

City Union Bank Limited

April 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE AA-; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of issuer rating of City Union Bank Limited (CUB) with positive outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that the bank will witness continued improvement in its asset quality and profitability while registering above-industry business growth. The rating continues to favourably factor in CUB's long track record of operations and established presence in south India, comfortable capitalisation levels largely supported by internal accruals and healthy profitability levels supported by lower credit costs in the last three years. The bank has a stable resource profile with high share of retail deposits; however, the proportion of current account saving account (CASA) deposits remains relatively low in comparison to the peers in the industry.

Rating strengths are partially offset by moderate scale compared to larger private sector banks and high regional and sectoral concentration of advances. Notwithstanding improvement in recent years, CareEdge Ratings notes that CUB's asset quality profile remains moderate compared to peers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Significant increase in scale of operations accompanied by geographical and sectoral diversification of advances while maintaining stable asset quality and profitability.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Decline in capital adequacy ratio (CAR) with cushion over the minimum regulatory requirement falling below 3.5%.
- Deterioration in asset quality with net non-performing assets (NNPA) ratio remaining above 3.0% on a sustained basis.
- Weakening in profitability with return on total assets (ROTA) below 1% on a sustained basis.

Analytical approach: Standalone

Outlook: Positive

The positive outlook reflects CareEdge Ratings' expectation that the bank will continue to witness improvement in its financial risk profile with above-industry business growth while improving asset quality and profitability and maintaining strong capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Long track record of operations with established presence in south India

Incorporated in 1904, CUB has a long-standing track record of operations for over 120 years. Over the years, the bank has established strong presence in south India, particularly in Tamil Nadu. CUB had a network of 901 branches and 1,678 ATMs as on December 31, 2025 with Tamil Nadu comprising 67% of advances and 78% of deposits.

Comfortable capitalisation levels supported by internal accruals

The bank's capital adequacy has remained comfortable above 15% in the last five years, supported by internal accruals and decline in the risk weighted assets. CUB reported CAR and Tier-1 CAR (entirely Common Equity Tier [CET] I capital) stood at 23.75% and 22.70% as on March 31, 2025, respectively, compared to CAR of 23.73% and Tier I CAR / CET I Ratio of 22.69% as on March 31, 2024.

In 9MFY26, CUB reported CAR and Tier-1 CAR (entirely Common Equity Tier [CET] I capital) excluding 9M profits stood at 20.13% and 19.18%. The bank expects to maintain strong capital buffers over the minimum regulatory requirement through internal accruals supporting the growth in advances over the next few years. CareEdge Ratings expects the bank to maintain comfortable CAR levels in the medium term to support its growth.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Healthy profitability levels with moderation in credit cost

The bank has shown consistent improvement in profitability in the last five years ending March 31, 2025. In FY25, net interest margin (NIM) (net interest income [NII] as a percentage of average total assets) increased marginally to 3.12% (PY: 3.09%) due to increase in yield on advances. Non-interest income (as a percentage of average total assets) improved to 1.21% in FY25 from 1.08% in FY24 while operating expenses (opex; as a percentage of average total assets) increased to 2.07% in FY25 from 1.96% in FY24. Pre-provisioning operating profit (PPOP) increased to ₹ 1,679 crore in FY25 as from ₹1,517 crore in FY24 because of better NIM. With improved asset quality, credit cost improved to 0.35% in FY25 from 0.42% in FY24. The bank reported profit after tax (PAT) of ₹1,124 crore in FY25 from ₹1,016 crore in FY24. With lower credit costs, ROTA improved marginally to 1.51% in FY25 from 1.48% in FY24.

In 9MFY26, the bank's NII showed a subdued growth of 17.7% at ₹2,044 crore and PPOP increased by 13.9% to ₹1,435 crore. The bank reported PAT of ₹967 crore resulting in the ROTA of 1.56% (annualised) for 9MFY26. CareEdge Ratings expects NIM to see some pressure in FY27 due to decline in yields, whereas profitability is likely to stay at current levels supported by increased non-interest income.

Stable resource profile, though with lower proportion of CASA deposits

The bank's resource profile mainly consists of deposits comprising 93% of total liabilities as on March 31, 2025. Reliance on external borrowings is limited to borrowings from Reserve Bank of India (RBI), and other financial institutions. Total deposits grew by 14.1% in FY25 compared to industry growth of 10.4% and stood at ₹63,526 crore as on March 31, 2025, against ₹55,657 crore as on March 31, 2024. The bank has a granular deposit profile with retail term deposits comprising 75% of total deposits as on March 31, 2025 (80% of total deposits as on March 31, 2024). The proportion of low-cost CASA deposits stood 28.5% as on March 31, 2025, against 30.6% as on March 31, 2024. The bank's credit-deposit (CD) ratio stood at 82% as on March 31, 2025 (82% as on March 31, 2024).

In 9MFY26, CUB's deposits grew by 14.7% (y-o-y) as on December 31, 2025, while CASA deposits grew by ~8.2% resulting in CASA deposits to total deposits at 27.28% as on December 31, 2025.

