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Stock Update

Central Bank of India

February 26, 2026

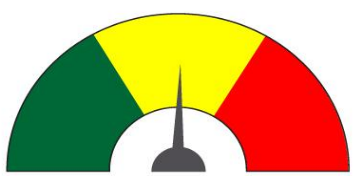
PRIME RESEARCH
Empowering decisions

Central Bank of India

Industry	LTP	Recommendation	Fair Value	Time Horizon
BFSI – Pvt. Bank	Rs 40.4	Buy on dips between Rs 35-37 and add further in Rs 30-32 band	Rs 44	4 quarters

BSE Code	532885
NSE Code	CENTRALBK
Bloomberg	CBOI IN
CMP Feb 26, 2026	40.4
Equity Capital (Rs Cr)	9051.4
Face Value (Rs)	10
Equity Share O/S (Cr)	905.1
Market Cap (Rs Cr)	36613
Book Value (Rs)	37.2
Avg. 52 Wk Volumes	96,68,000
52 Week High	48.0
52 Week Low	32.8

Share holding Pattern % (Dec, 2025)	
Promoters	89.3
Institutions	5.7
Non Institutions	5.0
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Founded in 1911, the Central Bank of India (CBI) was the first commercial bank to be established in India. It functioned as a private sector bank until nationalisation in 1969. CBI has a network of 4,567 branches and 4,100 ATMs across the country. The Bank's overall business stood at Rs 7.30 lakh crore with net advances of Rs 2.86 lakh crore and deposits of Rs 4.44 lakh crore. CBI has two subsidiaries Centbank Home Finance Limited (64.4% ownership) and Centbank Financial Services Limited (100% ownership). CBI has three associates comprising two insurance companies, Generali Central Life Insurance and Generali Central Insurance, and its joint venture in Zambia named Indo Zambia Bank, which is promoted jointly by the Government of Zambia and three Indian banks, including CBI, Bank of Baroda and Bank of India. Each Indian bank holds 20% equity, and the Government of the Republic of Zambia holds 40%.

CBI was put in the 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. It presents a turnaround investment case driven by sustained profitability since FY22, improved asset quality, and robust capitalisation supported by the Government of India.

Q3FY26 Result Update and Concall Highlights

The Bank reported a robust financial performance for Q3FY26, driven by a significant surge in profitability and a sharp improvement in asset quality. The bank's PAT grew by 31.7% year-on-year (YoY) to Rs 1,263 crore, supported by healthy loan growth and a reduction in credit costs. This performance reflects the bank's successful transition from a period of regulatory restrictions to a phase of aggressive growth and balance sheet strengthening.

Sharp improvement in asset quality

The bank's asset quality improved sharply over the last 4 quarters in Q3FY26, with the GNPA ratio declining to 2.70% from 3.86% a year ago. Net NPAs followed a similar trajectory, improving to 0.45%. This cleanup was bolstered by a strong PCR of 96.7%, indicating that the bank is well-shielded against potential future slippages. While NII saw a marginal 1.1% dip to Rs 3,502 crore due to narrowing margins, total income rose 12.6%, driven by non-interest income and a recovery in written-off accounts.

Management guidance revised upwards

The bank has revised its credit growth guidance upward, and now expects to surpass the 15–16% range for the full fiscal year. For deposits, the bank is targeting a 13% growth rate, focusing heavily on CASA mobilisation to manage funding costs. Despite recent rate cuts impacting yields on repo-linked loans, the management remains committed to maintaining a NIM of ~3% by shifting the portfolio mix toward high-margin segments.

Strategic Focus and Sectoral Outlook

The bank's future strategy is centered on the RAM (Retail, Agriculture, and MSME) segments, which currently form the core of its credit growth. Corporate lending also showed a sharp uptick of 23%, signalling a renewed appetite for wholesale banking. Management noted that while the cost-to-income ratio (currently at 57.84%) is slightly higher than desired, they aim to reduce it by 50–100 basis points annually through digital transformation and cost-cutting measures. Furthermore, the bank declared an interim dividend of Rs 0.20 per share, reflecting its confidence in sustained capital adequacy and shareholder value creation.

