

Date: 2nd June 2016

The Listing Department
Singapore Exchange
11 North Buona Vista Drive,
#06-07 The Metropolis Tower 2,
Singapore 138589

Dear Sir,

Sub: Revision in Ratings of IOB by M/s Standard & Poor's Ratings Services

The International Credit Rating Agency M/s Standard & Poor's [S & P] has revised its ratings of Indian Overseas Bank [IOB] vide its Research Update dated 30th May 2016.

On 30th May 2016, S & P Global Ratings lowered its long-term issuer credit rating on India-based IOB to 'BB' from 'BB+'. The short-term rating remains 'B'. The outlook on the long-term rating is stable. S & P lowered its issue ratings on IOB's senior unsecured debt to 'BB' from 'BB+'. At the same time, S & P removed the ratings from CreditWatch, where it had placed negative implications on 16th February 2016.

Quote:

IOB's asset quality has deteriorated sharply, leading to a rise in credit costs and losses in the fourth quarter of the fiscal year ending 31st March 2016. We expect the bank's asset quality pressure to remain over the next 12-18 months.

The stable outlook on IOB reflects our expectation that there is a very high likelihood that the government of India will continue to support the bank, including through ongoing capital infusion, and help the bank maintain its regulatory minimum capital requirements over the next 12 months at least.

Unquote

Rationale:

- Rating revision is based on the expectation that bank's asset quality to remain weak over the next 12 months, following a deterioration in the past few quarters. Accordingly, IOB's stand-alone credit profile (SACP) was lowered to 'b-' from 'bb-'.



- S & P anticipate that IOB's credit costs will remain high over the next 12 months because of continued pressure on asset quality, given tough operating conditions for the corporate sector in India.
- IOB's credit costs are also likely to remain high, in part due to IOB's low non performing loan (NPL) coverage ratio of 47%.
- In terms of asset quality, IOB's performance in fiscal 2016 (ended 31st March 2016) has been weaker than S&P's expectations.
- The gross NPL ratio more than doubled to 17.4% as of 31st March 2016 from 8.3% as of 31st March 2015.
- The net NPL of the bank, at INR192 billion as of 31st March 2016 is higher than the capital of INR156.7 billion.
- The banks stressed asset ratio of close to 23% is very high, highlighting the weakness in IOB's portfolio.

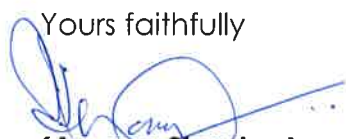
Ratings List

	To	From
Indian Overseas Bank Issuer Credit Rating	BB/Stable/B	BB+/Watch Neg/B
Indian Overseas bank Senior Unsecured	BB	BB+/Watch Neg

The revision in rating is being conveyed in order to comply with continuing listing obligations.

This is for your information and record.

Yours faithfully


(Anurag Shankar)
Deputy Chief Executive and Authorised User