Key weaknesses**Moderate scale and concentration in terms of sector and geography**

CUB is one of the medium-sized banks in India with deposits of ₹63,526 crore and gross advances of ₹53,066 crore as on March 31, 2025. The bank's operations are mainly concentrated in south India, especially Tamil Nadu. As on March 31, 2025, Tamil Nadu accounted for 67% of the total advances, whereas south India accounted for 86% of the advances. The bank has its presence in across 875 branches of which 550 branches are in Tamil Nadu as on March 31, 2025. CareEdge Ratings expects advances to remain concentrated in the medium term.

The bank has been growing steadily with gross advances in the last few years, with CAGR of 8.8% in the last three years. In FY25 the Bank's advances grew by 14.4% compared to industry growth of 11.1%. Bank's advances consists of MSME and others which comprised ~48% as on March 31, 2025, while share of Agri Loans stood at 16%, retail loans at ~7.5% and corporate segments at ~29% of advances.

In 9MFY26, the bank's advances grew by 22.6%. Bank's advances consists of MSME and others which comprised ~46% as on December 31, 2025, while share of Agri Loans comprised 15%, retail loans comprised ~8.8% advances and corporate segments comprised ~31% advances. Growth was supported by agri-gold loans which grew by 51.24% (y-o-y) followed by Corporate segment which grew by 27.4% (y-o-y).

Moderate, though improving, asset quality parameters

CUB witnessed moderation in asset quality in FY20-FY21, impacted by COVID-19 induced pandemic, resulting in gross NPA (GNPA) to reach 5.11% as on March 31, 2021. In the last three years, asset quality sustained improvement aided by lower slippages and recoveries.

In FY25, the bank's slippage ratio was at 1.83% compared to 2.41% for FY24, which resulted in decline in GNPA ratio to 3.09% as on March 31, 2025, from 3.99% as on March 31, 2024. In the last three years, the bank has written off advances of ~₹990 crore against recovery and upgradation of over ₹2,400 crore. The bank's provision coverage ratio (PCR) stood at 78% as on March 31, 2025 (PY: 72%) resulting in decline in NNPA ratio to 1.25% as on March 31, 2025, from 1.97% as on March 31, 2024.

Outstanding standard restructured advances declined from ₹929 crore as on March 31, 2024 (2.00% of gross advances) to ₹689 crore as on March 31, 2025 (1.30% of gross advances). As a result, the bank's gross stressed assets (GNPA + Standard

Restructured advances + Security Receipts) as a percentage of gross advances improved from 6.06% as on March 31, 2024, to 4.45% as on March 31, 2025. CareEdge Ratings expects the bank's asset quality to remain stable in the medium term with continued recoveries and lower slippages.

The bank reported lower GNPA ratio of 2.17% and NNPA ratio of 0.78% as on December 31, 2025, than March 2025 levels. Going forward, the bank's ability to limit incremental slippages and maintain good asset quality will be a key rating monitorable.

Liquidity: Adequate

Per the bank's structural liquidity statement as on December 31, 2025, the bank had no negative cumulative mismatches up to two months. CUB's liquidity coverage ratio and net stable funding ratio (NSFR) remained comfortable at 124% and 132% as on December 31, 2025, against minimum regulatory requirement of 100%. CUB had excess statutory liquidity ratio (SLR) investments of ₹4,966 crore as on December 31, 2025, aggregating to ~7% of net demand and time liabilities (NDTL), which provide a cushion to its liquidity profile. The bank also has access to systemic liquidity by way of RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) schemes and call money market.

Assumptions/Covenants – Not applicable

Environment, social, and governance (ESG) risks

While CUB's business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect CUB's regulatory compliance and reputation and hence remain a key monitorable.

CUB's Board comprises nine Directors, with six Independent Directors, including one female Director.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Banks](#)

[Financial Ratios – Financial Sector](#)

[Issuer Ratings](#)

About the company and industry

Industry classification

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

Incorporated in October 1904 as Kumbakonam Bank Limited, CUB is an old private sector bank, headquartered in Kumbakonam. The bank initially focused on serving the Thanjavur district of Tamil Nadu and gradually expanded its presence. In 1987, the bank's name was changed to City Union Bank. As on December 31, 2025, the bank had a network of 901 branches and 1,678 ATMs with a deposit base of ₹70,516 crore and gross advances of ₹60,892 crore.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total income	6,013	6,732	5,762
Profit after tax (PAT)	1,017	1,124	967
Total assets	70,826	77,529	88,130
Net interest margin (NIM) (%)	3.09	3.12	3.29
Gross non-performing assets (NPA) (%)	3.99	3.09	2.17
Net NPA (%)	1.97	1.25	0.78
Capital adequacy ratio (CAR) (%)	23.73	23.75	20.13

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

Status of non-cooperation with previous CRA: Not applicable

Any other information:

Disclosure of Interest of Independent/Non-Executive Directors of CareEdge Ratings:

Name of Director	Designation of Director
Gurumoorthy Mahalingam	Non-Executive - Independent Director

Gurumorthy Mahalingam who is Non-Executive Chairman on the Board of City Union Bank Ltd. is Non-Executive Independent Director of CareEdge Ratings. Independent/Non-executive Directors of CareEdge Ratings are not a part of CareEdge Ratings' Rating Committee and do not participate in the rating process.

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
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE AA-; Positive

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 2025-2026	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
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA-; Positive	1) CARE AA-; Stable (24-Jun-25)	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated –** Not applicable**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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:

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