

Press Release-

**Financial Results for the Quarter ended June 2018**

**Canara Bank poised for a sustained growth with improved fundamentals**

Canara Bank's gross profit for Q1FY2019 grew by a healthy 18.65% y.o.y to Rs. 2933 cr backed by a robust net interest income (NII) growth at 43.13% y.o.y. Consequently, its net profit grew by 11.51% y.o.y to Rs. 281 cr. The impressive performance in NII growth is primarily due to the 15.12% yoy growth in domestic credit backed by a whopping 36.22% growth in retail credit which in turn has contributed to the 14.87% yoy increase in interest income from advances.

While the total business of the bank registered a healthy 10.96% growth to reach Rs. 9.2 lakh cr, its domestic business grew by a higher 13.06% yoy to reach Rs. 8.63 lakh cr. The global deposits of the bank improved by 9.75% while its domestic deposits improved by a higher 11.62%. The CASA deposits posted a 9.1% yoy growth with the Savings bank deposits registering, a higher 11.75% yoy growth. The CASA ratio stood at 32.43%. The CD ratio of the bank improved by 188bps to 72.43% from the 70.55% level a year ago.

On the asset quality side, signs of recovery are visible with recovery and upgradations, backed by a strong 56% qoq improvement in cash recovery (Rs. 3537 cr) resulting in both gross and net NPAs improving sequentially to 11.05% and 6.91% respectively. The stressed assets ratio is sequentially down to 12.1% from 12.7% highlighting the consistent efforts of the bank in improving the asset quality. Further the provision coverage ratio has improved to 60.69% from 54.52%.

The comfortable CRAR of 13%, up from 12.61% a year ago, augur well for the higher growth trajectory, which the bank has entered into, aimed at improving its market share in business. The capital optimization measures taken by the bank has led to decrease in risk-weight density to 88.6% as at June 2018 from 96.6% as at June 2017. The bank is adequately capitalized with CRAR at 13.00% from 12.61% as on June 2017 for being supportive for further credit growth. CET1 is at 9.35% and Tier 1 capital at 10.12% is in comfortable range.

On a road to sustained growth, the bank is keen on strengthening the balance sheet through augmenting retail business, digitalization and transformation. The robust business growth, both globally (10.96%) and domestically (13.06%), stands as a testimony with improved CD ratio 72.43 (global) and 72.37 (domestic). The improvement in the share of retail loans in the total credit has de-risked the balance sheet. Further, the bank has calibrated its growth in corporate sector by limiting its exposure to sectors under stress and incrementally growing only in those corporate, which are highly rated.

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The bank has taken steps to retain its retail deposit franchise through bettering its services and facilities leading to stability in its Retail term deposits share in total term deposits at 63.26%. The improvement in NIM of the bank to 2.52%, from 2.34% a year ago, has contributed significantly to the 43% growth in the net interest income during the year.

Going ahead, the management is highly optimistic about sustaining this growth momentum with present capital and potential business growth. Comfortable capital position of the bank gives further impetus for taking lending into the next trajectory. Further, with the various steps already initiated for transformation, the management is hopeful of much improved performance during 2018-19.

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## Key Highlights

### Financial Results for the Quarter ended June 30, 2018

#### A. Profitability Parameters

- Net profit for Q1FY19 at ₹281 cr, up by 11.51% y.o.y from ₹252 cr (Q1FY18)
- Gross profit up by 18.65% y.o.y, increased to ₹2933 cr from ₹2472 cr (Q1FY18)
- Net Interest Income surged 43.13% during Q1FY19 to ₹3883 cr from ₹2713 cr (Q1FY18)
  - ✓ Aided by healthy growth in interest on advances (14.87% y.o.y)
- Non-Interest Income during Q1 FY19 stood at ₹1833 cr; For Q1 FY18 it was at ₹2109 cr.
  - ✓ Non. Int. Income excluding trading profit during Q1 FY19 increased at a healthy pace by 44.65% y.o.y, aided by enhanced recovery in written off accounts (173% y.o.y).
  - ✓ Share of non-interest income in total income stood at 13.89%.

