

केनरा बैंक  
Canara Bank



**TOGETHER WE CAN**

November 2010

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## CANARA BANK AT A GLANCE

- ☑ 3<sup>rd</sup> largest public sector bank in terms of domestic business
- ☑ Among the top 5 public sector banks in terms of assets
- ☑ Consistent track record of profitability since establishment 105 years ago
- ☑ Leading lender to the infrastructure sector benefitting from India's economic growth
- ☑ Pan-India network of over 3,000 branches and over 2,000 ATMs serving over 37 million clients
- ☑ Technology focused bank with 100% coverage of branches under Core Banking System
- ☑ Subsidiaries, joint ventures and associates in non-traditional banking, including insurance and asset management
- ☑ One of the highest Government shareholding amongst public sector banks at 73.2%<sup>1</sup>

Source: Company filings

Note: US\$1:INR45; <sup>1</sup> As of September 2010

6 months ending Sep 2010	INR bn	US\$mm
Net-interest income	37.3	829
Net profit	20.2	449
Total assets	2,828	62,836
Net advances	1,761	39,127
Total deposits	2,492	55,375
Total equity	167	3,707
Market Cap (Nov 17, 2010)	319	7,098
<b>Key ratios</b>		
Net-Interest margin		3.16%
Cost/Income ratio		41.6%
Net NPA ratio		1.06%
Tier I ratio		8.82%
Return on avg. assets		1.52%
Return on equity		29.8%

## BUSINESS PROFILE



### Corporate Banking

- Full service offering to large and mid sized corporations across India including project and corporate finance, working capital, short-term credit, cash management and treasury products
- Infrastructure loans<sup>1</sup> witnessed 63.4% y-o-y growth to reach INR395bn as of Sep 2010

### SME Banking

- Comprises mainly of priority sector lending to small-scale industries
- Over 445,950 customers serviced through 42 specialized branches and 15 centralized processing centers
- Priority sector loans were INR259bn and non-priority sector loans were INR69bn as of Sep 2010

### Retail Banking

- Includes housing, vehicle, personal and education loans, self-employed and corporate employee loans, deposits, credit and debit cards, and services to non-resident Indians
- Housing loans witnessed y-o-y growth at 41.8% and constitute 44.8% of retail loan book

### Other Businesses

- Agricultural lending and consultancy services, international banking, bancassurance, sale of mutual fund products, depository participant services, merchant banking and executor, trustee and taxation related services

<sup>1</sup> 30% of which are short term in nature

## KEY SUBSIDIARIES AND ASSOCIATES



### Insurance

- Joint venture with HSBC Insurance and Oriental Bank of Commerce
- Among the top ten of 22 private life insurers in FY10 in terms of new business premiums
- Fastest to receive INR10bn (in 23 months) of weighted new business premiums

### Asset Management

- Joint venture with the Netherlands based Robeco Groep N.V., a subsidiary of Rabobank, which holds 49% stake
- AuM of INR77.2bn as of Sep 2010
- Reached break even with net profit of INR62.3mm for FY10

### Factoring

- One of the leading factoring companies in India in terms of total turnover
- Business turnover at INR37.4bn for FY10 and INR18.6bn for 6 months ended Sep 2010
- Also provides other services, such as invoice discounting and export factoring

### Can Fin Homes

- Engaged in housing finance, listed on BSE with market capitalization of INR2.8bn<sup>1</sup>
- Canara Bank holds 42.4% stake
- Services more than 175,000 families<sup>2</sup>
- Cumulatively sanctioned housing finance of INR62bn with disbursements above INR53bn<sup>2</sup>

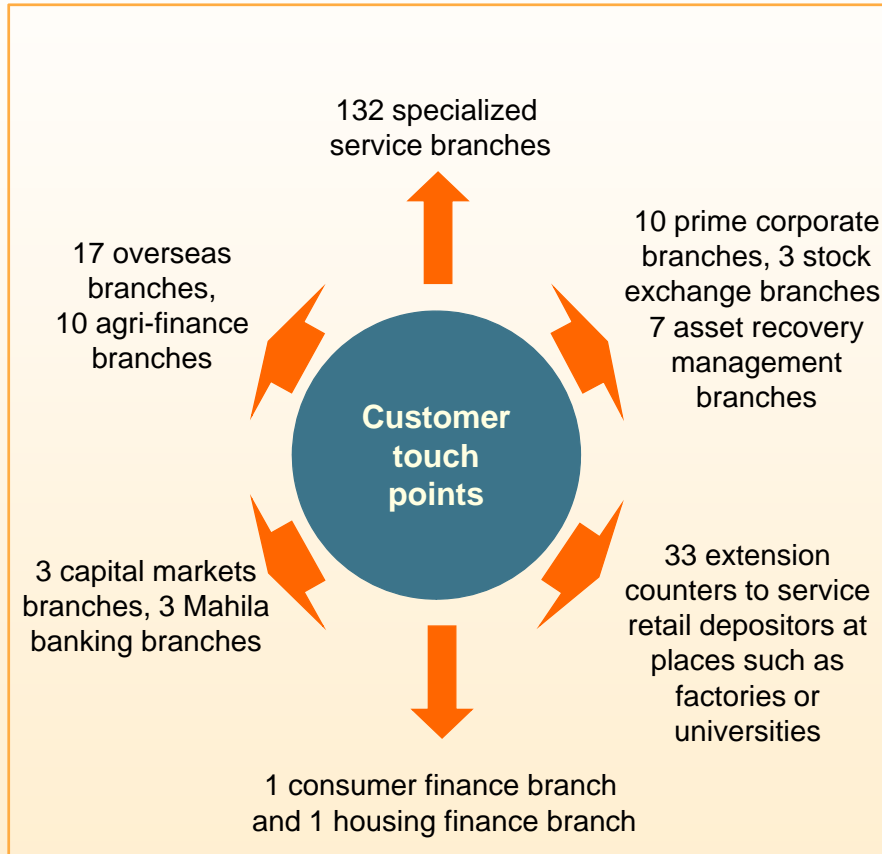
Other subsidiaries, associates and joint ventures include Canara Bank Securities, Canbank Financial Services, Canbank Venture Capital, Commercial Bank of India LLC, CARE India Ltd., Commonwealth Trust (India) Ltd. and Canbank Computer Services

Source: Company filings; Note: FY indicates fiscal year ended March 31<sup>st</sup>; BSE indicates Bombay Stock Exchange; <sup>1</sup> As of November 17, 2010 <sup>2</sup> As of year ended March 31, 2010

## CANARA BANK: KEY STRENGTHS

- 1 Reputation as a customer centric bank
- 2 Delivering balance sheet growth without compromising margins
- 3 Thrust on asset quality
- 4 Pan-India presence with focus on developed regions of India
- 5 Emphasis on cost control and productivity
- 6 Benefitting from significant investment in technology
- 7 Diversified sources of income through increased initiatives
- 8 Insulated investment profile with consistent yields
- 9 Sound capital position and high government ownership
- 10 Profitable since inception with meaningful returns to stakeholders

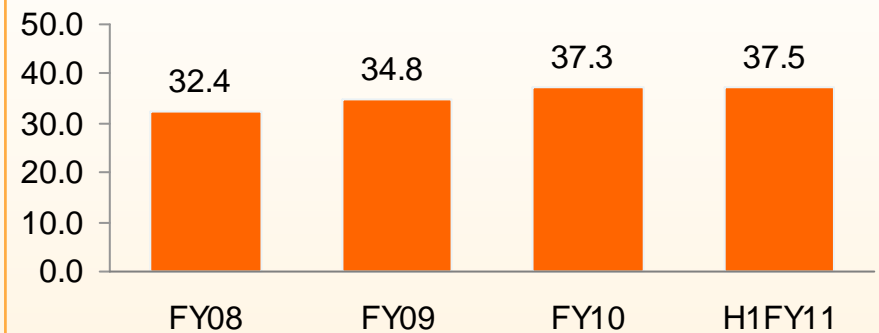
## Specialized touch points for each customer category



Source: Company

## Emphasis on customer service

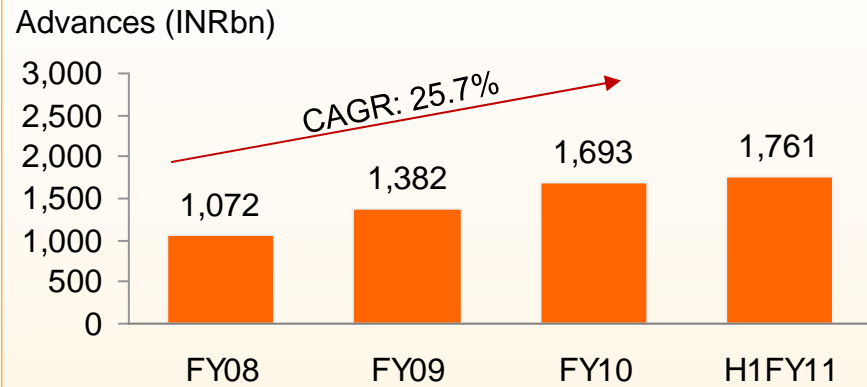
Customers (mm)



