

June 05, 2026

Central Bank of India: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier I bonds	1,000.00	1,000.00	[ICRA]AA- (Stable); reaffirmed
Basel III Tier II bonds	3,000.00	3,000.00	[ICRA]AA (Stable); reaffirmed
Total	4,000.00	4,000.00	

*Instrument details are provided in Annexure II

Rationale

The ratings continue to factor in Central Bank of India's (CBI) sovereign ownership, with the Government of India's (GoI) shareholding at 89.27% as on March 31, 2026, as well as the demonstrated capital support over the years. ICRA notes that the GoI is required to reduce its stake to comply with the minimum public shareholding norms. Hence, it offloaded 8.08% of its stake in the bank through an offer for sale (OFS) in May 2026, reducing its shareholding to 81.19% as on May 26, 2026. Nevertheless, ICRA expects sovereign support to remain forthcoming, as and when required, though CBI's dependence on capital from the GoI in the near term remains limited.

Moreover, with the higher provision cover on legacy stressed assets and contained fresh slippages, the overall net non-performing advances (NNPAs) remained on a downward trajectory. ICRA also notes that CBI has estimated an impact of Rs. 4,000 crore on its transition to the expected credit loss (ECL) framework, against which it already holds provisions of Rs. 1,575 crore. Consequently, the effect on the reported CET I ratio, which stood at 15.61% as on March 31, 2026, is expected to be limited to 110-120 basis points (bps). Further, the ratings continue to consider CBI's well-established deposit franchise with a robust current account and savings account (CASA) base. This leads to a competitive cost of interest-bearing funds in relation to the public sector banks' (PSB) average and also augments its strong liquidity profile.

Despite the relative improvement in the headline asset quality numbers and the continued moderation in the overall vulnerable/monitorable book (comprising SMA¹-1, SMA-2 and the standard restructured book), the asset quality trajectory will continue to be sensitive to macro risks, with any elongation of the West Asia conflict remaining a key monitorable. In addition, ICRA notes that CBI's profitability has been supported by healthy recoveries from its stressed assets (including written-off accounts) and lower credit costs. Its ability to maintain the same, while keeping the fresh NPA generation rate in check, would be critical for profitability. Moreover, with the discontinuation of fresh originations under the co-lending model – 2 (CLM-2) and the transition towards CLM-1, the performance of the existing co-lending portfolio over a longer tenure remains a key factor due to its limited track record and evolving operating structure. The CLM book accounted for 3.65% of the net loan book as on March 31, 2026.

The Stable outlook on the ratings reflects ICRA's expectation that the bank will be able to maintain a steady credit profile with improving asset quality as well as stable profitability and capitalisation.

Key rating drivers and their description

Credit strengths

Sovereign ownership with demonstrated capital support from GoI – The ratings continue to factor in the bank's majority sovereign ownership (89.27% equity stake as on March 31, 2026) and the track record of capital infusions by the GoI. Due to

¹ SMA is defined as a special mention account; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days

the elevated stress witnessed in the asset quality, which resulted in losses and erosion of capital buffers, CBI was placed under the prompt corrective action (PCA) framework by the Reserve Bank of India (RBI) in June 2017. With the capital infusion of ~Rs. 21,000 crore during FY2017-FY2021, including the capital support of Rs. 4,800 crore in FY2021 by way of zero-coupon bonds (ZCBs)², the bank exited the PCA framework in September 2022. Given the significant amount of capital received during the aforementioned period, the overall NNPAAs were brought down to a much lower level while the overall capitalisation profile improved.

Going forward, CBI's ability to maintain healthy profitability metrics is likely to limit the near-term requirement of capital support from the GoI. ICRA notes that the GoI is required to reduce its shareholding to comply with the minimum public shareholding norms. Through an OFS in May 2026, the GoI offloaded 8.08% of its stake in the bank, reducing its shareholding to 81.19% as on May 26, 2026. Nevertheless, ICRA expects the support to be forthcoming as and when needed.

