Indian Overseas Bank

July 30, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Certificate of Deposit	RBI	20,000.00	CARE A1+	Reaffirmed
Tier-II Bonds[&]	SEBI	2,665.00	CARE AA+; Stable	Upgraded from CARE AA; Stable

Details of instruments/facilities in Annexure-1.

[&]Tier-II bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger, due to which, the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which, the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I (CET I) capital of the bank should be considered the most appropriate way to prevent the bank from turning non-viable.

Rationale and key rating drivers

The upgrade in rating assigned to the long term debt instruments of Indian Overseas Bank (IOB) factors in improvement in the bank's financial risk profile, which is likely to sustain in the near-to-medium term, on the back of continued improvement in asset quality with moderate slippages and healthy recoveries, and better profitability. The ratings continue to favourably factor in majority ownership by Government of India (GoI), its demonstrated support in the past and expected strong continued support in future. Ratings also take into account the bank's long track record of operations with strong presence in south India, bank's diversified advances book and established depositor base with comfortable current account and savings account (CASA) proportion of 41.05% as on June 30, 2026.Ratings also factor in the bank's comfortable capitalisation levels having significant cushion over minimum regulatory requirement. Going forward, with healthy capitalisation, CARE Ratings Limited (CareEdge Ratings) expects the bank's advances to grow at a higher rate than that for the industry.

However, ratings are constrained by the bank's regional concentration. While the bank's overall asset quality has improved, asset quality of the recently originated advances would remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

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

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

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

- Dilution in government support and/or 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 2.5% 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 above-industry growth in advances while maintaining comfortable capitalisation levels and healthy profitability.

Detailed description of key rating drivers

Key strengths

Improving profitability

Net interest income (NII) increased to ₹12,574 crore in FY26 against ₹10,890 crore in FY25 in line with increase in the advances book. Non-interest income (as a percentage of total assets) stood at 1.30% in FY26 against 1.49% in FY25 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 net interest margin (NIM) has fallen to 2.90% in FY26 against 2.93% in FY25 due to the recent rate cuts. Majority non-interest income has been from recoveries of written-off accounts which constituted ~35% of non-interest income. The CD ratio (net advances/ deposits) stood at 83.28% as on March 31, 2026, against 78.72% as on March 31, 2025, aided by healthy loan book growth in FY26. The bank's operational expenses decreased to 1.88% in FY26 from 2.08% in FY25. The bank's credit cost improved to 0.87% in FY26 from 1.12% in FY25 with reduction in slippages. Consequently, the bank's

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

return on total assets (ROTA) improvement to 1.20% in FY26 against 0.90% in FY25. However, it continues to remain moderate in comparison to the peers. The bank's ability to improve asset quality by limiting credit cost, protecting the earnings profile, will be a key rating monitorable.

In Q1FY27, IOB reported a profit after tax (PAT) of ₹1,659 crore on a total income of ₹10,938 crore against a PAT of ₹1,111 crore on a total income of ₹8,867 crore in Q1FY26. CareEdge Ratings expects the bank to sustain the profitability levels in the medium term, with credit costs remaining moderate in line with the industry.

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 2.14% as on March 31, 2025, to 1.42% as on March 31, 2026, and NNPA improved from 0.37% as on March 31, 2025 to 0.21% as on March 31, 2026. CareEdge Ratings notes that the bank has written-off a portfolio amounting to ₹1,190 crore in FY26. Slippage ratio stood at 0.57% in FY26 from 1.66% in FY25. GNPA and NNPA further improved and stood at 1.33% and 0.18% as on June 30, 2026.

The bank's provision coverage ratio (including technically written-off accounts) also stood healthy at 97.50% as on March 31, 2026, against 97.30% as on March 31, 2025. The bank's gross stressed assets position (GNPA+ Standard restructured assets+ Security Receipts) as a percentage of gross advances also witnessed improvement from 3.55% as on March 31, 2025 to 2.17% as on March 31, 2026. Net stressed assets as a percentage of the net worth stood at 5.64% as on March 31, 2026 (10.21% as on March 31, 2025).

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, 2026, CAR and CET-I Ratio stood at stood at 19.78% and 16.94%, against 19.74% and 17.13%, respectively, as on March 31, 2025. CAR and CET-I Ratio stood at 19.36% and 16.88%, respectively, as on June 30, 2026, against regulatory requirements. CareEdge Ratings expects capital adequacy to remain comfortable in the medium term.

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 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 92.44% as on June 30, 2026. The bank is planning to raise equity capital through qualified institutional placement (QIP) of equity shares in FY27. 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 24.16% in FY26 with advances growing from ₹250,019 crore as on March 31, 2025, to ₹310,423 crore as on March 31, 2026, and further increased to ₹322,132 crore as on June 30, 2026. The retail, agriculture, and MSME (RAM) advances continue to constitute the major portion of advances, forming 78.93% of the advances as on March 31, 2026, and 81.21% as on June 30, 2026 (72.64% as on March 31, 2025). The share of corporate and overseas advances stood at 21.07% as on March 31, 2026 and 18.79% as on June 30, 2026, against 27.36% as on March 31, 2025. As on June 30, 2026, RAM book constituted 30.00%, 34.89%, and 16.31%, respectively.