## Key initiatives

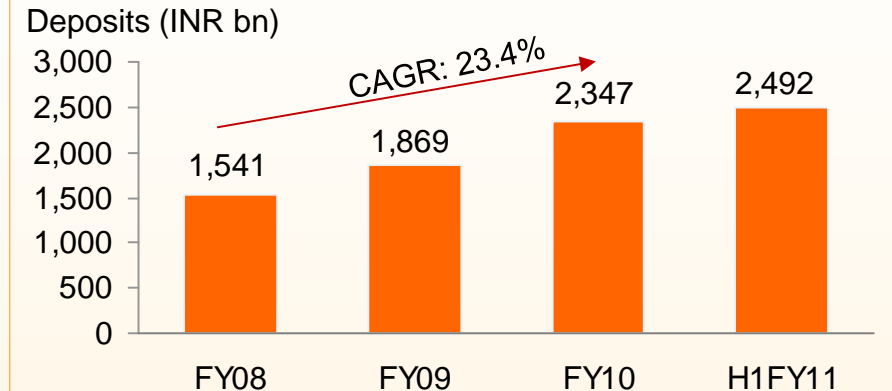
- 'Best in class' counter service
- Superior customer relationship management
- Marketing through well trained front office staff and a strong 'feet on street' sales force
- Continuous efforts to build brand awareness

## Steady growth in advances



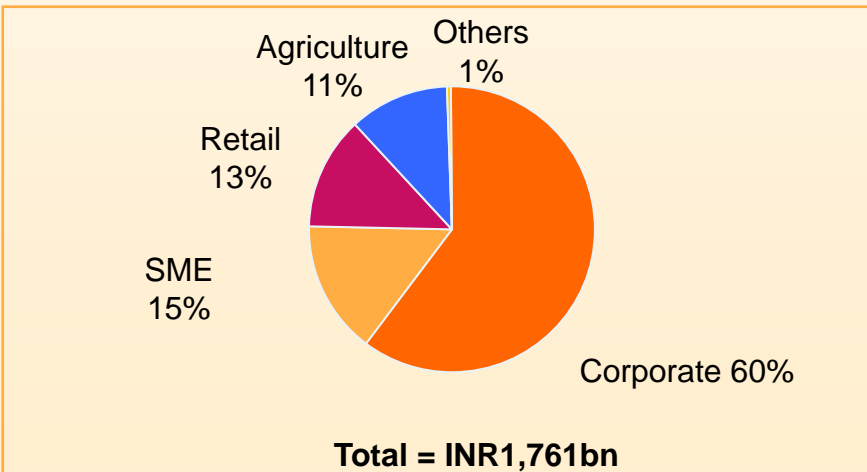
Source: Company filings; Note: FY indicates fiscal year ended March 31st

## High proportion of deposits in funding mix



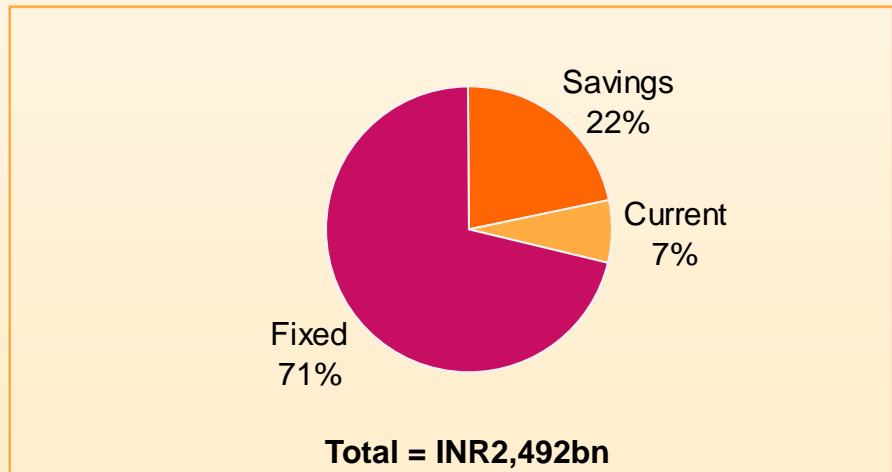
Source: Company filings; Note: FY indicates fiscal year ended March 31st