High share of retail advances

The bank's net advances grew at ~16% in FY25 compared to industry growth of ~12%. The bank had come out of RBI's prompt corrective action (PCA) framework in September 2022, post which it has seen growth in advances. The bank's gross advances stood at Rs 2,82,420 crore as on March, 2025, against Rs 2,43,406 crore as on March, 2024, registering growth of ~15%. The bank has been focusing on the segments of retail, agriculture and MSME (RAM) which constituted major portion of advances. The share of RAM advances to total advances increased marginally from 66.4% on March, 2024, to 66.9% on March, 2025, and further increased to 71.5% on September 30, 2025. Within RAM advances, the major segment was retail, constituting 28.4% of total advances, led by home loans (constituting 63.3% of retail loans). Agriculture loan portfolio and MSME loans constituted 18.1% and 20.4% of total advances, respectively, as on September, 2025.

Majority ownership and support by GoI

Govt. continues to be the majority shareholder holding 89.27% stake in CBI as of Dec, 2025. 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 Rs 21,835 crore from the GoI during FY16-23.

Key Risks

- The bank remains susceptible to interest rate fluctuations, given that ~34% of its lending is to the corporate sector.
- GoI holds 89.3% stake in the bank and might look to reduce its holding in the future creating an overhang on the stock price
- Rate cuts announced by the RBI could impact the Bank's NIM in the near term.
- Competition from peer banks in retail lending and garnering low cost deposits
- Asset quality of the bank has improved significantly since the crisis, managing credit risk and preventing future loan slippages remains a key challenge

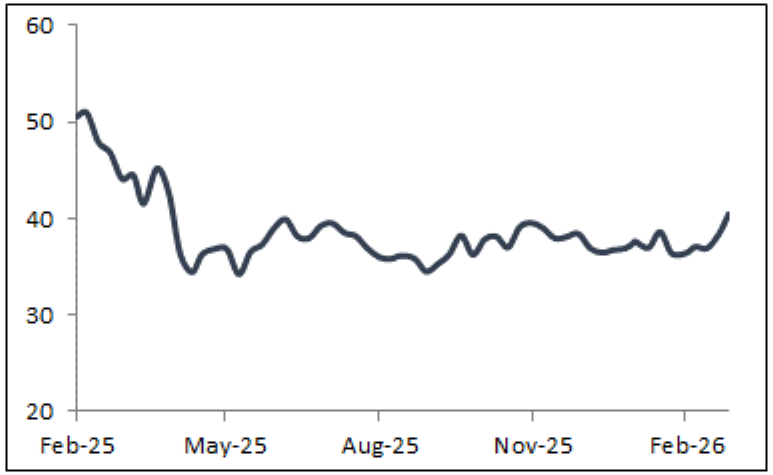
Valuation & Recommendation:

Post its exit from RBI's PCA, there has been a sharp improvement in the Bank's performance with strong growth in lending driven by RAM segment and improved asset quality metrics. We expect the RAM (Retail, Agriculture & MSME) segment to continue exhibiting robust growth momentum, driven by the bank's renewed strategic focus on granular lending and financial inclusion. CBI has witnessed a sharp improvement in asset quality, with Gross NPA declining significantly from 3.87% a year ago to 2.71%, reflecting strong recoveries and disciplined credit underwriting. **We recommend investors to BUY the stock on dips between Rs 35-37 and add further in Rs 30-32 band for a fair value target of Rs 44 over the next 4 quarters.**

Financial Summary:

Particulars (Rs cr)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY23	FY24	FY25	9MFY26
NII	3502	3540	*-1.1*	3283	*6.7*	11687	12896	13897	10168
PPoP	2293	1963	*16.8*	1786	*28.4*	6884	7363	8124	6382
APAT	1263	959	*31.7*	1213	*4.1*	1582	2549	3785	3644
Diluted EPS (Rs)	1.4	1.1	*26.4*	1.3	*3.7*	1.8	2.9	4.4	4.0
ABVPS (Rs)						25.2	28.9	34.3	37.2
P/ABV (x)						1.6	1.4	1.2	1.1
RoAE (%)						6.4	9.5	12.5	14.3
RoAA (%)						0.4	0.6	0.9	1.0

One Year Price chart



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Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks
have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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