

Corporation Bank ^(Revised)

September 11, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Remarks
Upper Tier II Bonds	850@	CARE A+ (Single A Plus) (Credit watch with developing implications)	Placed on credit watch with developing implications
Perpetual Bonds	500#	CARE A+ (Single A Plus) (Credit watch with developing implications)	Placed on credit watch with developing implications
Total	1350.0 (Rs One Thousand three hundred and fifty crore only)		

Details of instruments/facilities in Annexure-1

@Bank has repaid Rs.300 crore against the bond issue; # Bank has repaid entire Rs.500 crore; However Debenture Trustee confirmation is pending.

CARE has rated the aforesaid Upper Tier II bonds and Perpetual bonds of the Corporation Bank one notch lower than Lower Tier II Bonds in view of their increased sensitiveness to the Bank's Capital Adequacy Ratio (CAR), capital raising ability and profitability during the long tenure of the instruments.

The ratings factor in the additional risk arising due to the existence of the lock-in-clause in hybrid instruments. Any delay in the payment of interest/principal (as the case may be) following invocation of the lock in clause, would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of the rating compared to conventional subordinated debt instruments.

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

The rating is placed under watch with developing implications follows the development involving communication from Ministry of Finance, GOI on amalgamation of Corporation Bank into Union Bank of India along with Andhra Bank. The amalgamated bank is likely to be the 5th largest PSB post amalgamation. Given the number of approvals required and timelines to obtain the same and challenges to be encountered in successfully integrating the operations, CARE places the rating under watch with developing implications. CARE will continue to monitor the development and take appropriate rating call once clarity emerges on the merged entity.

Liquidity Indicator: Adequate

According to structural liquidity statement (SLS) submitted by the bank as on March 31, 2019, there are no negative cumulative mismatches in up to 1 year maturity bucket. Further, bank has maintained an excess SLR investment of Rs.2075.17 crore as on March 31, 2019. Additionally the term deposits have a roll over rate ~60%. These factors provide cushion to the bank's liquidity profile. CB's liquidity coverage ratio remained adequate at 150.53% (quarterly average for Apr'19-Jun'19) as against the minimum regulatory requirement of 100%.

The detailed press release on Corporation Bank is available here: [click here](#)

Detailed rating rationale is available on www.careratings.com

Analytical approach: Standalone.

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Financial sector](#)

[CARE's Rating Methodology for Banks](#)

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

About the Company

Corporation Bank is a Mangalore-based mid-sized public sector bank which was established in 1906. Government of India is the majority shareholder holding 93.50% stake in the bank followed by LIC of India holding 3.62%. As on March 31, 2019, the bank had 2432 branches, of which 588 are in rural, 794 in semi urban, 518 in urban and 532 in metro areas. The bank has a wholly owned subsidiary viz. Corp Bank Securities Ltd., which is engaged in trading of government securities. Ms. P V Bharathi is the MD and CEO, who is assisted by a team of executive directors and General Managers heading various departments. As part of recapitalization plan, GOI has infused Rs.11,641 crore of equity capital during FY19. As on March 31, 2019, the bank had advances of Rs.1,21,251 crore and deposits of Rs.1,84,568 crore.

With considerable capital infusion, the bank has come out of Prompt Corrective Action (PCA) framework of RBI with effect from February 26, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	19941	17495
PAT	-4054	-6333
Interest coverage (times)	1.31	1.39
Total Assets	217478	207171
Net NPA (%)	11.74	5.71
ROTA (%)	-1.75	-2.98

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Bonds-Upper Tier II	August 11, 2009	8.45	August 11, 2024	300.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	December 12, 2008	10.10	Perpetual	300.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Upper Tier II	April 29, 2010	8.75	April 29, 2025	550.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	August 11, 2009	9.05	Perpetual	100.00	CARE A+ (Under Credit watch with Developing Implications)
Bonds-Perpetual Bonds	August 26, 2009	9.10	Perpetual	100.00	CARE A+ (Under Credit watch with Developing Implications)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018

1.	Bonds-Upper Tier II	LT	-	-	1)Withdrawn (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
2.	Bonds-Upper Tier II	LT	-	-	1)Withdrawn (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
3.	Bonds-Upper Tier II	LT	300.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
4.	Bonds-Perpetual Bonds	LT	300.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
5.	Bonds-Upper Tier II	LT	550.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
6.	Bonds-Lower Tier II	LT	-	-	1)Withdrawn (05-Jul-19)	1)CARE AA-; Negative (06-Jul-18)	1)CARE AA-; Negative (21-Feb-18) 2)CARE AA-; Stable (12-Jul-17)	1)CARE AA-; Stable (23-Dec-16) 2)CARE AA- (08-Jul-16)
7.	Bonds-Perpetual Bonds	LT	-	-	1)Withdrawn (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec-16) 2)CARE A+ (08-Jul-16)
8.	Bonds-Perpetual Bonds	LT	100.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb-18)	1)CARE A+; Stable (23-Dec-16)

				Implications)			18) 2)CARE A+; Stable (12-Jul-17)	16) 2)CARE A+ (08-Jul-16)
9.	Bonds-Perpetual Bonds	LT	100.00	CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (05-Jul-19)	1)CARE A+; Negative (06-Jul-18)	1)CARE A+; Negative (21-Feb- 18) 2)CARE A+; Stable (12-Jul-17)	1)CARE A+; Stable (23-Dec- 16) 2)CARE A+ (08-Jul-16)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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