## Corporate lending remains key



Source: Company filings

## Increasing emphasis on CASA deposits

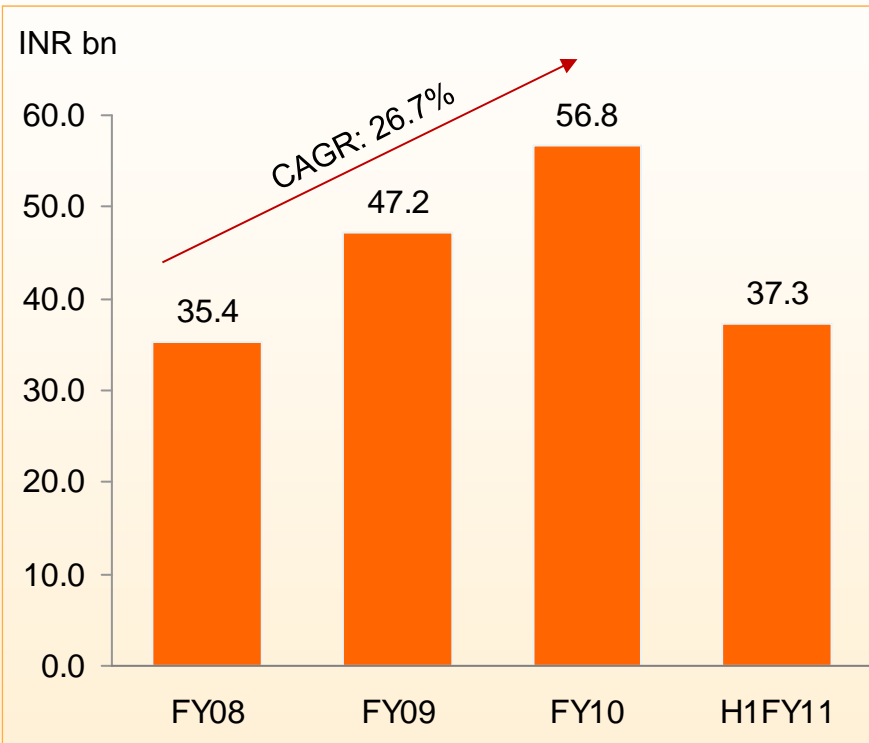


Source: Company filings

Note: Current and savings accounts ("CASA") account for 30% of domestic deposits

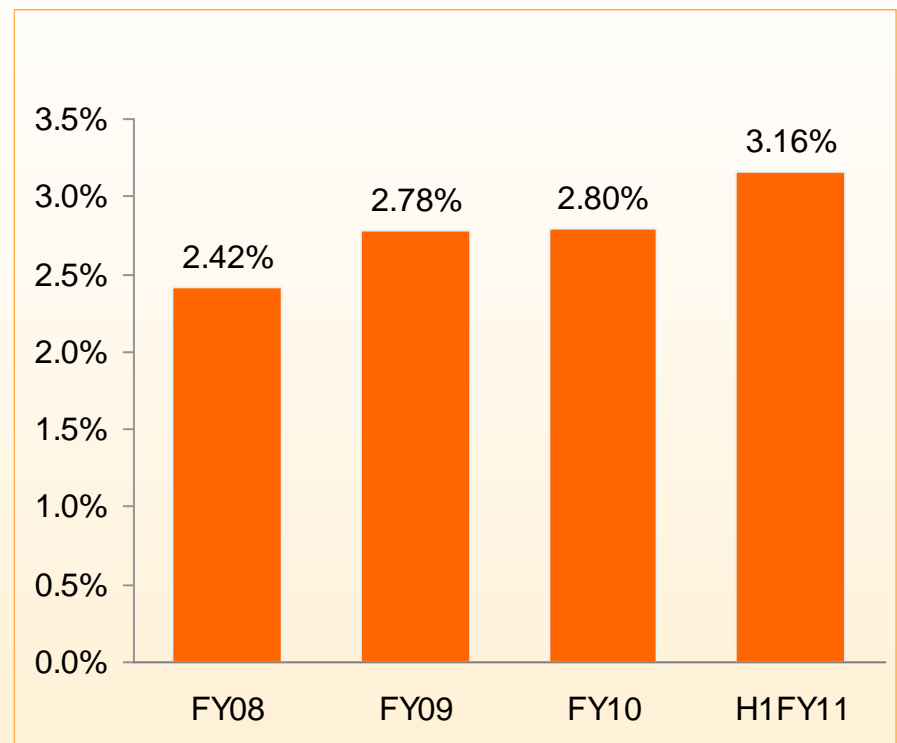
## ...WITHOUT COMPROMISING MARGINS

### Strong growth in net interest income ...



Source: Company filings; Note: FY indicates fiscal year ended March 31st

### ... and increasing NIMs (%)

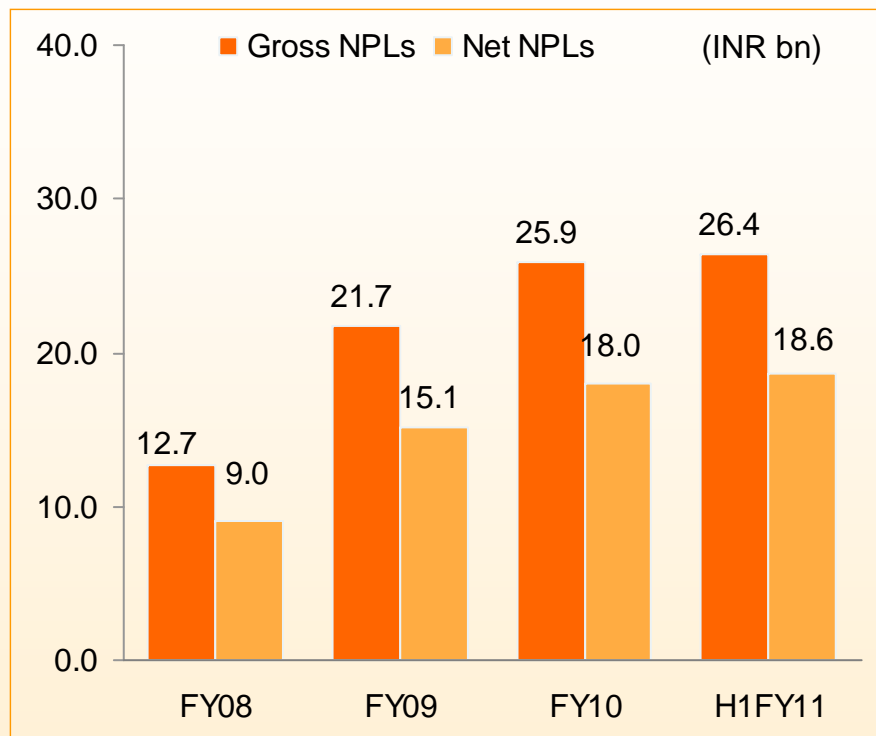


Source: Company filings; Note: FY indicates fiscal year ended March 31st

- Savings campaigns to emphasize retail business
- Increased emphasis on low-cost CASA deposits
- Base rate regime protects margins

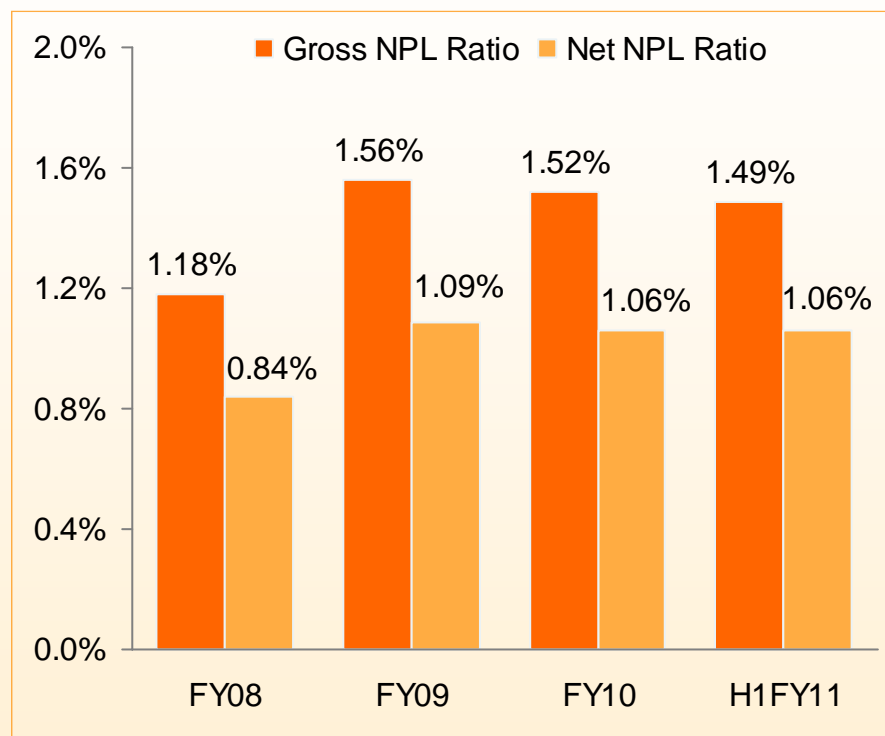
## THRUST ON ASSET QUALITY

### Non-performing assets remain manageable ...



Source: Company filings; Note: FY indicates fiscal year ended March 31<sup>st</sup>

### ... with decreasing ratios

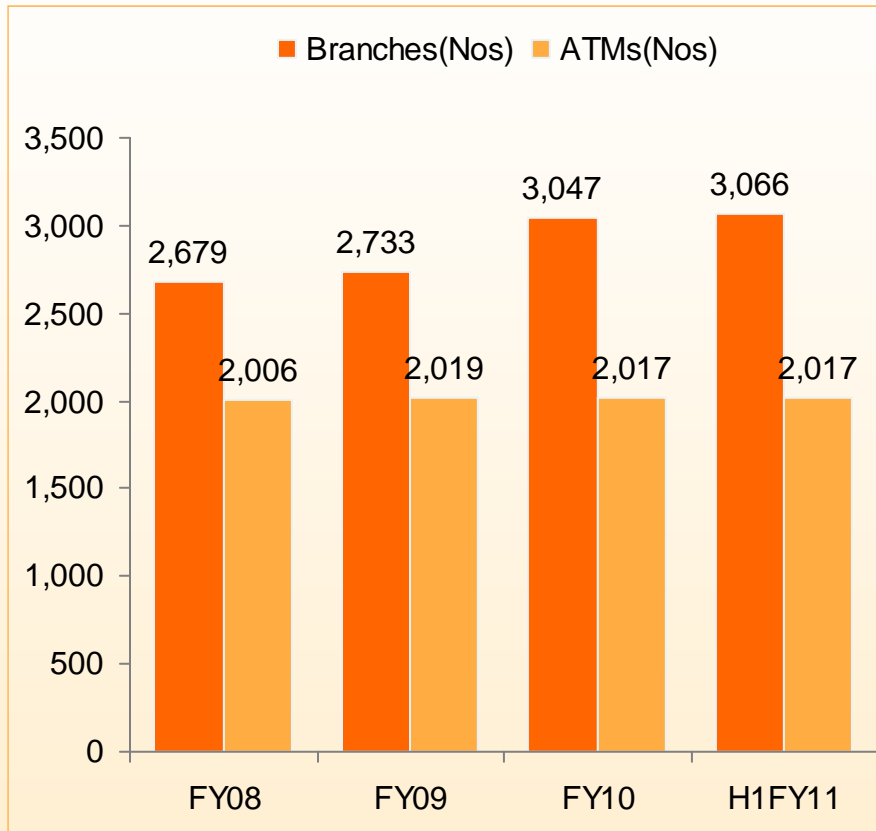


Source: Company filings; Note: FY indicates fiscal year ended March 31<sup>st</sup>

- One of the highest provision coverage ratios amongst public sector banks at **77.1%** as of Sep 2010
- Minimal exposure to commercial real estate, microfinance and capital markets
- Focus on recoveries through asset recovery branches, Can Adalats and Lok Adalats
- Robust credit approval and risk management policies

