Indian Overseas Bank – Q3FY26

Result Update (16-01-2026)

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"Strong RAM growth, easing NPAs and benefit from the new tax regime transition lifted the bank's Q3FY26 Net profit to an all-time-high"

Ajcon Global's observations & views

1. IOB's Q3 performance highlights strengthening of core fundamentals, with the transition to the new tax regime, prudent additional provisioning as a buffer and consistent improvement in margins reinforcing balance sheet strength and earnings visibility.
2. Supported by disciplined growth, comfortable liquidity and CASA sustained above 41%, the bank remains on a structurally stronger footing to sustain its turnaround momentum and deliver consistent performance ahead awaiting rerating by the market.

Q3FY26 RESULT ANALYSIS

1) **Total business** increased by 4.41% QoQ to Rs. 644276 Crores in Q3FY26 against Rs. 617034 Crores in Q2FY26. Also, it rose by 18.71% YoY from Rs. 542753 Crores in Q3FY25.

2) **Total deposits** increased by 3.02% QoQ to Rs. 349302 Crores in Q3FY26 against Rs. 339066 Crores in Q2FY26. It increased by 14.48% YoY from Rs. 305121 Crores in Q3FY25.

3) **Advances** increased by 6.12% QoQ to Rs. 294974 Crores in Q3FY26 against Rs. 277968 Crores in Q2FY26 and it increased by 24.13% YoY from Rs. 237632 Crores in Q3FY25.

4) **Net interest income** increased by 7.85% QoQ to Rs. 3299 Crores in Q3FY26 against Rs. 3059 Crores in Q2FY26 and it was up by 18.29% YoY from Rs. 2789 Crores in Q3FY25.

5) **Operating profit** increased by 8.46% QoQ at Rs. 2603 Crores in Q3FY26 against Rs.2400 Crores in Q2FY26 and it rose by 14.87% YoY from Rs. 2266 Crores in Q3FY25.

6) **Net Profit** rose by 11.34% QoQ to Rs.1365 Crores in Q3FY26 against Rs. 1226 Crores in Q2FY26. Also, it rose by 56.18% YoY from Rs. 874 Crores in Q3FY25.

7) **NIM (Global)** rose to 3.32% in Q3FY26 against 3.21% in Q2FY26 and was slightly below 3.33% in Q3FY25.

8) **Domestic cost of deposits** dipped to 4.92% in Q3FY26 against 5.05% in Q2FY26 and 5.10% in Q3FY25.

KEY FINANCIAL INDICATORS – Q3FY26

CMP (16.01.2026)	: Rs. 36.08
Face Value	: Rs. 10
Book value per share	: Rs. 13.90
Market Capitalisation	: Rs. 69,478 Cr
Capital Adequacy Ratio	: 16.30%
Global C/D ratio	: 84.45%
CASA ratio	: 40.85%
Net Interest Margin (NIM)	: 3.32%
Cost / Income ratio	: 45.74%
Gross NPA	: 1.54%
Net NPA	: 0.24%
PCR	: 97.49%
Slippage ratio	: 0.11%
Return on Assets (Annualised)	: 1.28%
Return on Equity (Annualised)	: 20.98%

9) **Total Non-Interest Income** increased by 9.82% QoQ to Rs.1499 Crores in Q3FY26 against Rs.1365 Crores in Q2FY26 and it was up by 15.49% YoY from Rs.1298 Crores in Q3FY25.

10) **Domestic Fee based income** decreased by 8.80% QoQ to Rs.663 Crores in Q3FY26 against Rs. 727 Crores in Q2FY26 and was up by 21.43% YoY from Rs.546 Crores in Q3FY25. **Global Fee based income** decreased by 8.11% QoQ to Rs.680 Crores in Q3FY26 against Rs. 740 Crores in Q2FY26 and was up by 21% YoY from Rs.562 Crores in Q3FY25.

11) **Cost/Income ratio** fell slightly to 45.74% in Q3FY26 against 45.76% in Q2FY26 and rose against 44.55% in Q3FY25, respectively.

12) **CASA ratio (Domestic)** rose to 41.29% in Q3FY26 against 41.01% in Q2FY26 and fell against 43.76% in Q3FY25, respectively. **CASA ratio (Global)** rose to 40.85% in Q3FY26 against 40.52% in Q2FY26 and fell against 43.37% in Q3FY25, respectively.