Exposure to top 20 individual borrowers constituted ~111.91% of the net worth and 13.69% of the gross advances as on March 31, 2026. 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 FY26, the bank deposits registered a growth of 18.03% and stood at ₹368,191 crore as on March 31, 2026, against ₹311,938 crore as on March 31, 2025, and further grew by 8.69% in Q1FY27 and stood at ₹376,193 crore as on June 30, 2026. The CASA deposits remained stable comprising 40.99% as on March

31, 2026, against 43.65% as on March 31, 2025. CASA proportion stood at 41.05% as on June 30, 2026. Bulk term deposits have increased in FY26. The proportion of bulk term deposits stood at 9.14% of the total deposits as on March 31, 2026 (6.39% as on March 31, 2025). CareEdge Ratings expects CASA proportion to remain stable in the medium term.

Key weakness

High geographical concentration

IOB has high geographical concentration in advances with top five states contributing ~71% of advances (Tamil Nadu contributing ~39% of advances) as on March 31, 2026. The bank's deposits are also geographically concentrated with top five states constituting ~63% of total deposits, with Tamil Nadu being the highest contributor at ~34% of total deposits as on March 31, 2026.

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 May 31, 2026. The bank reported liquidity coverage ratio (LCR) stood at 122.01% and net stable funding ratio (NSFR) stood at 127.73% for the quarter ended on March 31, 2026, against the regulatory requirement of 100%. The bank also had excess statutory liquidity ratio (SLR) investments of ₹16,516 crore as on March 31, 2026, translating into 4.37% 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 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.

IOB's Board comprises seven Directors, with three Independent Directors, including one female Director. 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 June 30, 2026, GoI holds 92.44% in IOB followed by institutional investors, public, and others.

As on June 30, 2026, IOB was operating in India through 3,526 branches, 3,691 ATMs, and 13,401 business correspondence (BC) relationships. The bank also has presence in overseas countries through four branches, Singapore, Hong Kong, Colombo, and Bangkok. As on June 30, 2026, IOB has a total business (Deposits + Advances) of ₹694,594 crore through its domestic (3,522 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), and a shareholding of 26% in ACER Credit Rating Pvt Ltd.

Standalone financials:

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total income	33,676	37,532	10,938
Profit after tax (PAT)	3,335	5,208	1,659
Total assets	3,95,015	4,73,320	4,80,957
Net interest margin (NIM) (%)	2.93	2.90	3.09
Gross non-performing assets (NPA) (%)	2.14	1.42	1.33
Net NPA (%)	0.37	0.21	0.18
Capital adequacy ratio (CAR) (%)	19.74	19.78	19.36

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

Note: All financial ratios are as per CareEdge 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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	SEBI	Complex	INE565A08043	31-Mar-22	8.60%	31-Mar-32	665.00	CARE AA+; Stable
Bonds-Tier II Bonds	SEBI	Complex	INE565A08050	24-Mar-23	9.00%	24-Mar-33	1,000.00	CARE AA+; Stable
Bonds-Tier II Bonds	SEBI	Complex	INE565A08068	23-Jan-26	7.80%	23-Jan-36	1,000.00	CARE AA+; Stable
Certificate of Deposits	RBI	Simple	INE565A16BR4	18-Feb-26	7.05% to 7.10%	18-Feb-27	1,250.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BR4	20-Feb-26	7.10%	18-Feb-27	350.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BR4	23-Feb-26	7.14%	18-Feb-27	200.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BS2	24-Feb-26	7.13% and 7.14%	24-Feb-27	2,100.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BT0	25-Feb-26	7.14%	25-Feb-27	1,200.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BU8	26-Feb-27	7.13% and 7.14%	26-Feb-27	1,000.00	CARE A1+
Certificate of Deposits	RBI	Simple	INE565A16BV6	08-Jul-26 and 09-Jul-26	6.42%	01-Oct-26	2,500.00	CARE A1+
Certificate of Deposits	RBI	Simple	Proposed	-	-	-	11,400.00	CARE A1+

Certificate of Deposits with ISIN INE565A16BL7, INE565A16BM5, INE565A16BN3, INE565A16BN5, INE565A16BO1, INE565A16BP8 and INE565A16BQ6 have been redeemed on maturity.

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 2026-2027	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
1	Bonds-Tier II Bonds	LT	665.00	CARE AA+; Stable	-	1)CARE AA; Stable (10-Feb-26) 2)CARE AA; Stable (01-Oct-25) 3)CARE AA; Stable (05-Aug-25)	1)CARE AA; Stable (06-Aug-24)	1)CARE AA-; Positive (06-Oct-23) 2)CARE AA-; Stable (10-Aug-23)
2	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	-	1)CARE AA; Stable (10-Feb-26)	1)CARE AA; Stable (06-Aug-24)	1)CARE AA-; Positive (06-Oct-23)

						2)CARE AA; Stable (01-Oct-25) 3)CARE AA; Stable (05-Aug-25)		2)CARE AA-; Stable (10-Aug-23)
3	Certificate Of Deposit	ST	20000.00	CARE A1+	-	1)CARE A1+ (10-Feb-26) 2)CARE A1+ (01-Oct-25) 3)CARE A1+ (05-Aug-25)	1)CARE A1+ (06-Aug-24)	1)CARE A1+ (06-Oct-23) 2)CARE A1+ (10-Aug-23)
4	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Stable	-	1)CARE AA; Stable (10-Feb-26) 2)CARE AA; Stable (01-Oct-25)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: 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 for clarifications.

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About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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