# PAN INDIA PRESENCE

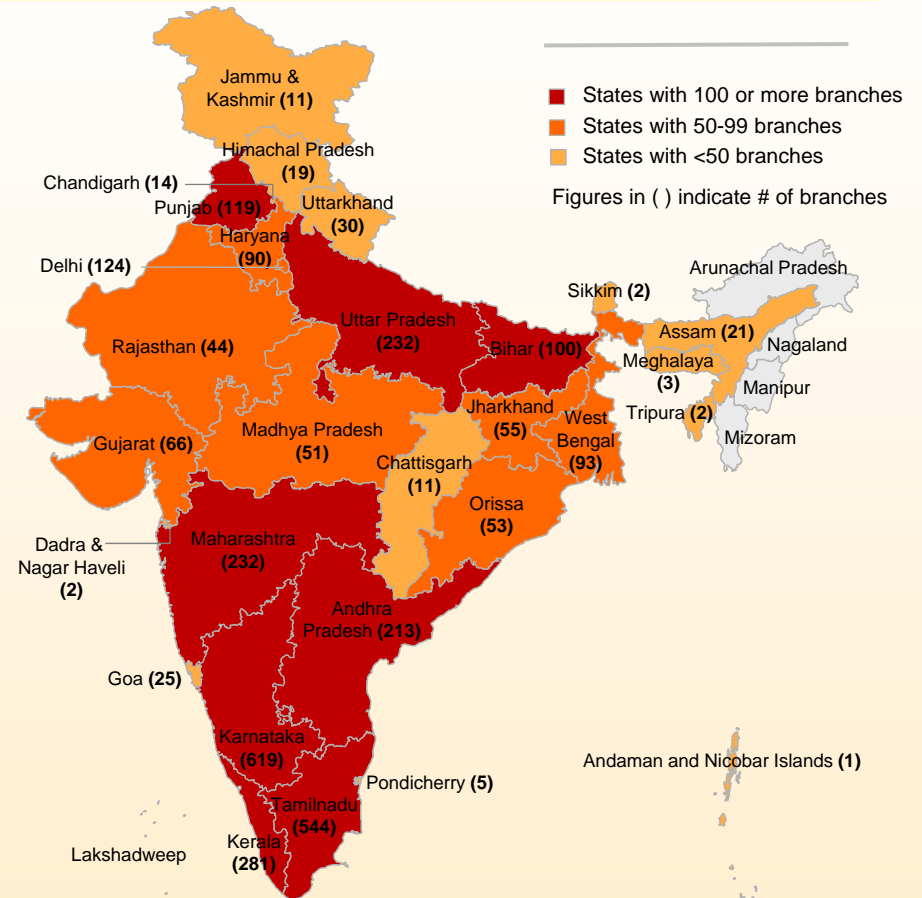
## Significant growth in branches<sup>1</sup> and ATMs



Source: Company filings; Note: FY indicates fiscal year ended March 31<sup>st</sup>

<sup>1</sup> Includes overseas branches

## Well spread network of branches

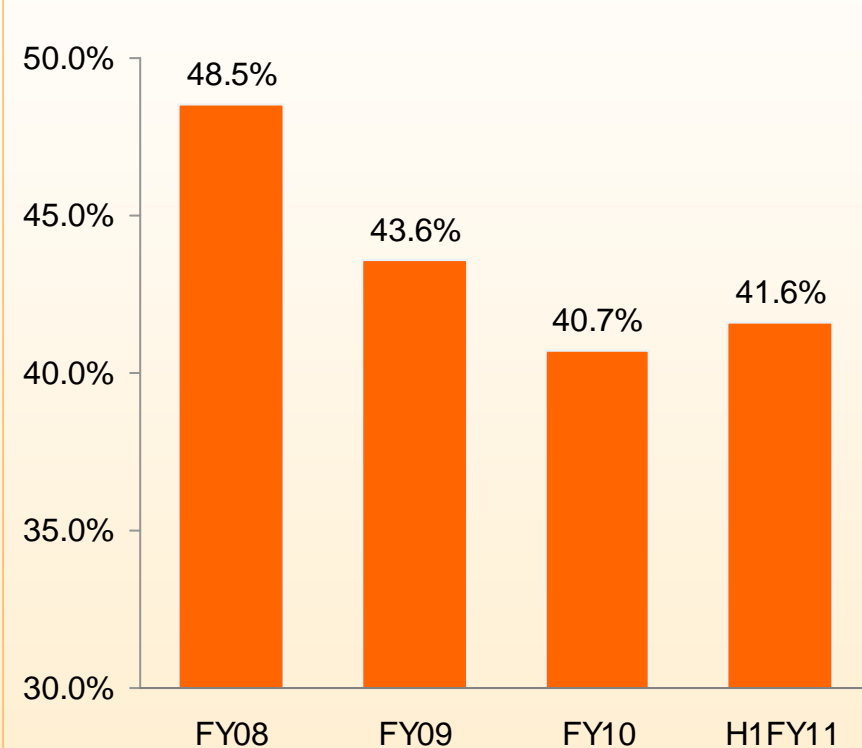


- Thrust on organic growth
- Focus on alternate channels such as internet banking
- Plans to expand ATM network
- Launch of mobile banking shortly

# COST CONTROL AND PRODUCTIVITY

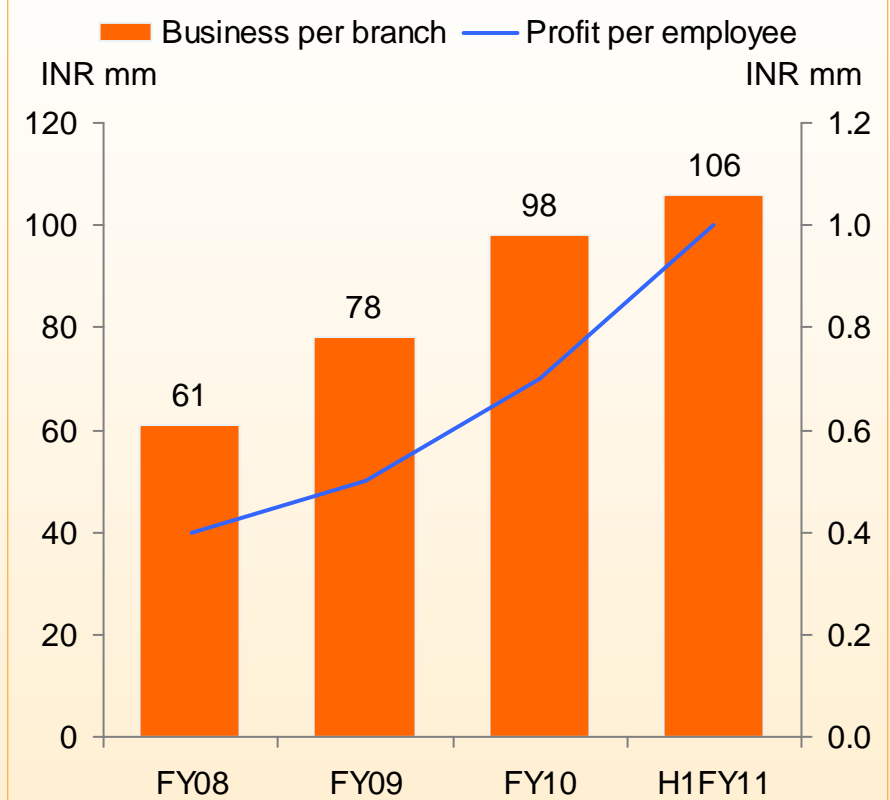
## One of the most efficient ...

Cost to income ratio (%)



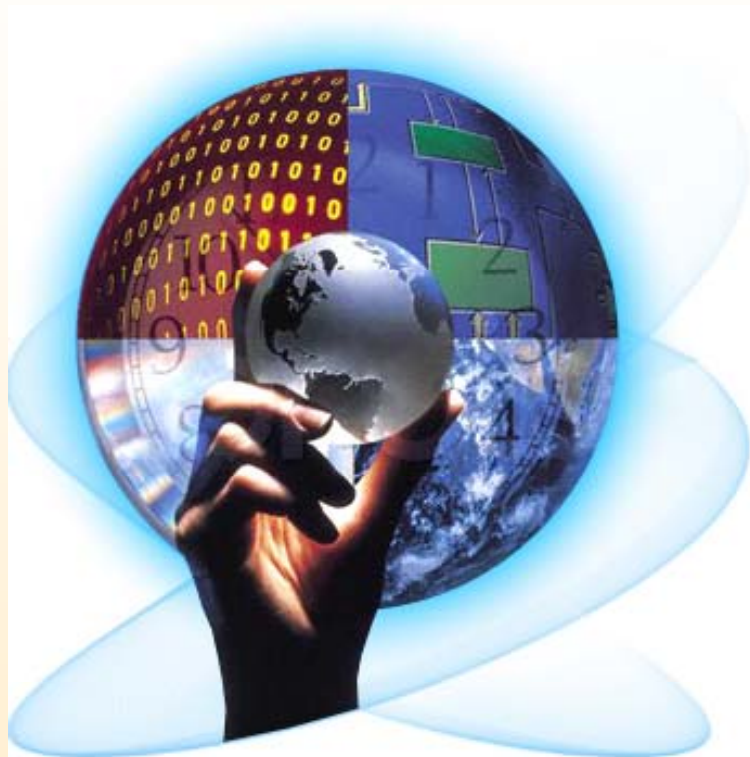
Source: Company filings; Note: FY indicates financial year ending March 31st

## ... and productive public sector banks



Source: Company filings; Note: FY indicates financial year ending March 31<sup>st</sup>; Business defined as sum of advances and deposits

