

Press Release for Corporation Bank's Rs 1000 Cr. Bonds

Brickwork Ratings assigns "BWR AAA+" for Corporation Bank's Upper Tier II Rs 1000 Cr. Bonds

Issue Rating: BWR AAA+

Outlook: Stable

Brickwork Ratings has assigned BWR AAA+ (Pronounced BWR Triple A Plus) for Corporation Bank's proposed Upper Tier II Capital Bonds issue of INR 1000 crore or INR 10.00 billion. Brickwork ratings' 'BWR AAA+' stands for an instrument that is considered to offer the BEST credit quality in terms of timely serving of debt obligations. The rating factored higher operating profits, improving asset quality, comfortable capital adequacy, healthy low cost deposits, stable earning assets, well diversified credit deployment, optimum operating cost structure and the Government of India's equity stake.

The continuing financial crises in the domestic market and prevailing economic slowdown in the international markets would not have any adverse impact on Corporation Bank operating performance. As a result, the bank has posted robust growth in total business, deposits and advances along with improving non-performing assets during FY 08. With total business growth of 30.85%, the bank skillfully prevailed over the challenging economic conditions during FY 08, which has grown further by 27.74% during Q3 FY 09. Similarly, the bank's gross advances and deposits grew by 25.86% and 30.41% respectively during Q3 FY 09.

The bank's asset quality seems to be sound and consistent compared to its peer group. During FY08, the bank's gross NPAs stood at 1.47%, which is 56 bps lower than that of peers' 2.03%. Similarly, the bank's net NPAs at 0.32%, 60 bps lower than the peers' average of 0.92%. During Q3 FY 09, the bank's asset quality has improved even further, where the gross NPAs declined to 1.24% (1.71% in Q3 FY08) and net NPAs down to 0.33% (0.33% in Q3 FY 08). The number of restructured loans is expected to be moderate.

The bank has generated very impressive revenues and profit figures with significant improvement in core income and excellent fee based income. As a result, the bank's profit before tax and net profit surged 30.47% and 37.09% respectively during FY 08. Bank's Return on average assets (ROA) has grown from 1.38% in March 08 to 1.46% in December 08. The profit for the last quarter this year is expected to be healthy. The bank has strengthened its sales and marketing infrastructure besides in order to ensure steady

clientele acquisition and also for cross selling and up-selling products to existing customers. Further, the bank conducted four clientele acquisition campaigns such as savings, current, pay roll accounts, and business intelligence during the FY 08.

During FY 08, the bank's low cost deposits mix was stable, with its CASA deposits at 35.01%, which is 3.91% higher than its peer's average of 31.10%. However, in line with banking industry trend, the bank's CASA deposits declined to 25.22% in Q3 FY 09. The bank's reliance on bulk deposits has been coming down.

During FY 08, the bank has healthy capital adequacy ratio at 12.09% during the year, which is 30 bps higher than its peers' average of 11.79%. Similarly, the bank's Tier I capital stood at 9.64%, which is 138 bps higher than that of peers. Brickwork calculates *Leverage* that assesses bank's capital adequacy with reference to both on and off balance sheet exposures. The bank has shown a lower leverage of 15.1 compared to its peer group's 20.7.

Overall, the rating factored the bank's Government of India ownership, improved earning assets quality, reasonable CASA deposits, one of the lowest cost to income ratio, comfortable capital adequacy, high technology adoption as well as efficient management.

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