CO:IRD:2024-25:138 **Date: 23rd December, 2024**

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

Sir/Madam,

Sub: Long Term Rating of Bank.

Pursuant to Regulation 30 and Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform that India Rating & Research Private Ltd. has assigned the Long term Rating of Bank as under:-

Details of Credit Rating									
Current Rating Details									
Sr. No	Instrument Type	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	Long Term Issuer Rating	India Rating & Research Private Ltd.	IND AA/ Stable	Stable	Assigned (New)	NA	23.12.2024	Verified	23.12.2024

We annex a copy of Rating rationale dated 23.12.2024 issued by India Rating & Research Private Ltd.

Please take the above on your record.

Thanking you.

Yours faithfully,

For **CENTRAL BANK OF INDIA**

CHANDRAKANT C BHAGWAT
Digitally signed by CHANDRAKANT C BHAGWAT
Date: 2024.12.23 14:14:57 +05'30'

CHANDRAKANT BHAGWAT
Company Secretary & Compliance Officer

Encl – A/a

India Ratings & Research
A Fitch Group Company

India Ratings Assigns Central Bank of India Long-Term Issuer Rating ‘IND AA’/Stable; Affirms Bonds

Dec 23, 2024 | Public Sector Bank

India Ratings and Research (Ind-Ra) has assigned Central Bank of India (CBOI) a Long-term Issuer Rating of ‘IND AA’ with a Stable Outlook. The detailed rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	ISIN	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Long-Term Issuer Rating	-	-	-	-	-	IND AA/Stable	Assigned
Basel III Tier-II bonds*	-	-	-	-	INR15	IND AA/Stable	Affirmed

*Details in the annexure

Analytical Approach

Ind-Ra continues to factor in the support available from the government of India (GoI) to arrive at the ratings. The GoI’s 93.08% stake in CBOI at end-September 2024 indicates the bank’s systemic importance to the government.

Detailed Rationale of the Rating Action

The rating reflects CBOI's improved capital position and operating buffers including pre-provisioning operating profit /credit cost in 1HFY25, indicating its increasing ability to absorb the impact of expected and unexpected credit costs. The upgrade also reflects the continued improvement in the bank’s asset quality, as evidenced by its declining credit cost, adequate provision coverage, and manageable Special Mention Accounts II. The upgrade also factors in CBOI’s strong current and savings account (CASA) franchise and low loan-to-deposit ratio (LDR), giving adequate headroom for healthy credit growth. These factors, in the agency’s opinion, could help sustain CBOI’s improved profitability in the medium term.

List of Key Rating Drivers

Strengths

- Strengthened capital buffers; Improved internal accruals
- Improved liability franchise
- Asset quality improving

Weaknesses

- Evolving profitability

Detailed Description of Key Rating Drivers

Strengthened Capital Buffers; Improved Internal Accruals: CBOI is a well-capitalised public sector bank, with a common equity tier-1 ratio of 14.01% in 1HFY25 (FY24: 12.46%, FY23: 12.11%) and a capital adequacy ratio of 16.27% (15.08%, 14.12%). The bank already achieved a return on assets (ROA) of 0.85% in 2QFY25 (FY20-FY23: average 0.1%) and intends to sustain the same over the medium term. This clearly indicates the improved internal accruals over the past two years (FY24: 0.63%, FY23: 0.44%). This also needs to be viewed in context of the bank's net NPAs reducing to about 0.69% at end-2QFY25 (FY21: 5.77%). Also, CBOI's risk weighted assets to net advances decreased to 81.33% at end-2QFY25 (FY21: 95.1%), largely because of better capital efficiency led by lending to better rated corporates.

After factoring in the elevated provisioning requirements in FY25, on account of potential slippages, Ind-Ra believes CBOI's capital buffers will be adequate for growth requirements. Furthermore, with a sharp rise in provisions coverage ratio (PCR) over FY18-FY24, the need to provide for legacy NPAs has been taken care of, which reduces the pressure on profitability. The agency believes, while the capital base is adequate for now, there is a need to build buffers ahead of the implementation of expected credit loss norms. This will be a key monitorable.

Improved Liability Franchise: The bank's CASA deposit ratio stood at 48.95% in 2QFY25 (FY24: 50.05%; FY23: 50.46%), remaining largely steady, contrary to the industry-wide trend where other banks have seen their CASA base shrinking. Furthermore, its deposit base is quite granular, with bulk deposits contributing only 4.2% to the total deposit base. The stickiness of the deposits is also reflected by the liquidity coverage ratio remaining above 200% since FY23, indicating presence of large stable deposits which are getting rolled over. However on incremental basis deposit growth has been lacklustre, with FY22-1HFY25 CAGR of just 5.5%, which has led to the bank losing 28bp of the deposit market share since FY22 to reach 1.85%.

CBOI continues to face high competition for mobilisation of deposits, which is reflected in in its guidance for FY25 (loan growth of 14%-15% against deposit growth of 8%-10%); however, this is partly mitigated by its LDR, though it has been increasing, remaining comfortable at 64.54% in 1HFY25 (FY24: 65.39%, FY23: 60.61%). Ind-Ra expects the bank to maintain an LDR of nearly 70% in the medium term. The bank's ability to maintain the loan growth in the face of continued competition for mobilisation of deposits would be a key monitorable in the near-to-medium term.