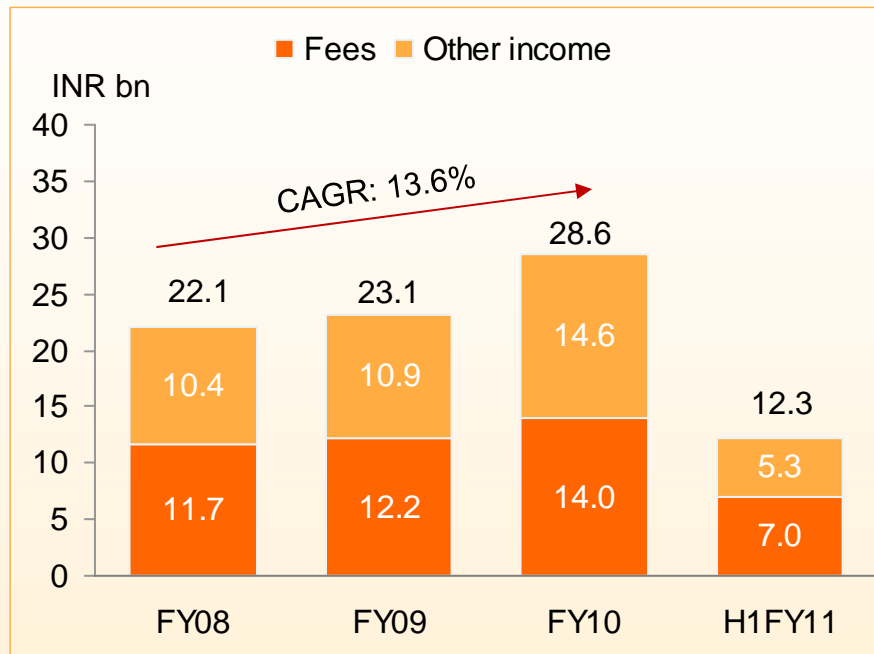
- Emphasis on hiring, training and retaining top talent
- Centralized processing of back office functions
- Cost effective resource mobilization program
- Control on operating expenses



- ☑ 100 % Core Banking System integrated with solutions such as:
  - Internet banking
  - Customer relationship management
  - Securities trading
- ☑ Real Time Gross Settlement System and National Electronic Funds Transfer enabled at all branches
- ☑ Data centre in Bangalore and a disaster recovery centre in Mumbai
- ☑ Taken steps to initiate a data warehouse for credit risk management
- ☑ Aiming to have the best technology among public sector banks

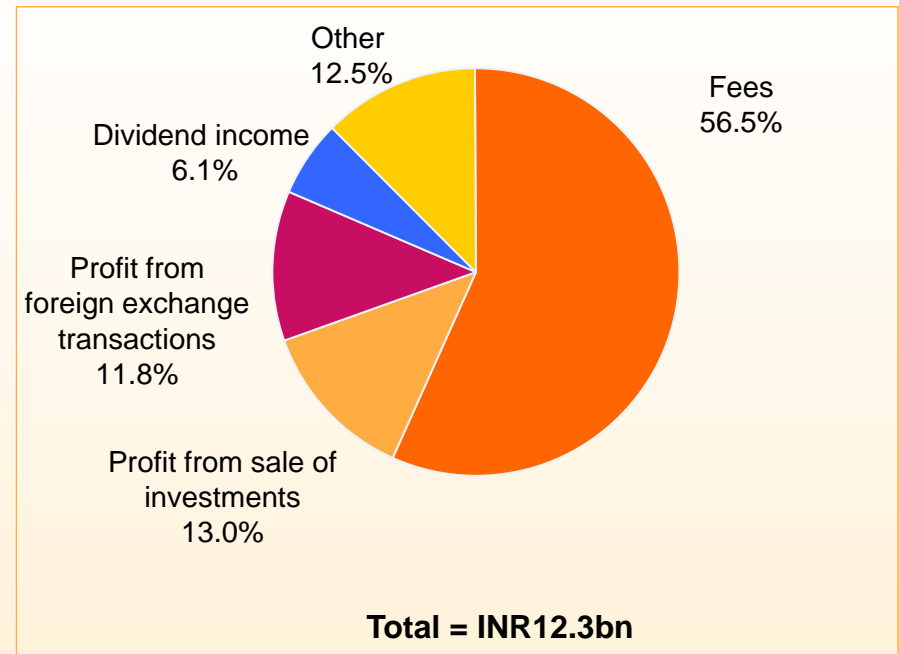
## DIVERSIFIED SOURCES OF INCOME

### Delivering strong growth in non-interest income



Source: Company filings; Note: FY indicates fiscal year ended March 31st

### Non-interest income—breakdown (% as of H1FY11)



Source: Company filings

- Cross selling of insurance, on-line trading services and mutual fund products through 2,596 branches
- Increasing traditional fee based services – Transactional Banking, Letter of Credit, Guarantees, funds transfer etc
- Increasing thrust on foreign exchange transaction related activities

## Majority of investments in Government securities

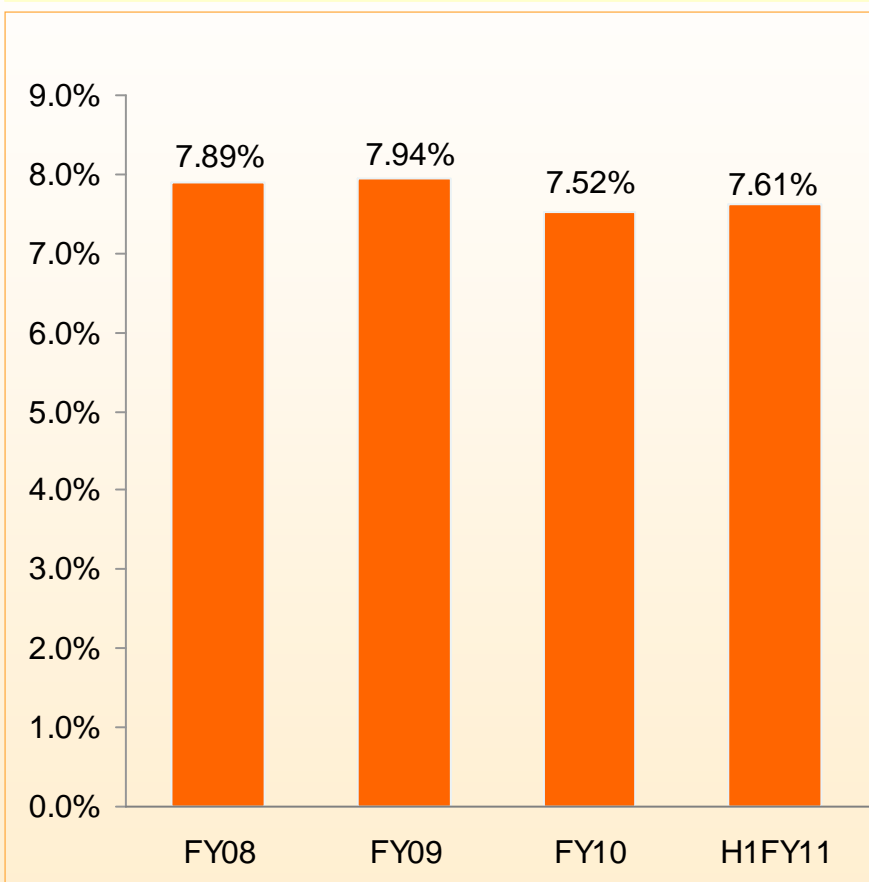
6 months ended Sep 2010	INR bn	% of total
Government securities	650	84.3%
Shares	11	1.4%
Debentures and bonds	21	2.8%
Subsidiaries and/or joint ventures	5	0.7%
Others	84	10.9%
<b>Total</b>	<b>772</b>	<b>100.0%</b>

## Portfolio is not speculative in nature

6 months ended Sep 2010	INR bn	% of total
Held to maturity	614	79.6%
Available for sale	154	20.0%
Held for trading	4	0.4%
<b>Total</b>	<b>772</b>	<b>100%</b>