#### B. Business Parameters

- Global Business rose to ₹9.20 lakh cr, up by 10.96% y.o.y.
  - ✓ Global deposits stood at ₹5.33 lakh cr, up by 9.75% y.o.y.
  - ✓ Net Advances grew at a healthy pace of 12.67% ₹3.86 lakh cr.
- Strong growth in assets (y.o.y)
  - ✓ Agriculture (11.92%), MSME (10.41%), Retail lending (36.22%),
  - ✓ Direct Housing (18.90%), Vehicle (28.42%), Education (9.42%) and Other Personal loans (56.32%).
- CASA share (Domestic) stood at 32.43%.
  - ✓ CASA Deposits up by 9.10% y.o.y to ₹1.63 lakh cr.

#### C. Efficiency Parameters

- Cost of deposits came down by a 34 bps to 5.49% from 5.83% last year.
- Yield on advances improved to 8.54% from 8.12% last quarter.
- NIM (Domestic) improved to 2.75% and NIM (Global) 2.52%.
- Return on Asset improved to 0.19% and Return on Equity improved to 4.83%.
- Cost to Income ratio came down sequentially from 50.03% to 48.68%.

#### D. Asset quality

- Gross NPA Ratio improved to 11.05%, down from 11.84% as at March 2018.
- Net NPA Ratio declined 6.91%, down from 7.48% as at March 2018.
- Cash Recovery aggregated to ₹3537 cr during the quarter.
- Provision Coverage ratio improved to 60.69% from 54.52% last year.

#### E. Others

- Capital adequacy ratio improved to 13.00%, up from 12.61% a year ago.
- Branch network stood at 6299 and number of ATMs at 9221 .
- E- transactions ratio rose sharply to 76.95%, from 70.59% a year ago.
- 95.95 lakhs Mobile Banking and 50.87 lakhs Net Banking users.

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**Detailed Financial Results for the Quarter ended June, 2018**

**a. Business as on 30<sup>th</sup> June 2018 vis-à-vis 30<sup>th</sup> June 2017:**

- ✦ Global Business grew by 10.96% to ₹919526 cr from ₹828721 cr.
  - ✓ Domestic Business grew by 13.06% to ₹863359 cr from ₹763632 cr
- ✦ Global Deposits grew by 9.75% to ₹533274 cr.
  - ✓ Domestic Deposits grew by 11.62% to ₹500866 cr from ₹448736 cr
- ✦ Global Advances (Net) grew by 12.67% to ₹386253 cr
  - ✓ Domestic Advances (net) grew by 15.2% to ₹362494 cr from ₹314896 cr
- ✦ Overseas business constituted 6.11% of the total business.
  - ✓ Total business of 8 overseas branches stood at ₹56167 cr.
- ✦ CD ratio (Global) as on 30<sup>th</sup> June 2018 improved to 72.43% from 70.55% (June 2017)
  - ✓ CD ratio (Domestic) as on 30<sup>th</sup> June 2018 improved to 72.37%.
- ✦ Clientele accounts increased to 8.35 cr from 7.91 cr last year.

**b. Deposit Portfolio- Thrust on CASA & Retail Deposits**

- ✦ CASA deposits increased to ₹162651 cr, with a y.o.y growth of 9.10%.
  - ✓ CASA share (domestic) stood at 32.43%.
- ✦ Retail term deposits (RTD) increased to ₹214094 cr with a y.o.y growth of 3.3%.
  - ✓ Share of RTD in term deposits stood at 63.26%.

