

MARCH 14, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE LOWER TIER II BOND ISSUE OF CITY UNION BANK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Lower Tier II Bonds	40 (Rupees Forty crore only)	CARE A+ (Single A Plus)	Reaffirmed

Rating Rationale

The rating assigned to the lower Tier II Bonds issue of City Union Bank Limited (CUBL) continues to derive strength from its long-standing operations, its healthy profitability arising out of operational efficiency & significant presence in Micro Small and Medium Enterprises (MSME) segment and robust capitalization levels characterised by high Tier I CAR. The rating, however, is constrained by CUBL's relatively small size, regional concentration and relatively moderate CASA ratio. The rating also takes note of decline in asset quality indicators during 9MFY16.

Going forward, ability of CUBL to manage asset quality and prevent major slippages given the bank's target segment comprising MSME, maintain its profitability and capitalization at healthy levels would be the key rating sensitivities.

Background

City Union Bank Limited (CUBL) is an old private sector bank with operations mostly concentrated in Southern India, especially Tamil Nadu. As on March 31, 2015, the bank had a network of 475 branches and 1,071 ATMs, with a deposit base of Rs.24,075 crore and gross advances of Rs.18,089 crore.

For FY15 (refers to the period April 1 to March 31), CUBL reported PAT of Rs.395 crore on total income of Rs.3,103 crore. Total Capital Adequacy Ratio (CAR; as per Basel III) stood at 16.52% with Gross NPA ratio of 1.86% and Net NPA ratio of 1.30% as on March 31, 2015. For 9MFY16, CUBL reported PAT of Rs.332 crore on total income of Rs.2,491 crore with total CAR (as per Basel III) of 14.63% as on December 31, 2015.

Analyst Contact

Name: Mr P. Sudhakar
 Tel: 044-2849 7812
 Cell: + 91 94422 28580
 Email: p.sudhakar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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