Source: Company filings

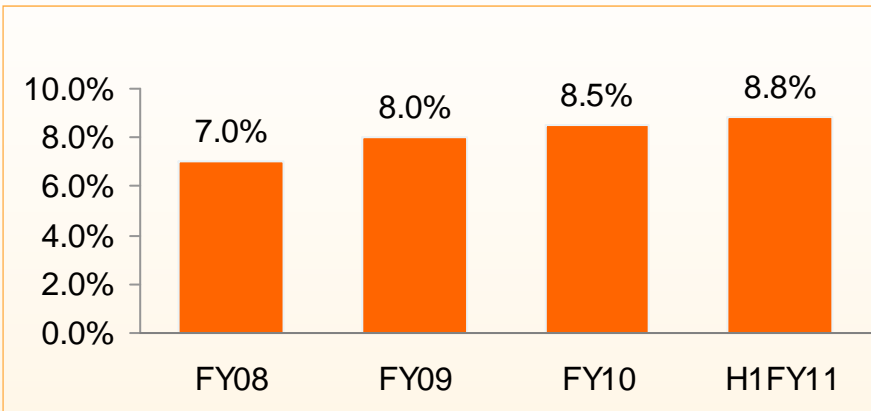
## Stable yield profile



Source: Company filings; Note: FY indicates fiscal year ended March 31st

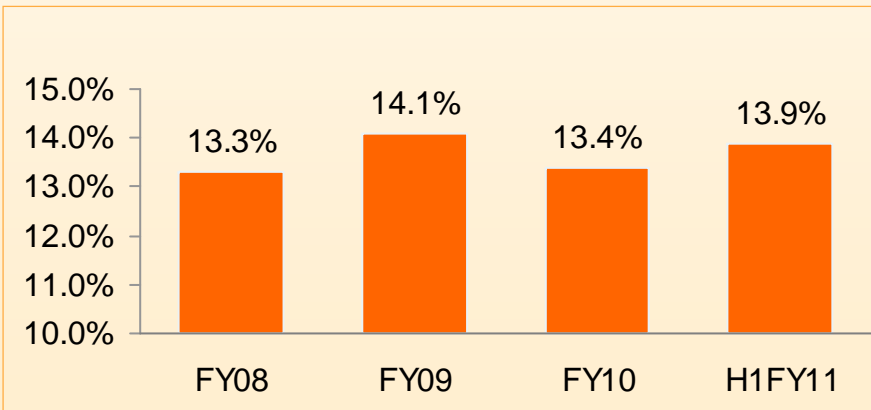
## SOUND CAPITAL POSITION

### Healthy Tier 1 ratio



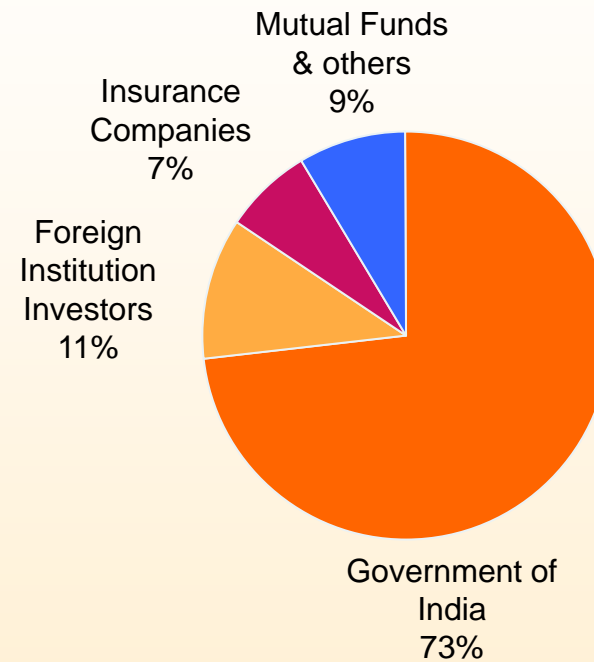
Source: Company filings; Note: Financial year ending March 31st

### Stable CAR



Source: Company filings; Note: Financial year ending March 31st

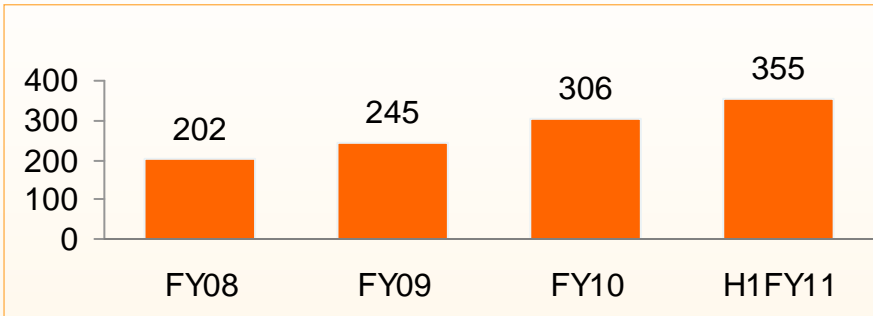
### Large government stake provides flexibility



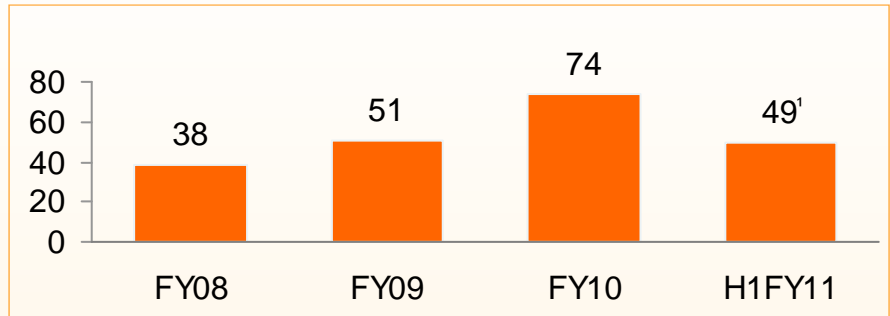
- Not raised equity since IPO in November 2002
- Low foreign institutional holding provides capital flexibility
- Proposed Basel III norms require banks to enhance core capital

## DELIVERED MEANINGFUL RETURNS TO SHAREHOLDERS

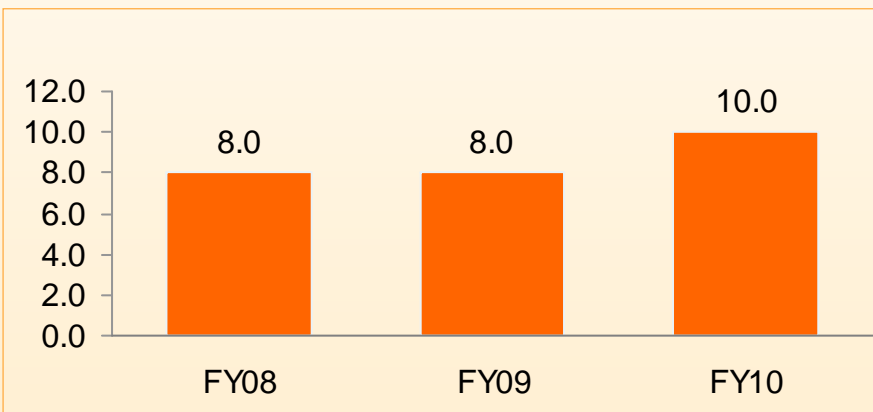
### Book value per share (INR)



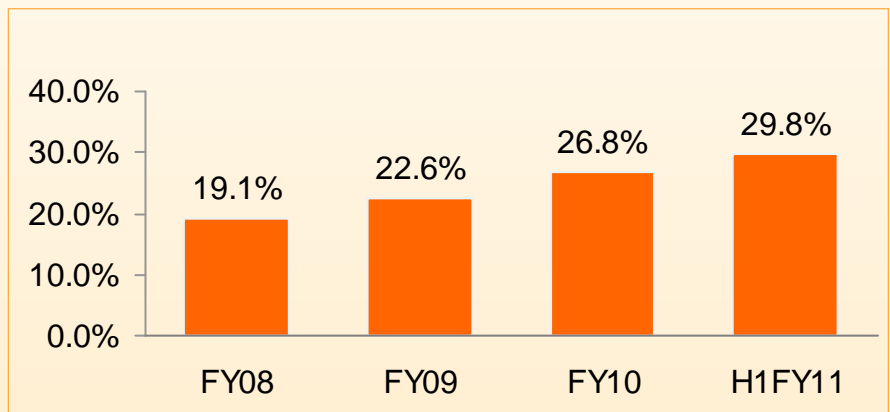
### Earnings per share (INR)



### Dividends per share (INR)



### Return on equity (%)



- Profitable since inception
- Delivered net profit of over Rs10bn per quarter for the last 2 quarters for the first time in the history of the Bank

Source: Company filings; Note: Financial year ending March 31st; <sup>1</sup> Not annualized

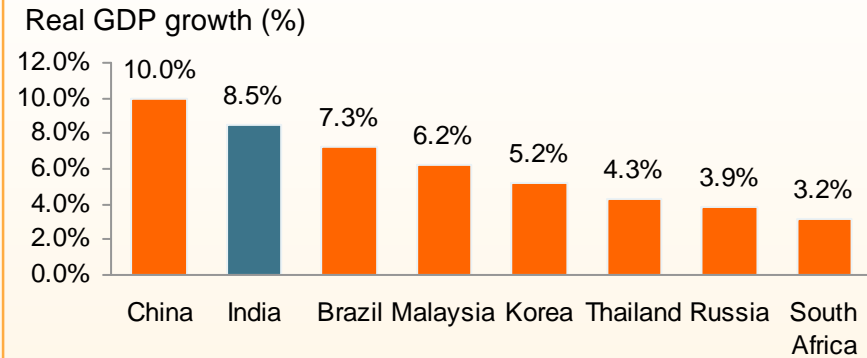
- ❑ **Focus on leveraging technology for improved customer service and business growth**
- ❑ **Reposition the Bank's brand to attract young generation through effective use of e- channels and branch transformation models**
- ❑ **Focus on growth through expansion of domestic delivery channels**
- ❑ **Increase international footprint and thereby enhance the share of overseas business in total business of the bank**
- ❑ **Greater thrust on improving fee based income through cross selling of financial products & services and through ancillary business**
- ❑ **Leverage the Bank's Subsidiaries to emerge as a Financial Super market**

