

August 12, 2010

**CARE REAFFIRMS 'CARE AAA' RATING TO VARIOUS INSTRUMENTS OF STATE BANK OF TRAVANCORE**

CARE has reaffirmed the 'CARE AAA' [Triple A] rating assigned to various outstanding bonds aggregating to Rs.1035 crore of State Bank of Travancore (SBT).

Instrument	Amount o/s (Rs. Crore)	Ratings <sup>1</sup>
Lower Tier II bonds	235	CARE AAA
Upper Tier II(Series I)	200	CARE AAA
Upper Tier II(Series II)	300	CARE AAA
Perpetual Bonds(Series I)	200	CARE AAA
Perpetual Bonds(Series II)	100	CARE AAA

The rating for Upper Tier II/Perpetual Bonds takes into consideration their increased sensitiveness to SBT's capital adequacy ratio, capital raising ability and profitability during the long tenure of the instruments. It also factors in the additional risk arising due to the existence of the lock-in clause in these instruments. Any delay in payment of interest/principal (as the case may be), following the 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 rating as compared to conventional subordinated debt instruments.

**Rating Rationale**

The ratings factor in the majority ownership by State Bank of India (SBI holds 75% in SBT), its long standing track record, SBT's position as a premier bank in Kerala, having a significant market share, high technology orientation, stable asset quality and good capitalization. SBT also benefits from the operational and managerial synergies arising from the association with SBI especially in key areas like credit, technology, treasury etc. This also adds strength to the standalone credit quality of SBT. Going forward, SBT's ability to grow its business, improve profitability while maintaining its asset quality and increase its low-cost deposits mix shall be key rating sensitivities.

**Company Profile**

The Kerala-based SBT is one of the bigger associate banks in the State Bank Group, the largest banking group in India. The promoter, SBI holds 75% of the equity. As on March 31, 2010, SBT had a network of 748 branches, 19 extension counters and 726 ATMs.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

During FY10, SBT's advances grew by 17.8% to Rs.38,461 crore while its deposits grew by 21.0% to Rs.50,883 crore. It earned a PAT of Rs.684.3 crore on Total Income of Rs.4,906 crore. Its asset quality remained relatively comfortable with Gross NPA and Net NPA ratios at 1.65% and 0.91%, respectively as on March 31, 2010. SBT reported a Capital Adequacy Ratio of 13.74% (Tier I -9.24%) as on FY10-end.

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