**c. Credit Portfolio- Thrust on Retail Assets**

- ✦ Share of Retail Advances (Agriculture, MSMEs, Housing & Other Retail Schemes) in total credit portfolio improved 62.04% from 61.82% a year ago.
- ✦ Advances to Priority Sector increased 15.19% y.o.y to ₹187528 cr.
- ✦ Advances to Agriculture grew by 11.92% y.o.y to ₹84884 cr.
- ✦ Credit to MSMEs (Micro, Small & Medium Enterprises) grew 10.41% y.o.y to ₹83083 cr.
  - ✓ Credit to M&SE segments reached ₹66139 cr.
  - ✓ The number of Micro Enterprises Accounts recorded a growth of 3.20%.
- ✦ Achieved the mandated targets for Total Priority (53% against 40% ANBC norm)
  - ✓ Agriculture (23% Vs 18% ANBC norm), credit to specified minority communities (17% Vs 15% norm) and weaker sections (13% Vs 10% ANBC norm).
- ✦ Credit to women beneficiaries (14% Vs 5% norm).
  - ✓ 30.19 lakh women beneficiaries assisted to the tune of ₹51103 cr.
- ✦ Retail Lending Portfolio increased 36.22% y-o-y to ₹82877 cr
  - ✓ Housing Loan (Direct) Portfolio increased 18.90% y-o-y to ₹29734 cr,
  - ✓ Vehicle loans & other personal loans grew by 28.42% (₹6973 cr) and 56.32% (₹23151 cr) respectively.
  - ✓ Education Loan Portfolio increased to ₹8558 cr, with a y.o.y growth of 9.42%, covering over 2.95 lakh students.

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**d. Financial Performance for the quarter ended Q1 FY19**

- ⚡ Net profit up by 11.51% y.o.y at ₹281 cr from ₹252 cr(Q1 FY18)
- ⚡ Gross profit increased to ₹2933 cr, up by 18.65% y.o.y from ₹2472 cr (Q1 FY18).
- ⚡ Net Interest Income improved 43.13% to Rs. 3883 cr (Rs. 2713 cr - Q1FY18)
- ⚡ Non Interest Income declined 13.07% to Rs. cr due to dip in treasury income
- ⚡ Total Expenditure increased by 4.35% y.o.y to ₹10260 cr.
- ⚡ Total income increased by 7.22% to ₹13192 cr.
- ⚡ Global NIM improved to 2.52% from 2.34% (Q1 FY18)
  - ✓ Domestic NIM improved to 2.75% from 2.56% (Q1FY18)
- ⚡ Yield on Funds stable at 7.73% vis-à-vis 7.24% (Q1FY18)
- ⚡ Cost of Funds declined to 5.09% vis-à-vis 5.32% (Q1FY18)
- ⚡ Cost to income ratio stood at 48.68%
- ⚡ Return on Asset at 0.19% and Return on Equity at 4.83%.

**e. Capital Adequacy**

- ⚡ Capital Adequacy Ratio as per Basel III norms improved to 13.00% (Regulatory minimum requirement- 10.875%), up from 12.61% a year ago,
  - ✓ CET 1 ratio at 9.35% & Tier I ratio at 10.12%.
- ⚡ Government shareholding is at 72.55%.
  - ✓ Comfortable capital position for assets growth.
- ⚡ Risk Weighted Assets (RWA) to Gross Advances decreased to 88.66% as on June 30, 2018 compared to 96.60% as on June 30, 2017 reflecting Bank's focus on optimizing risk efficiency.

**f. Improving Asset Quality**

- ⚡ Gross NPA ratio came down to 11.05% sequentially (11.84% as at Mar 2018)
- ⚡ Net NPA ratio declined to 6.91% from 7.48% as at Mar 2018.
- ⚡ Cash Recovery aggregated to ₹3537 cr during the quarter.
- ⚡ Provision Coverage Ratio improved to 60.69% as on June 30, 2018 as against 54.52% as on June 30, 2017. (58.06% as on March 2018)

**g. Pradhan Mantri Jan Dhan Yojana (PMJDY)**

- ⚡ 68.41 lakh accounts opened under PMJDY, securing CASA deposits of ₹2031 cr.
- ⚡ 5.36 lakh PMJDY account holders have been provided with overdraft facility, amounting to ₹2.44 cr so far.
- ⚡ 72 Financial Literacy Centres (FLCs) opened at District/Block levels, educating 3.65 lakh persons during the quarter.
- ⚡ 351.43 lakh accounts were Aadhaar seeded, of which 41.34 lakh accounts under PMJDY accounts.
- ⚡ As a part of grievances redressal mechanism for customers, the Bank established Toll free number 1800 425 11222.

