CO:IRD:2024-25:241 **Date: 04.12.2024**

National Stock Exchange of India Limited, Exchange Plaza, Plot No. C-1, 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051 **Scrip Code – CENTRALBK**	**BSE Limited,** Corporate Relationship Department, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001 **Scrip Code – 532885**

Dear Sir/Madam,

Sub: Credit Rating.

Pursuant to Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, this is to inform that CARE Rating Ltd has reaffirmed its rating for Certificate of Deposits as under :-

Details of Credit Rating									
Current Rating Details									
S.No	Particular	Name of Credit Rating Agency	Credit Rating assigned	Outlook (stable/ positive/ negative/ no outlook	Rating action (New/Upgraded/ downgraded/ Reaffirm/other)	Specify other rating action	Date of Credit rating	Verification status of Credit Rating agency	Date of verification
1	Proposed Certificate of Deposits (Rs 10000 crore)	CARE Rating Ltd	A1+	NA	Reaffirmed	NA	04.12.2024	Verified	04.12.2024

We enclose a copy of Rating rationale dated 04.12.2024 issued by CARE Rating Ltd.

Please take the above on record.

Thanking You.

Yours faithfully,
For **CENTRAL BANK OF INDIA**
CHANDRAKANT C BHAGWAT
Digitally signed by CHANDRAKANT C BHAGWAT
Date: 2024.12.04 18:15:38 +05'30'
CHANDRAKANT BHAGWAT
Company Secretary & Compliance Officer

Encl: A/a

Central Bank of India

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Certificate Of Deposit	10,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to the Certificate of Deposits (CD) programme of Central Bank of India (CBI) draws strength from majority ownership of the Government of India (GoI) and demonstrated funding support by the GoI with aggregate equity infusion of ₹21,835 crore during FY16-FY23, which coupled with internal accruals in the recent years have helped improve the bank's capitalisation level. CARE Ratings Limited (CARE Ratings) expects continuation of the strong funding support by the GoI. Rating also factors in the long track record of operations with established pan-India business franchise, diversified advances book with focus on non-corporate advances and deposit base with sizeable current account and savings account (CASA) proportion.

Rating, however, factors in moderate asset quality which has seen improvement in the last few years supported by significant write-offs and recoveries and reduction in fresh slippages over the years. The bank's earnings profile has seen considerable improvement starting from FY22. However, the level of profitability continues to remain moderate as reflected in return on total assets (ROTA) compared to peer banks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Not applicable

Negative factors

- Deterioration in asset quality, with gross non-performing assets (GNPA) of 7% or more on a sustained basis.
- Deterioration in capitalisation levels with cushion above the minimum regulatory requirement remaining lower than 100 bps on a sustained basis.

Analytical approach: Standalone

The rating is based on standalone financial profile of CBI and factors in strong and continued support from the GoI, which holds the majority shareholding in the bank.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Majority ownership and support by GOI

GOI continues to be the majority shareholder holding 93.08% stake in CBI as on September 30, 2024. GOI has been supporting public sector banks with regular capital infusions and has undertaken steps to improve capitalisation, operational efficiency and asset quality considering the critical role and importance of public sector banks in the overall economy. CBI cumulatively received equity capital of ₹21,835 crore from FY16 to FY23. CARE Ratings expects the GOI to continue to support public sector banks including CBI, considering the majority ownership and their importance to the financial sector.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Comfortable capitalisation levels

Aided by regular equity infusion by the GoI, improvement in asset quality and improvement in profitability in recent years leading to accretion to net worth, the capitalisation profile of CBI has improved over the years. The bank's capital adequacy levels remained comfortably above regulatory requirement with total capital adequacy ratio (CAR) of 16.27% (CET-1 and Tier-I: 14.01%) as on September 30, 2024 (March 31, 2024: CAR: 15.08% and CET I Ratio/ Tier I CAR: 12.46%), against regulatory requirement of CAR of at least 11.5%. However, this remains relatively lower compared to its larger peers.

The bank also has board approval to raise capital of ₹5,000 crore through issue of equity shares by qualified institutional placement (QIP) or other avenues and bond issuance (Tier II and Additional Tier I) in H2FY25. This would help the bank to maintain adequate capital cushion and bring down the GOI shareholding aligned with the regulatory requirement of minimum public shareholding. Further, the impact of transition to the expected credit loss (ECL) framework, when implemented, on the bank's capitalisation level remains a key monitorable.

Given the majority GOI's ownership, CBI is expected to receive timely and adequate support in the form of capital as and when required. CARE Ratings expects the bank to maintain capital cushion of at least 150 bps above the minimum regulatory requirement in the near term.