# APPENDIX

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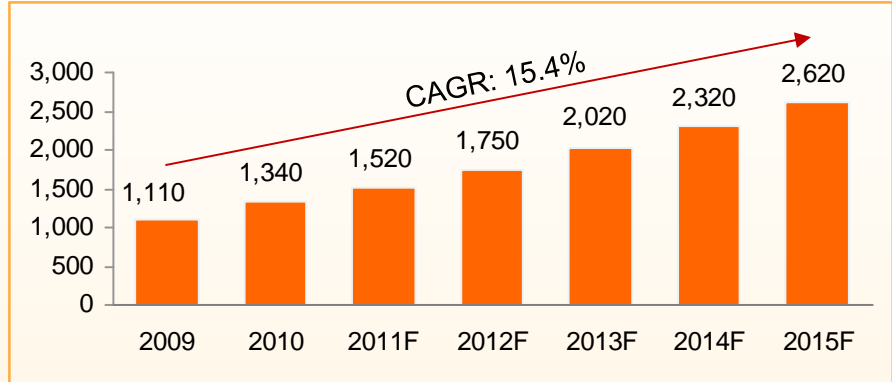
# INDIA: HIGH GROWTH ECONOMY

## One of the fastest growing economies



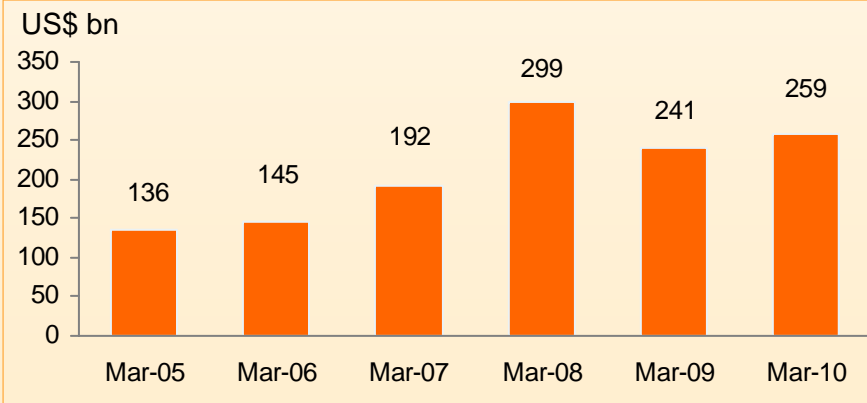
Source: Moody's country credit statistics, 2010  
Note: Data for India for year ending Mar 2011

## GDP per capita to double to US\$ 2,620 by 2015



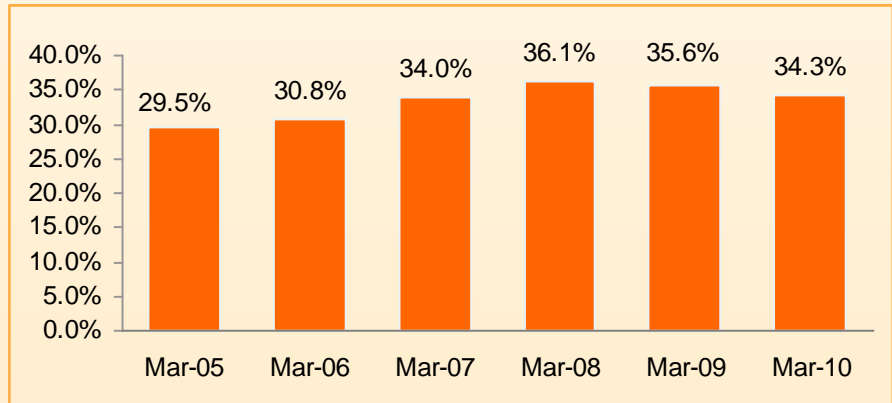
Source: EIU; Note: Denotes year ended March

## Steady increase in foreign reserves



Source: Moody's country credit statistics

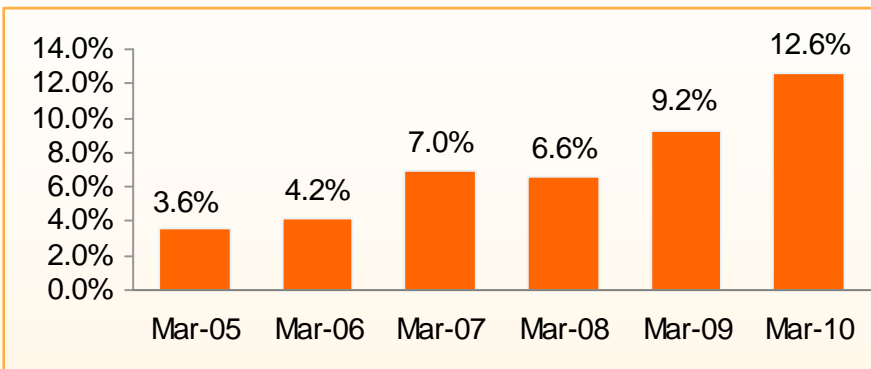
## High savings rate as a % of GDP



Source: Moody's country credit statistics, 2010

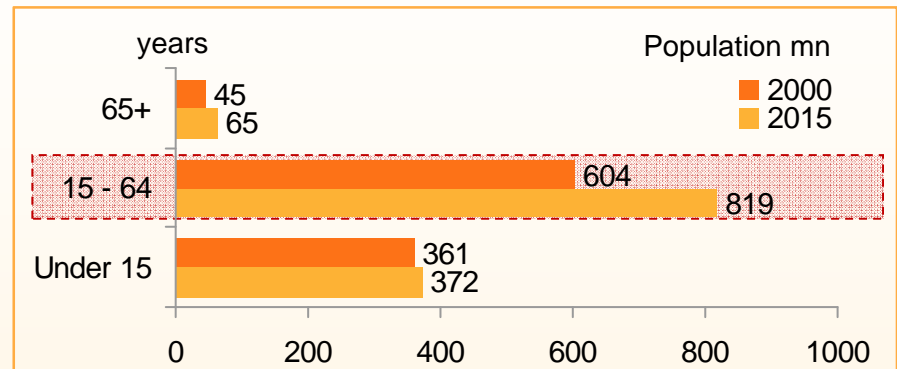
# INDIA: GROWTH UNDERPINNED BY STRONG FUNDAMENTALS

## Increasing inflation rate (%)



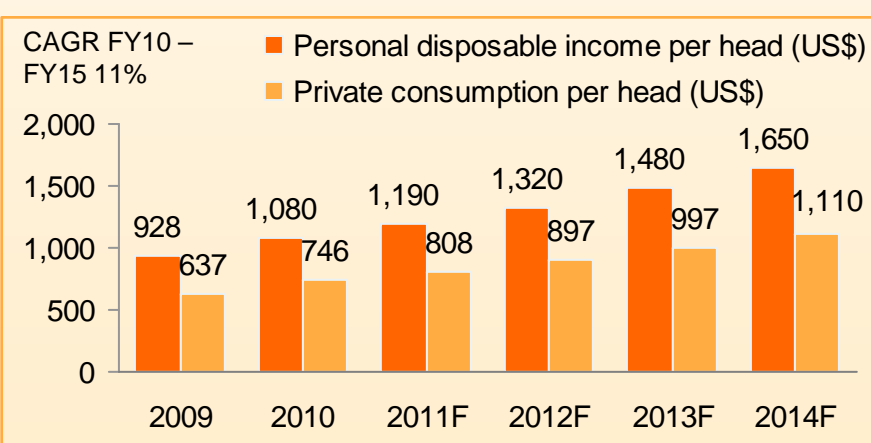
Source: Moody's country credit statistics

## Increasing consuming/producing age group



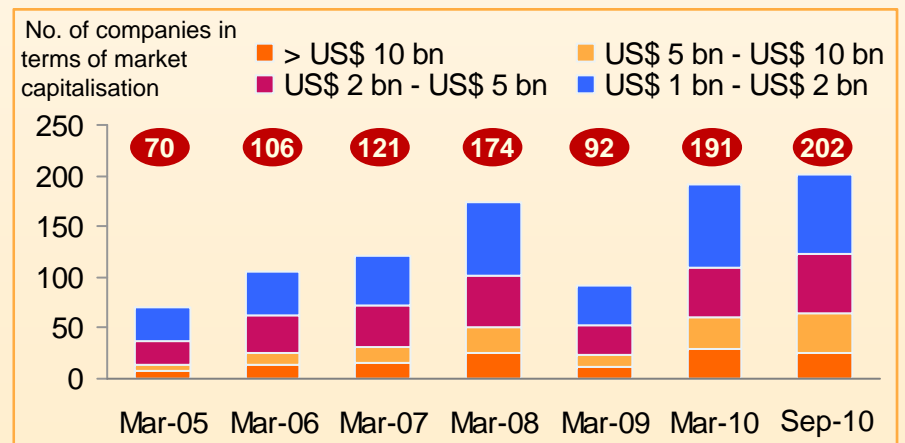
Source: Vision 2020, Planning Commission