**h. Social Security Schemes**

- ⚡ 49.63 lakhs enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY- 12.67 lakhs) & Pradhan Mantri Suraksha Bima Yojana (PMSBY- 36.96 lakhs) as at June 2018.
- ⚡ Under Atal Pension Yojana (APY) 1.04 lakhs accounts mobilized cumulatively.
- ⚡ Under Sukanya Samridhi Yojana, 3285 accounts have been mobilized cumulatively.

**i. Pradhan Mantri Mudra Yojana (PMMY)**

- ⚡ Under Mudra Yojana, the Bank disbursed ₹1496 cr, covering 1.07 lakhs accounts as at March 2018.

**j. A Holistic Approach to Financial Inclusion (FI)**

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- ✦ The Bank has provided banking facilities in all the allotted 10049 villages.
- ✦ Covered all 3962 allotted SSAs by opening of 894 Brick & Mortar branches and engaging 2459 Business Correspondent Agents.
- ✦ 470 Ultra Small Branches are also functional besides FI branches.
- ✦ Financial Inclusion branches have garnered business of ₹18826 cr. The CASA component of FI branches stood at 57.84%, amounting to ₹4918 cr.
- ✦ 18 Micro Finance branches have garnered a total business of ₹618 cr under Urban Financial Inclusion.
- ✦ 1.47 lakh Basic Savings Bank Deposit Account (BSBD) accounts opened during the quarter with outstanding CASA deposits of ₹4794 cr.
- ✦ Formed 112 farmers' clubs during the quarter.
- ✦ Formed 12700 Self Help Groups (SHGs) and 8289 SHGs have been credit linked to the extent of ₹322.04 cr during the Q1FY19.
- ✦ Business Correspondent Agents have done 34.75 lakh transactions, amounting to ₹615 cr during the quarter.

**k. Enhanced Delivery Channels & Digital Footprints**

- ✦ Branch network stood at 6299, including 8 overseas branches (London, Leicester, Johannesburg, New York, Hong Kong, Manama, Shanghai and Dubai).
- ✦ Total number of ATMs stood at 9221. 184 e-lounges were functional across major cities.
- ✦ Debit card base rose to 4.52 cr. 95.95 lakhs Mobile Banking and 50.87 lakhs Net Banking users. Ratio of e-transactions increased to 76.95% from 70.59% a year ago.
- ✦ Major branch transformation with 1548 Shikhar Branches for better customer service to drive business.

**l. New Products & Important Customer-friendly Technology Initiatives**

- ✦ Various Debit card services are enabled in Internet Banking like setting daily ATM/POS transaction limit, debit card switch ON / OFF and instant debit card PIN generation (Green PIN).
- ✦ Introduced **Canara OTP (Off-line)** App for self-generation of OTP by customers themselves for doing financial transactions through internet banking.
- ✦ Available additional services at our ATMs like funds transfer to own accounts and third party Accounts (Intra Bank) as well as credit card bill payment.
- ✦ **Aadhaar Seeding/Authentication** through net banking facility introduced in Internet banking for customers to seed and authenticate their Aadhaar number to their account.
- ✦ **Green PIN** facility introduced for generation/ re-generation of PIN for Debit Card/ Credit Card/ Prepaid Card/ RRB Debit Cards.

**Focus areas: March 2019**

- ✦ Thrust on Retail Business, Asset Quality & Efficiency
- ✦ Augmenting core operating profits from operations
- ✦ Improving the CASA & Retail deposit ratios
- ✦ Balanced growth in advances with proper mix of Retail and Corporate credit
- ✦ Accelerated NPA resolution and improving the Provision Coverage Ratio
- ✦ Improving operational financial ratios- NIM, RoA, RoE and Cost-to-Income.
- ✦ Continued focus on digitization for better services and cost minimization

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