Diversified advances profile with high share of retail advances

The bank's gross advances grew at compounded annual growth rate (CAGR) of 8.5% in FY19-FY24 which was lower than the industry growth. The bank had come out of RBI's prompt corrective action (PCA) framework on September 20, 2022, post which it has seen growth in advances, which witnessed growth of 14.8% in FY23 (refers to April 01 to March 31) and 15.6% (year-over-year [y-o-y]) growth in FY24. The bank's gross advances stood at ₹2,51,745 crore as on March 31, 2024.

The bank has been focusing on the segments of retail, agriculture and MSME (RAM) which constituted major portion advances. The share of RAM advances to total advances has increased from 66.50% as on March 31, 2023 (65.75% as on September 30, 2023) to 72.03% as on September 30, 2024.

Within RAM advances, major segment was retail, constituting 30.2% of total advances led by home loans (constituting 63.06% of retail loans). Agriculture loan portfolio and MSME loans constituted 19.9% and 22.0% of total advances, respectively, as on September 30, 2024. CARE Ratings expects the proportion of RAM segments and corporate to remain at similar levels in the medium term.

Established franchise with strong deposit base with comfortable CASA proportion

The bank has a track record of over a century and over the years has developed a pan-India business franchise with a network of 4,528 branches and 4,085 ATMs as on September 30, 2024. CBI's deposit base has been steadily growing over the years and it reported a growth of 7.2% in FY24, with deposits growing from ₹3,59,296 crore as on March 31, 2023, to ₹3,85,011 crore as on March 31, 2024 and this has grown by 1.8% in H1FY25 and stood at ₹3,91,914 crore as on September 30, 2024.

Over the last few years, CASA's share has steadily improved from 35.48% as on March 31, 2016, to 50.05% as on March 31, 2024, which was higher than peer public sector banks and had remained relatively stable at 48.93% as on September 30, 2024. The reduction in proportion of CASA in H1FY25 was aligned with the industry trend where banks have faced challenges maintaining CASA deposits with depositors having multiple avenues to deploy their funds.

The bank's deposit profile remained granular with retail term deposits constituting 91.7% of the overall term deposits as on September 30, 2024, compared to 91.54% as on March 31, 2024. However, CASA's sustenance at present levels, with the bank's ability to raise deposits at competitive rates, while maintaining its margin, remains a key monitorable.

Key weaknesses

Moderate but improving asset quality parameters

CBI's asset quality parameters have seen improvement over the last few years as the bank has written-off significant amount of NPAs and made recovery in the last four years. CBI's asset quality parameters have shown continuous improvement post peaking with GNPA ratio of 21.48% and NNPA ratio of 11.10% as on March 31, 2018, largely considering exposure to weaker large-ticket corporate accounts. The bank reported GNPA ratio of 4.50% and NNPA ratio of 1.23% as on March 31, 2024.

The bank saw recovery of ₹14,183 crore and write-offs of ₹31,657 crore of NPAs in FY20 to FY24 resulting in a moderation in GNPA ratio. The bank reported GNPA ratio of 4.59% and NNPA ratio of 0.69% with provision coverage ratio (PCR; excluding technically written-off accounts) of 85.57% as on September 30, 2024. The bank's PCR including written off accounts stood at 96.3% as on September 30, 2024.

CBI's standard restructured assets (including the RBI Resolution Framework 1.0 and 2.0) remained moderate at ₹5,808 crore constituting 2.30% of gross advances as on September 30, 2024. The bank's special mention accounts (SMA) stood at 6.10% of gross advances as on September 30, 2024. The bank's gross stressed assets (Gross NPA+ standard restructured advances+ Security Receipts) to gross advances stood at 7.14% as on September 30, 2024. CARE Ratings expects the level of incremental slippages to remain lower resulting in improvement in asset quality going forward.

Moderate profitability levels; however significant improvement from FY22

CBI saw increase in advances from FY24 post coming out of the PCA framework. In FY24, CBI's net interest income increased by 20.3% in FY24 to ₹12,986 crore against ₹11,687 in FY23. Non-interest income increased from ₹4,084 crore in FY23 to ₹4,711 crore in FY24. The bank's net interest margin (NIM) remained stable with marginal increase at 3.09% for FY24 against 3.02% in FY23 as increase in yield on advances outpaced increase in cost of deposits. The non-interest income increased due to increase in treasury income. However, operating expenses to average total assets increased and stood at 2.45% in FY24 against 2.30% in FY23 majorly considering increase in provisions for employee expenses. Credit cost stood at 0.79% in FY24 against 1.10% in FY23. Aided by improvement in NIM, the bank reported profit after tax (PAT) of ₹2,549 crore on a total income of ₹35,434 crore against PAT of ₹1,582 crore on total income of ₹29,626 crore in FY23. The bank's ROTA stood at 0.61% in FY24 against 0.41% in FY23.

