

## Annual Surveillance-Rating Review

**Brickwork Ratings assigns “BWR AAA” for Oriental Bank of Commerce’s IPDI Issue for ₹ 300 Crore, Upper Tier II Issue for ₹ 200 crore and Lower Tier II Issue for ₹ 300 crore and reaffirms “BWR AAA” for Oriental Bank of Commerce’s IPDI Issue for ₹ 300 Crore**

**Issue Rating: BWR AAA**

**Outlook: Stable**

Brickwork Ratings has assigned and reaffirmed the rating of BWR AAA (Pronounced BWR Triple A) with a stable outlook for the following ratings of Oriental Bank of Commerce:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue Date	Maturity Date	Rating History	
						Review As on	Rating As on
IPDI	₹ 300 crore	BWR AAA (Stable)	Assigned	NA	NA	New Issue	
Upper Tier II	₹ 200 crore	BWR AAA (Stable)	Assigned	NA	NA	New Issue	
Lower Tier II	₹ 300 crore	BWR AAA (Stable)	Assigned	NA	NA	New Issue	
IPDI	Rated ₹ 500 crore, issued ₹ 300 crore	BWR AAA (Stable)	Reaffirmed	Dec. 17, 2009	Perpetual Call option after 10 years	BWR AAA (Stable) August 2010	BWR AAA (Stable) March 2009

The rating ‘BWR AAA’ stands for an instrument that is considered to offer the BEST credit quality in terms of timely serving of debt obligations. A “Stable” rating outlook signifies the expectation of the rating being stable in the near term. The rating has been assigned and reaffirmed taking into account the financial performance of the Bank, publicly available information and clarifications sought from the Bank. The rating, inter-alia, factors increasing operating profit and the Government of India’s equity stake and its continued support. The credit quality of the Bank is constrained by its lower level of CASA deposits.

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The Bank has performed well during Q1 FY11. Its business has grown from ₹ 167,434 crore during FY09 to ₹ 204,442 crore during FY10 to ₹ 209,156 crore during Q1FY11. Deposits have grown from ₹ 98,369 crore in FY 09 to ₹ 120,258 crore during FY10 registering a growth of 22.25% and to ₹ 123,057 crore in Q1FY11 and gross advances have grown from ₹ 69,065 crore in FY09 to ₹ 84,184 crore during FY 10 to ₹ 86,098 crore. The Bank has reported a growth in profitability of 41.02% during Q1 FY11 over Q1 FY10.

The bank's gross NPAs have increased slightly from ₹ 1468 crore as on 31<sup>st</sup> March 2010 to ₹ 1495 crore as on 30<sup>th</sup> June 2010. The gross NPA levels as a percentage of total advances were 1.74% as on June 30, 2010 compared to 1.72% as on March 31, 2010. The net NPA levels have increased from 0.71% as on 30<sup>th</sup> June 2009 to 0.87% as on 31<sup>st</sup> March 2010 to 0.72% as on 30<sup>th</sup> June 2010.

The bank is well placed in terms of provisioning with provisioning levels at 80.39%, higher than 70% as stipulated by the Reserve Bank of India.

OBC's net interest margin has increased to 3.34% in Q1FY11 as compared to 2.39% as on March 31, 2010. CASA level stood at 24.97% as on March 31, 2010. The cost of deposits has substantially decreased to 5.61% during Q1 FY11 as against 6.57% during March FY 10. However, the Return on Advances has declined from 10.20% in March FY10 to 10.03% in Q1 FY 11.

The bank has registered a growth of 41.02% in net profit, reaching a level of ₹ 363 crore in Q1FY11 (₹ 257 crore in Q1FY10), on the back of credit growth and increased margins with NIM at 3.34%. The bank's net interest income has increased significantly during the quarter to achieve a level of ₹ 1057.24 crore in Q1FY11 from ₹ 484.17 crore in Q1FY10.

The Return on Average Assets has increased from 0.91% as on 31<sup>st</sup> March 2010 to 1.03% as on 30<sup>th</sup> June 2010. The bank's return on equity has increased substantially from 16.61% during FY10 to 19.97% during Q1FY11.

The bank has a well defined internal capital adequacy assessment policy to comprehensively evaluate capital adequacy requirements. As on 30<sup>th</sup> June 2010, the

bank has reported a total capital adequacy ratio of 12.44% (12.54% as on 31<sup>st</sup> March 2010).

The bank has reported a credit-deposit ratio of 70.16% as on June 30, 2010 which is which is around the average levels reported in industry.

Brickwork Ratings expects the performance of the bank to be “Stable” over the next one year.

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