Stable (06-Aug-24)	1)CARE AA-; Positive (06-Oct-23) 2)CARE AA-; Stable (10-Aug-23)	1)CARE AA-; Stable (16-Dec-22)
3	Certificate Of Deposit	ST	10000.00	CARE A1+	-	1)CARE A1+ (06-Aug-24)	1)CARE A1+ (06-Oct-23) 2)CARE A1+ (10-Aug-23)	-

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier II Bonds	Complex
2	Certificate Of Deposit	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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