In H1FY25, CBI's profitability continued to be on an improving trend with ROTA of 0.85% (annualised). The bank reported PAT of ₹1,793 crore on a total income of ₹19,349 crore in H1FY25 compared to PAT of ₹1,024 crore on a total income of ₹16,596 crore in H1FY24. While the bank has seen improvement in its profitability parameters, they remain relatively moderate as compared to its peers. CARE Ratings expects the bank's profitability to improve in the coming quarters with stable NIM and expectations of lower credit costs.

Liquidity: Strong

Per asset-liability management (ALM) statement submitted by bank as on September 30, 2024, there were no cumulative negative mismatch up to six month time bucket. Negative mismatch in longer tenure buckets is due to maturity of deposits, however, the bank witnesses roll over rate of deposits of above 90%. CBI's liquidity coverage ratio (LCR) remains comfortable and stood at 240.2% as on September 30, 2024, against regulatory requirement of 100%. Comfort can be drawn from the excess statutory liquidity ratio (SLR) maintained by CBI at 9.19% of statutory requirements as on September 30, 2024. The bank has access to systemic liquidity like RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) facility and access to refinance from SIDBI, NHB, and NABARD, among others and access to call money markets.

Environment, social, and governance (ESG) risks

In its lending policies, the bank is boosting its due diligence on social and environmental impact. CBI is taking efforts to reduce the electricity consumption as a part of ESG Initiative. The bank is committed to reduce the environment footprint through strategic investments in renewable energy projects.

The bank has also installed solar equipment of few of its branches/regional/zonal offices to consume power generated by green channels and to reduce use of power generated by connected channels. CBI has launched green fixed deposits, proceeds of which will be utilised towards funding green projects. Green deposits are aimed to enhance CBI's participation in projects directly supporting United Nations' Sustainable Development Goals (SDGs) and empower depositors to opt for financial products that have a positive impact on the environment, and the society at large. Green deposit is offered at special rates which are above other fixed deposit rates. ESG and climate risk assessments have been integrated in the bank's credit appraisal process.

Applicable criteria

Definition of Default
Factoring Linkages Government Support
Rating Outlook and Rating Watch
Bank
Financial Ratios - Financial Sector
Short Term Instruments

About the company and industry

Industry classification

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

CBI founded on December 21, 1911, was the first commercial bank to be established in India. CBI functioned as a private sector bank until 1969. In 1969, CBI and 13 other banks were nationalised. As on September 30, 2024, GoI held 93.08% shareholding in the bank. As on September 30, 2024, CBI had a network of 4,528 branches, 4,085 ATMs across the country. As on September 30, 2024, the overall business of bank stood at 6.34 lakh crore with net advances of 2.43 lakh crore and deposits of 3.91 lakh crore. Post the asset quality review (AQR) by the RBI, CBI saw significant increase in its NPAs resulting in the bank having to make provisions which impacted the bank's profitability and capital adequacy in FY16-FY21. CBI was put in PCA framework by the RBI in June 2017 and was subsequently removed from the PCA in September 2022 after it met the parameters under the framework. CBI has two subsidiaries including Centbank Home Finance Limited (64.4% ownership) and Centbank Financial Services Limited (100% ownership). CBI also has a share of profit/loss in three associates consisting of two regional rural banks (RRBs) and its joint venture in Zambia named Indo Zambia Bank Limited which is promoted jointly by Government of Zambia and three Indian Banks including CBI, Bank of Baroda and Bank of India. Each Indian bank is holding 20% equity, and the Government of Republic of Zambia holds the balance 40% equity.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	29,626	35,434	19,349
PAT	1,582	2,549	1,793
Total Assets	3,96,717	4,38,293	4,40,086
Net NPA (%)	1.77	1.23	0.69
ROTA (%)	0.41	0.61	0.84*

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

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
Certificate Of Deposit	-	-	-	-	10000.00	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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Certificate Of Deposit	ST	10000.00	CARE A1+	-	1)CARE A1+ (01-Feb-24)	-	-

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: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	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: CARE 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.

Contact us

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About us:
Established in 1993, CARE 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 RBI. With an equitable position in the Indian capital market, CARE 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, CARE 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. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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