## Robust private consumption growth



Source: EIU; Note: Denotes year ended March

## Increasing number of billion dollar companies

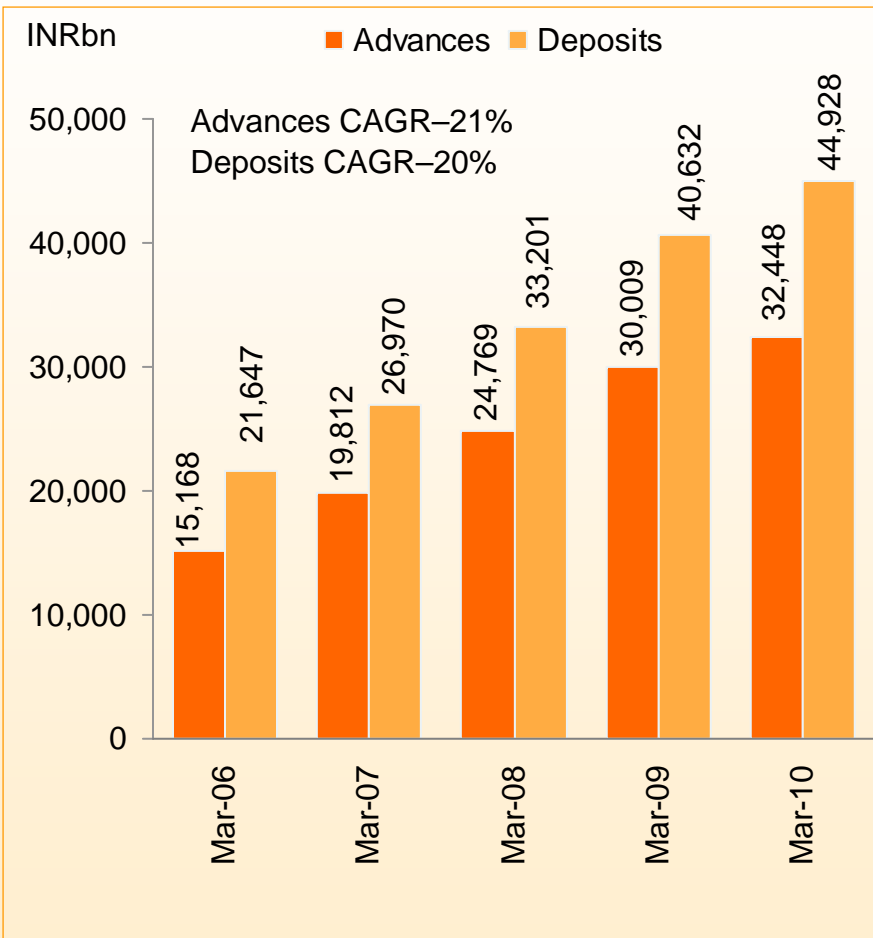


Source: Factset

● Number of companies with market capitalisation of US\$ 1 bn or more

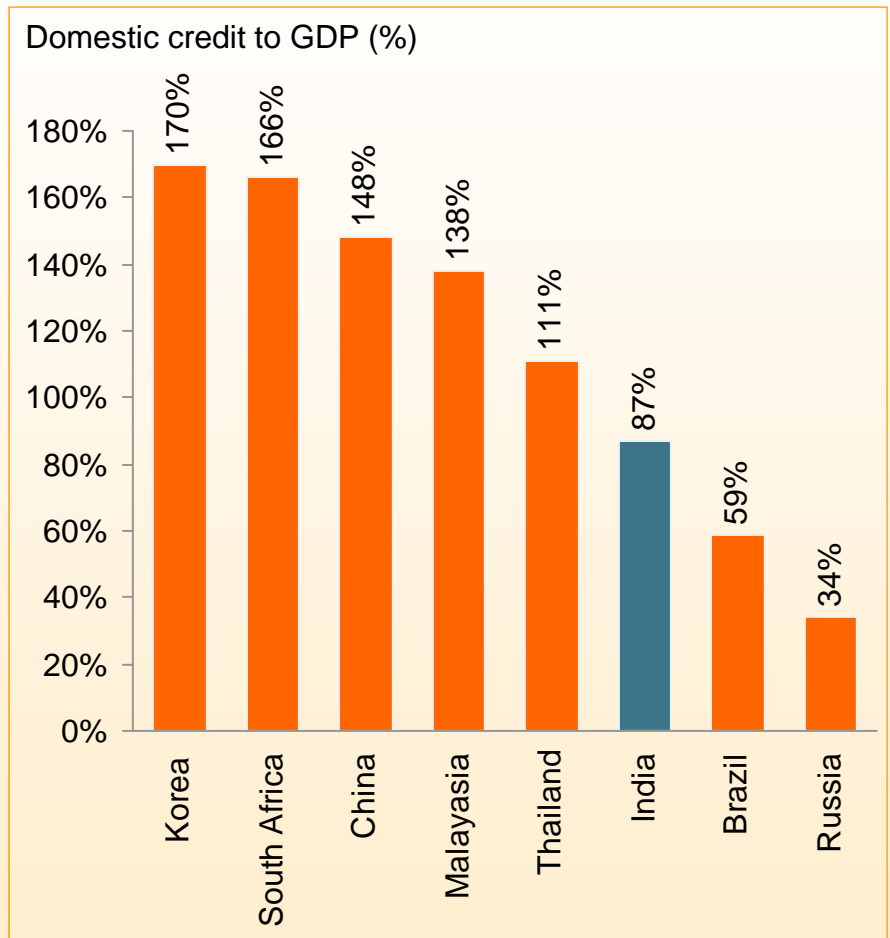
# INDIA BANKING SECTOR REMAINS UNDERPENETRATED

## Indian banking sector is growing exponentially...



Source: RBI-Report on trends and progress in banking sector

## ... With room for further growth



Source: Moody's country credit statistics, 2010  
Note: Data for India as of Mar 2010

## SUMMARY FINANCIALS

### Profit & Loss (INR mm)

	H1FY11	H1FY10	FY10	FY09	FY08
Net Interest Income	37,311	26,052	56,805	47,178	35,378
Other Income	12,336	13,665	28,579	23,112	22,129
Operating Exp	20,656	17,212	34,776	30,652	27,913
Pre provisioning profits	28,991	22,505	50,608	39,638	29,594
Provisioning and tax	8,778	7,846	20,394	18,914	13,944
Net Profit	20,213	14,659	30,214	20,724	15,650

Source: Company filings; Note: FY indicates financial year ending March

## SUMMARY FINANCIALS

### Balance Sheet (INR mm)

	H1FY11	H1FY10	FY10	FY09	FY08
<b>Capital And Liabilities</b>					
Capital	4,100	4,100	4,100	4,100	4,100
Reserves and surplus	162,706	132,360	142,618	117,978	100,905
Deposits	2,491,865	2,051,625	2,346,514	1,868,925	1,540,724
Borrowings	109,485	87,334	84,406	140,009	25,172
Other liabilities and provisions	59,466	72,123	69,773	65,446	134,386
<b>Total</b>	<b>2,827,622</b>	<b>2,347,542</b>	<b>2,647,411</b>	<b>2,196,458</b>	<b>1,805,287</b>
<b>Assets</b>					
Cash & balances with RBI	177,866	137,746	157,195	100,368	133,648
Balances with banks, money at call etc.	53,369	34,066	39,338	66,230	44,726
Investments	771,835	650,039	696,770	577,769	498,116
Advances	1,760,711	1,464,556	1,693,346	1,382,194	1,072,380
Fixed assets	28,278	28,709	28,594	29,295	29,169
Other assets	35,564	32,426	32,168	40,602	27,248
<b>Total</b>	<b>2,827,622</b>	<b>2,347,542</b>	<b>2,647,411</b>	<b>2,196,458</b>	<b>1,805,287</b>

Source: Company filings; Note: FY indicates financial year ending March

## CANARA BANK: KEY RATIOS AT A GLANCE

### Financial highlights

	H1FY11	FY10
Net profit growth	37.9%	45.8%
Net-interest income growth	43.2%	20.4%
Net advances growth	20.2%	22.5%
Total deposits growth	21.5%	25.6%
Provisioning coverage ratio	77.1%	77.7%
Cost/Income ratio	41.6%	40.7%
Gross NPA ratio	1.49%	1.52%
Net NPA ratio	1.06%	1.06%
Tier I ratio	8.82%	8.54%
Net advances / total deposits	70.7%	72.2%
Net-Interest margin	3.16%	2.80%
Return on avg. assets	1.52%	1.30%
Return on equity	29.8%	26.80%
CAR	13.88%	13.43%
CASA ratio	28.9%	29.9%

Source: Company filings; Note: FY indicates fiscal year ended March 31<sup>st</sup>

Note: Domestic CASA ratio at 30.1% as of Sep-10