13) **Domestic Credit/Deposit (C/D) ratio** increased to 81.81% in Q3FY26 against 78.78% in Q2FY26 and 73.99% in Q3FY25, respectively. **Global C/D Ratio** increased to 84.45% in Q3FY26 against 81.98% in Q2FY26 and 77.88% in Q3FY25, respectively.

14) **Return on assets (ROA)** marginally increased to 1.28 % in Q3FY26 against 1.20% in Q2FY26 and 0.93% in Q3FY25, respectively.

15) **Fresh slippages** increased to Rs. 301 Crores in Q3FY26 against Rs. 290 Crores in Q2FY26 and from Rs.284 Crores in Q3FY25. Total Recovery increased to Rs.890 Crores in Q3FY26 against Rs. 874 Crores in Q2FY26 and it declined from Rs. 957 Crores in Q3FY25.

16) **Gross NPA ratio** improved to 1.54% in Q3FY26 against 1.83% in Q2FY26 and 2.55% in Q3FY25. Net NPAs ratio improved to 0.24% in Q3FY26 against 0.28% in Q2FY26 and 0.42% in Q3FY25.

17) **Provision Coverage ratio** slightly rose to 97.49% QoQ in Q3FY26 from 97.48% in Q2FY26 and 97.07% in Q3FY25, respectively.

18) **The Bank's Capital Adequacy ratio** declined to 16.30% in Q3FY26 against 17.94% in Q2FY26 and 16.97% in Q3FY25, respectively.

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Management Comments

19) In response to an analyst's query on credit growth and liquidity, Mr. Ajay Kumar Srivastava, MD & CEO of the Bank, stated that the bank is confident of closing FY26 with 24%–25% credit growth, driven by broad-based traction across retail, MSME and select corporate segments; he added that the deposit growth remains healthy with retail term deposits up 16% and liquidity remains comfortable with LCR consistently above regulatory requirements at 120–122%.
20) Clarifying an analyst's concern regarding provisioning and tax, the MD & CEO said that the bank has created ₹800 crore of additional standard asset provisions as a buffer and ₹1,500 crore of forward-looking ECL provisions, both over and above the normal requirement. He further noted that the bank has written off its entire DTA of ₹2,900 crore in the December quarter and transitioned to the new tax regime.
21) Responding to an analyst's query on the increase in staff costs, Mr. Ajay Kumar Srivastava clarified that the ₹172 crore QoQ rise does not reflect the impact of the new labor code but is largely due to ₹160 crore of additional surplus provisions made towards pension and gratuity as a prudential cushion.
22) Addressing an analyst's query on asset quality and write-offs, the MD & CEO stated that the reduction in GNPA was driven by a combination of recoveries, technical write-offs, OTS and ARC resolutions, with recoveries consistently exceeding slippages; he added that GNPA could further decline by 5–7 bps in Q4FY26, while the total written off book stands at ₹23,000 crore.
23) In response to an analyst's query on corporate loan growth, Mr. Ajay Kumar Srivastava said the bank's focus on retail, agriculture and MSME is a conscious strategy due to better pricing, lower capital needs and diversified risk, while corporate lending is selectively pursued through specialized branches with strict pricing and credit filters, maintaining a stable mix of 75%-76% RAM and 24%–25% corporate.
24) Addressing an analyst's query on CASA growth, the MD & CEO said that the savings deposits continue to grow in double digits, while current account balances were deliberately moderated to avoid volatile, short-term inflows and the softer CASA ratio reflects faster growth in retail term deposits rather than any weakness in CASA. He further added that domestic CASA remains above 41%, placing the bank among the stronger PSU peers and is expected to be sustained at this level going forward.
25) During the discussion on the bank's shareholding, Mr. Ajay Kumar Srivastava stated that the Government of India stake has reduced to 92.44% from over 96% a year ago and the bank has approval to raise ₹4,000 crore via QIP, which is expected to be executed in the current quarter and could lower the stake by a further 4%.
26) Responding to an analyst's query on margins and recoveries, the MD & CEO said the bank has consistently improved NIM despite rate cuts and it is expected to be maintained in the 3.3–3.4% range going forward. On asset quality, he added that the bank is on track to exceed ₹4,000 crores of recoveries by year-end, supported by an expected pickup in Q4FY26.

Ajcon Global Research
Ajcon Global Services Limited
https://ajcononline.com/