Healthy capitalisation profile and solvency – CBI's capitalisation profile has improved with the CET I and capital-to-risk weighted assets ratio (CRAR) at 15.61% and 17.91%, respectively, as on March 31, 2026 (14.73% and 17.02%, respectively, as on March 31, 2025). This was supported by higher internal capital accretion and reduction in risk weight intensity with the rollback of penal risk weight add-ons applicable to large exposures. Accordingly, the solvency³ level remained steady at 4.91% as on March 31, 2026 (4.96% as on March 31, 2025). ICRA also notes that the bank estimates an impact of Rs. 4,000 crore on its transition to the ECL framework, against which it already holds provisions of Rs. 1,575 crore. Consequently, the effect on the reported CET I ratio is expected to be limited to 110-120 bps.

Well-developed deposit franchise with strong CASA base – CBI has a long-standing presence in the Indian banking system with an extensive network of over 4,585 branches as on March 31, 2026, of which ~66% is in rural (36%) and semi-urban regions (30%), providing access to low-cost CASA deposits. CBI's share of low-cost CASA stood at 47.18% as on March 31, 2026, which remained meaningfully higher than the PSB average, thereby translating into a lower cost of interest-bearing funds for the bank. Given the deposit mix, CBI has been able to maintain a competitive cost of interest-bearing funds, which is expected to continue supporting it from a profitability perspective.

Moderate but improving profitability – The bank's operating profitability declined to 1.47% of average total assets (ATA) in FY2026 from 1.51% in FY2025 due to compression in net interest margins (NIMs). However, credit costs moderated during this period due to lower fresh slippages. Controlled credit costs and healthy non-interest income supported the improvement in the return on assets (RoA) to 0.86%⁴ in FY2026 from 0.82% in FY2025 (0.60% in FY2024). ICRA notes that recoveries from written-off accounts of Rs. 2,271 crore in FY2026 (Rs. 1,716 crore in FY2025) and trading profit of Rs. 960 crore (Rs. 1,193 crore in FY2025) were the key contributors to the profit before tax of Rs. 6,434 crore (Rs. 4,934 crore in FY2025). Hence, the bank's ability to generate significant trading profits and ensure strong recoveries from written-off accounts, while controlling fresh slippages, will be key for healthy profitability in the near future.

Credit challenges

Vulnerable book remains elevated; asset quality a monitorable – The overall gross fresh NPA generation rate moderated to 1.38% in FY2026 from 1.71% in FY2025 (3.00% in FY2024) and was significantly below the elevated levels seen in the past (6-14% during FY2017-FY2020). Further, high write-offs by the bank and loan book growth led to a reduction in the gross NPAs (GNPAs) to 2.67% as on March 31, 2026 from 3.18% as on March 31, 2025.

Though the vulnerable book has moderated from the high levels witnessed in the past, it remains elevated in relation to the bank's net advances. Hence, CBI's ability to limit slippages from this book will remain a near-to-medium-term monitorable. Besides, the share of portfolio generated via co-lending partnerships exposes the bank to asset quality vulnerabilities and the

² These ZCBs were issued at face value and are redeemable at face value after the 10-15th year from issuance; accordingly, the fair value is lower than the face value. CBI has accounted for these ZCBs at fair value in its core capital since March 2022

³ Solvency is defined as $(NNPAs + Net\ security\ receipts + Net\ non-performing\ investments) / (Core\ capital)$

⁴ RoA for FY2026 stood at 0.98% after adjusting for a one-off deferred tax asset recognition

performance of its underwriting practices and guardrails on the same remains to be seen. In addition, geopolitical issues, including the prolonged West Asia conflict, could exert pressure on the asset quality metrics and will remain a key monitorable.

Environmental and social risks

While banks like CBI do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risk is not material for CBI as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. CBI has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. CBI has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segment, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

CBI's liquidity profile is strong, supported by its healthy retail liability franchise. Moreover, the bank maintained a liquidity coverage ratio of 165.67% while the net stable funding ratio was 136.91% for the quarter ended March 31, 2026 against the regulatory requirement of 100%. Further, it can avail liquidity support from the RBI (through repo against excess statutory liquidity ratio (SLR) investments and marginal standing facility mechanism) in case of urgent liquidity needs. Supported by its sovereign ownership, healthy liabilities profile and excess SLR holdings, ICRA expects CBI to continue maintaining a strong liquidity profile.