Asset Quality Improving: The bank's GNPA ratio declined to 4.59% in 1HFY25 (FY24: 4.50%; FY23: 8.44%), but remained at an elevated level compared to its peers. The decline in its GNPA in FY24 was largely driven by accelerated write-offs of INR99.3 billion during 1HFY24, after which write-offs had been minimal through 1HFY25. The bank's PCR (net of technical write-offs) was about 85.6% at end of 2QFY25 (FY24: 73.5%; FY23: 80.47%), and the NNPA levels were at 0.69% (1.23%; 1.77%). While the bank has achieved its guidance related to asset quality with respect to PCR and NNPA, its GNPA remains elevated. The management remains confident that they will be able to bring down GNPA below 4% by end-FY25. Its slippage ratio normalised to 1.5% (annualised) at end-2QFY25 (FY24:2.57% ;FY23: 2.52%).

Furthermore, CBOI had about 1.4% loans as a percentage of net advances at end-2QFY25 (FYE24: 1.53%; FYE23: 2.35%) that were restructured under the COVID-19 resolution framework and loans worth about INR22.9 billion that have been, in the agency's opinion, supported by the Emergency Credit Line Guarantee Scheme. Also, CBOI witnessed a gross slippage of about 1.5% (annualised) in 1HFY25 (FY24: 2.0%; FY23: 2.4%) and net slippage (gross slippage less upgrades and recoveries) of 0.4% (0.24%; 0.26%). Furthermore, the bank's exposure to the unsecured loan segment within the retail segment is just 3%. While in the service industry, it has no exposure to non-banking finance companies (NBFC)-microfinance institutions, NBFC-housing finance companies and other NBFCs account for 8% of the total book. Hence, Ind-Ra believes the bank may not see significant net slippages in FY25 and the asset quality is likely to continue to improve and would be manageable over the near-to-medium term.

Evolving Profitability: CBOI, which had witnessed losses of INR127.6 billion over FY18-FY21, reported PAT of INR69.7 billion during FY22-1HFY25. The net interest income rose to INR128.9 billion in FY24 (FY21: INR82.5 billion), largely led by an improvement in LDR ratio to 64.54% (53.61%). While the net interest margin stood at 3.44% in 2QFY25 (FY24: 3.40%; FY23: 3.47%: FY21: 2.78%), and the bank expects it to remain comfortably above 3% at FYE25, largely led by higher yielding retail sourcing and churning of the corporate portfolio away from lower-yielding exposure. Additionally, the improvement in net interest margin was led by faster repricing in advances than in deposits and strong CASA profile. The bank's credit cost (provision for NPA to average net advances) was 1.35% (annualised) in 1HFY25 (FY24: 1.50%; FY23: 1.80%) and it needs to continue to provide for ECL implementation, which would entail higher provisions. However, barring any major credit events such as COVID-19, this may be absorbed by its expected steady-state operating profit (pre-provisioning operating profit to net advances: 1HFY25: 3.55%, FY24: 3.3%). While its ROA improved to 0.85% at end-2QFY25 (FY24: 0.63%; FY23: 0.44%), its sustainability is yet to be demonstrated. Ind-Ra expects the bank to maintain adequate profitability over the medium term, with ROA of 0.75%-0.85%, but its ability to sustain the same and improve its return profile will be a key monitorable.

Liquidity

Adequate: As of September 2024, CBOI's short-term (one year) asset liability mismatches (cumulative funding deficit) stood at 9.1% of the total assets; however, this can be covered by the bank as it had an excess statutory liquidity ratio of INR368 billion by end-2QFY25. The liquidity coverage ratio was 240.19% as on 30 September 2024, well above the regulatory requirement of 100%. That being said, if its deposit growth continues to lag with the advance growth, then the bank may need to increasingly rely on wholesale sources, affecting its liquidity. However, it seems manageable in the foreseeable future.

Rating Sensitivities

Positive: Substantial, demonstrated growth in the franchise delivering consistent market share gains, a further improvement in the profitability while maintaining the capital buffers at materially higher levels than the regulatory requirements could result in a positive rating action.

Negative: The Basel III Tier-2 bond rating are based on Ind-Ra's expectation of continuous support from the GoI (majority shareholder) to meet the minimum capital requirements. Any change in the majority GoI ownership or a change in the agency's opinion regarding the GoI's timely support for the bank, which could be warranted in case of a sharp drop in capitalisation or otherwise, could result in a negative rating action or a rating watch. Also, sustained deterioration in the operating performance and continuing pressure on the asset quality could lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on CBOI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

CBOI is a public sector bank 4,528 branches and 4,085 ATMs in India at end-2QFYE25. It has a significant presence in rural and semi-urban areas, with about 65% of its branches.

Key Financial Indicators

Particulars	1HFY25	FY24	FY23
Total assets (INR billion)	4,466.0	4,466.7	4,061.6
Total equity (INR billion)	332	321.5	291.1
Net income/loss (INR billion)	17.9	25.5	15.8
Return on average assets (%)	0.84	0.63	0.44
Equity/assets (%)	7.4	7.2	7.2
Capital adequacy ratio (%)	16.27	15.08	14.12
Source: CBOI, Ind-Ra			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating	10 December 2024	11 December 2023	12 December 2022	13 December 2021
Issuer rating	Long-term		IND AA/Stable	-	-	-	-
Basel III Tier-II bonds	Long-term	INR15	IND AA/Stable	IND AA/Stable	IND AA-/Positive	IND AA-/Stable	IND AA-/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Basel III Tier-II bonds	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Issue Name/Type	ISIN	Date of Issuance	Coupon Rate (% p.a.)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Basel III Tier II bonds	INE483A08031	20 March 2020	9.20	20 May 2030	INR5	IND AA/Stable
	Total Unutilised				INR10	
Source: NSDL; CBOI						

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA AND POLICIES

Rating Bank Subordinated and Hybrid Securities

Evaluating Corporate Governance

Financial Institutions Rating Criteria

The Rating Process