

October 12, 2010

CARE ASSIGNS /REAFFIRMS 'CARE AAA' RATING TO PROPOSED AND EXISTING ISSUES OF LOWER TIER II BONDS AND SUBORDINATE BONDS OF ORIENTAL BANK OF COMMERCE & ALSO ASSIGNS/ REAFFIRMS 'CARE AA+' RATING TO PROPOSED AND EXISTING ISSUES OF UPPER TIER II AND PERPETUAL BONDS

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Subordinate Bonds	500	'CARE AAA' [Triple A]	Reaffirmed
Lower Tier II Bonds	500	'CARE AAA' [Triple A]	Reaffirmed
Perpetual Bonds	550	'CARE AA+' [Double A (Plus)]	Reaffirmed
Upper Tier II Bonds	1000	'CARE AA+' [Double A (Plus)]	Reaffirmed
Total	2,550		
Lower Tier II Bonds	300	'CARE AAA' [Triple A]	Assigned
Perpetual Bonds	300	'CARE AA+' [Double A (Plus)]	Assigned
Upper Tier II Bonds	200	'CARE AA+' [Double A (Plus)]	Assigned
Total	800		
Grand Total	3,350		

Rating Rationale

The ratings factor in Government of India's (GoI) majority ownership in the bank and the expected support from GoI in case of need, the bank's long standing operations, sustained business growth in the past, high technology orientation and adequate capitalization levels. The rating also takes into account the medium asset size of the bank, limited scope for raising fresh equity capital due to 51.09% GOI ownership and moderate asset quality. OBC's ability to raise sufficient resources to support its advances growth and sustain its margins while maintaining asset quality are the key rating sensitivities.

CARE has rated the aforesaid Perpetual bonds and Upper Tier II bonds one notch lower than the Lower Tier II Bonds in view of 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 a

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

somewhat sharper migration of rating compared to conventional subordinated debt instruments.

Company Profile

OBC is a Delhi-based public sector bank where the GOI holds 51.09% stake. Global Trust bank (GTB), a private sector bank, was amalgamated with the Bank w.e.f. Aug 14, 2004, which facilitated OBC to have a stronger foothold in southern India. Total income increased by 15.4% to Rs.11,457 crore in FY10. Net Interest margin (NIM) increased from 2.28% in FY09 to 2.69% in FY10. ROTA also witnessed upward trend with improvement from 0.88% in FY09 to 0.91% in FY10. Gross NPA and Net NPA ratios stood at 1.74% and 0.87% as on March 31, 2010.

Total income registered growth of around 9% to Rs.3,045 crore in Q1FY11 over Q1FY10 on account of y-o-y increase of 20.31% in advances to Rs.86,098 crore as on March 31, 2010 and also increase in PLR by 50 basis points to 12.50% in Q1FY11. Reported NIM increased from 1.83% in Q1FY10 to 3.34% in Q1FY11. Reported ROTA stood at 1.03% in Q1FY11. Capital Adequacy Ratio stood at 12.44% which is well above statutory requirement of 9%.

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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.

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