Rating sensitivities

Positive factors – An increase in CBI's scale of operations, leading to a meaningful improvement in its market position, while maintaining healthy profitability, comfortable solvency, and cushions of more than 2% over the regulatory Tier I levels (including capital conservation buffers), will be a positive factor.

Negative factors – The ratings will be reassessed in case of a change in the sovereign ownership. ICRA could also downgrade the ratings if the asset quality or capitalisation profile deteriorates, weakening the solvency profile with net stressed assets/core equity exceeding 30% on a continued basis. Further, RoA of less than 0.3% on a sustained basis will remain a negative trigger. A sharp deterioration in the profitability, leading to a weakening in the distributable reserves (DRs) eligible for the coupon payment on the Additional Tier I (AT-I) bonds, will also be a negative trigger for the rating for these bonds.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions
Parent/Group support	The ratings factor in CBI's sovereign ownership and the demonstrated track record of capital infusions by the Govt.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of CBI. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

About the company

Central Bank of India was incorporated in 1911. It was nationalised in 1969, along with 13 other major banks of India, by the GoI. Headquartered in Mumbai, it is a PSB with the GoI holding a stake of 89.27% as on March 31, 2026. CBI is a mid-sized PSB and the eighth largest, in terms of assets, among PSBs. It had a market share of 1.6% in advances and 1.9% in deposits in the Indian banking sector as on December 31, 2025. Given the improvement in its performance, the bank exited the RBI's prompt corrective action (PCA) framework in September 2022.

For the year ended March 31, 2026, CBI reported a profit of Rs. 4,369 crore on a total asset base of Rs. 5.46 lakh crore compared to a net profit of Rs. 3,785 crore on a total asset base of Rs. 4.75 lakh crore for the year ended March 31, 2025. The Tier I and CRAR stood at 15.61% and 17.91%, respectively, as on March 31, 2026 (14.73% and 17.02%, respectively, as on March 31, 2025).

Key financial indicators (standalone)

Central Bank of India	FY2025	FY2026
Total income	18,558	19,588
Profit after tax	3,785	4,369
Total assets (Rs. lakh crore)	4.75	5.46
CET I	14.73%	15.61%
CRAR	17.02%	17.91%
PAT/ATA	0.82%	0.86%
Gross NPA	3.18%	2.67%
Net NPA	0.55%	0.49%

Source: Central Bank of India, ICRA Research; Amount in Rs. crore unless mentioned otherwise

Note: All calculations are as per ICRA Research

Total income includes net interest income and non-interest income (excluding treasury income)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
			Jun 05, 2026	Jun 09, 2025	Jun 11, 2024	Jun 12, 2023
1 Basel III Tier II bonds	Long term	3,000	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)
2 Basel III Tier II bonds	Long term	-	-	[ICRA]AA (Stable) (Withdrawn)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)
3 Basel III Tier I bonds	Long term	1,000	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Positive)	[ICRA]A+ (Stable)

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$))	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI

5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Basel III Tier I bonds	Highly Complex
Basel III Tier II bonds	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument’s credit rating. It also does not indicate the complexity associated with analysing an entity’s financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: [Click here](#)

Annexure II: Instrument details

ISIN	Instrument name	Date of issuance /Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE483A08049	Basel III Tier II bonds	Aug 30, 2023	8.80%	Aug 30, 2033 [^]	1,500.00	[ICRA]AA (Stable)
Unplaced	Basel III Tier II bonds	-	-	-	1,500.00	[ICRA]AA (Stable)
Unplaced	Basel III Tier I bonds	-	-	-	1,000.00	[ICRA]AA- (Stable)

Source: Central Bank of India; [^] Call option exercisable on August 30, 2028

Key features of rated debt instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked.

Further, the exercise of the call option on the Basel III Tier II bonds and Tier I bonds is contingent upon the prior approval of the RBI. Moreover, the bank will need to demonstrate that the capital position is well above the minimum regulatory requirement, post the exercise of the said call option.

The rated Tier I bonds have the following loss-absorption features that make them riskier:

- Coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel the same. Cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. If the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses⁵ created through the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for CET I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times as prescribed by the RBI under the Basel III regulations.

