
September 17, 2010

**CARE REAFFIRMS RATING ASSIGNED TO OUTANDING BOND ISSUES OF
SYNDICATE BANK**

CARE has reaffirmed the 'CARE AA+' [Double A Plus] rating assigned to Syndicate Bank's Lower Tier II Bonds and the 'CARE AA' [Double A] rating assigned to its Upper Tier II Bonds and its Perpetual Bonds.

CARE has also retained the 'PR1+' [PR One Plus] rating assigned to Syndicate Bank's Certificate of Deposits programme having a limit of Rs.10,000 crore with a maturity of upto one year.

Instruments	Amount o/s (Rs. Crore)	Rating
Lower Tier II Bonds	1200.0	CARE AA+
Upper Tier II bonds	819.7	CARE AA
Perpetual Bonds	773.0	CARE AA

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

The rating factors in the additional risk arising due to the existence of the lock-in clause in hybrid instruments. Any delay in 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 somewhat sharper migration of rating compared to conventional subordinated debt instruments.

Rating Rationale

The rating factors in the majority ownership of Syndicate Bank by the Government of India (GoI), the bank's pan-India presence, well diversified credit portfolio, modest growth in business, significant improvement in its Current Account - Saving Account (CASA) deposits base and its adequate capitalisation levels. The bank's ability to increase the proportion of fee-based income, improve its margins while improving asset quality and further strengthen its resources profile to fund business growth effectively are key rating sensitivities.

Bank Profile

Syndicate Bank is a Karnataka-based public sector bank in which GoI holds 66.47% stake. It is one of the larger public sector banks with an asset size of Rs 1,38,647 crore, a network of 2,308 branches (including a branch at London) and 1,187 ATMs as on March 31, 2010. Almost 53% of its branches are in the rural/semi-urban areas.

For FY10, the bank earned a Net Profit of Rs.813 crore (FY09: Rs. 913 crore) on a Total income of Rs.11,215 crore on account of a low core earnings growth and a twofold increase in tax provisions. Total advances stood at Rs.90,406 crore while the total deposits stood at Rs.1,17,025 crore as on March 31, 2010.

During Q1FY11, the bank posted a Net Profit of Rs.265 crore on a Total income of Rs.2,820 crore driven largely by a fall in interest expenses and tax provisions. The Gross NPA and Net NPA ratios stood at 2.31% (FY10: 2.19%) and 1.06% (FY10: 1.07%), respectively. The total restructured assets outstanding as on June 30, 2010 stood at Rs.4,392 crore constituting 4.73% of net advances. As on June 30, 2010, the CAR as per Basel II stood at a comfortable at 12.37% with Tier I CAR at 8.32%.

Analyst Contacts:

Vijay Agrawal

Tel # 6754 3416

Mobile # 98191 61912

Email: vijay.agrawal@careratings.com

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>