These Tier I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's CET I ratio as prescribed by the RBI, i.e. 6.125% of the total risk-weighted assets (RWAs) of the bank, or when the PONV trigger is breached in the RBI's opinion.

Given the above distinguishing features of the Tier I bonds, ICRA has assigned a one notch lower rating to these than the rating for the Tier II instruments. The DRs that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year stood at a comfortable 7.3% of RWAs as on March 31, 2026.

The rating for the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the profitability outlook.

Annexure III: List of entities considered for consolidated analysis

Company name	CBI ownership*	Consolidation approach
Cent Bank Home Finance Limited	64.40%	Full consolidation
Centbank Financial Services Limited	100.00%	Full consolidation
Indo Zambia Bank Limited	20.00%	Full consolidation
Generali Central Life Insurance Company Ltd	25.27% [^]	Full consolidation
Generali Central Insurance Company Ltd	24.91% [^]	Full consolidation

Source: Central Bank of India

*As on March 31, 2026

[^] Both insurance companies became associates effective June 05, 2025

⁵ Calculated as per the amendment in the Basel III capital regulations for Tier I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, DR includes all reserves created through appropriation from the profit and loss account

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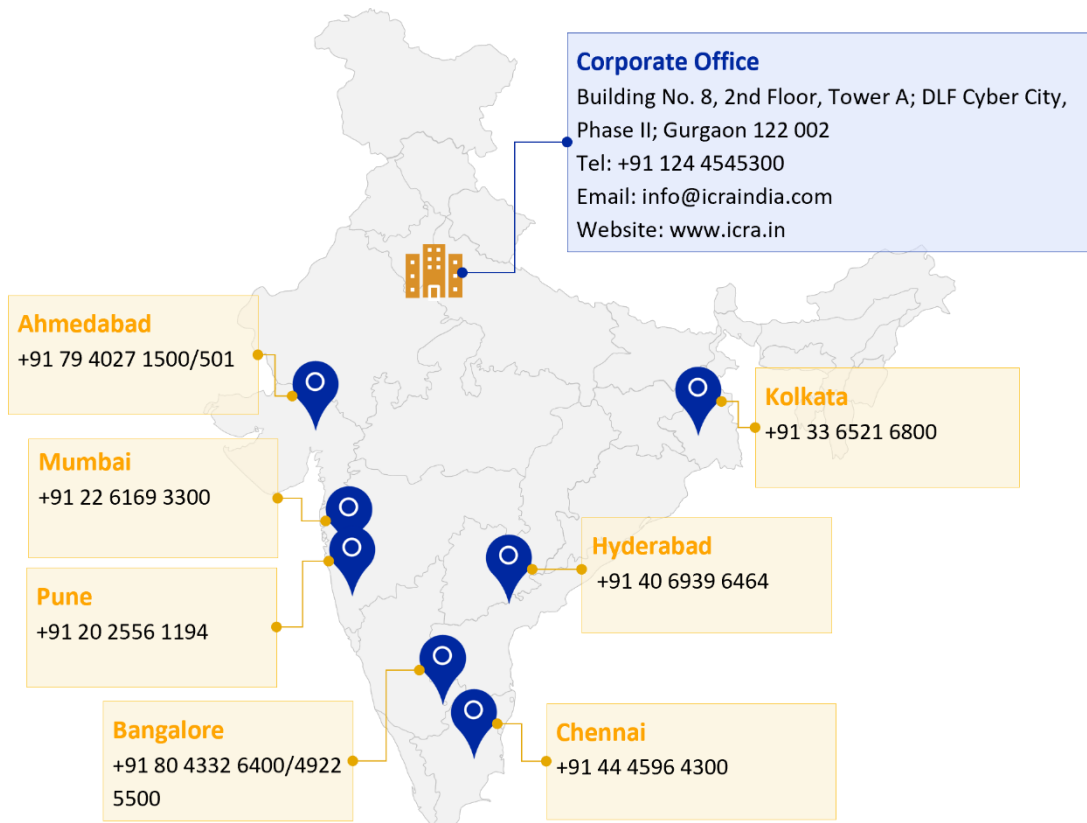
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