

Press Release-

Financial Results for the Quarter and Financial Year ended March 31, 2018

Canara Bank rejigs its business mix for improved fundamentals and augmented growth

Canara Bank has posted a 23% growth in Net Interest Income, leading to a 7% growth in operating profit backed by a healthy 12% growth in advances. Other salient aspects of the yearly financial results are:

- The operating profit for FY18 increased to Rs. 9548 cr, from 8914 cr (FY17).
- Cost of deposits came down by a healthy 65 bps to 5.60% from 6.25% last year.
- NIM (Domestic) improved to 2.65% and NIM (Global) to 2.42%.
- Provision Coverage ratio improved to 58% from 56% last year.
- Capital adequacy ratio (CRAR) improved to 13.2%, up from 12.9% a year ago.
- Global Business rose to Rs. 9.06 lakh cr, up by 8.26% y.o.y.
 - ✓ Global deposits stood at Rs. 5.25 lakh cr, up by 5.96% y.o.y.
 - ✓ Net Advances grew at a healthy pace of 12% to Rs. 3.82 lakh cr with retail share improving to 64% from 58% an year ago
 - ✓ CD ratio improved to 72.7% from 69.1% an year ago
- CASA share (Domestic) improved to 34.3% from 32.9% a year ago.
 - ✓ CASA Deposits up by 11.54% y.o.y to ₹1.67 lakh cr.

The bank has not opted for availing the RBI dispensation for staggering the NPA provisioning consequent to the recent RBI guidelines on stress recognition and resolution. It has front loaded the NPA recognition and the consequent higher provisioning has consumed the operating profit. The provisioning on account of NPAs has increased to Rs. 13770 cr during 2017-18 from Rs. 7792 cr during the previous year (2016-17). (77% increase). Consequently, the Bank has posted a net loss of Rs. 4222 cr for the financial year 2017-18.

The Gross NPA has inched up to 11.8% from 10.4% as at Dec 2017. But the stressed assets ratio is only marginally up at 12.7% (March 2017 – 12.5%) and in fact has come down from the March 2016 level of 13.2% reflecting the efforts the bank has taken to improve its asset quality. The management indicates that the pain is almost over on the asset quality front and is optimistic that, with the resolutions in sight in majority of the corporate accounts, the fundamentals of the bank will improve in the near term. This optimism is also evident from the fact that the bank has not availed of the recent RBI dispensation to amortize

investment provisions. The management has stated that with stress already nearly fully recognized, the bank is poised for a stable and profitable growth during the current year.

To actualize this, the Bank is working on reorienting and strengthening the balance sheet through augmenting retail business, digitalisation and transformation. The bank has surged ahead in consolidating its position among commercial banks with a robust business growth of 8.3% with improvement in CD ratio (improved to 72.7% from 69.1%). The improvement in the share of retail loans in total advances 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 corporates, which are highly rated.

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 66.6% inspite of the pull of better returns provided by alternate investment avenues consequent to the fall in deposit rates. The improvement in NIM of the bank contributed significantly to the 23% growth in the net interest income during the year.

The capital optimization measures taken by the bank has led to decrease in risk-weight density to 88% as at March 2018 from 95% as at March 2017. This coupled with the Govt. infusion of capital has improved the capital adequacy position (CRAR) of the bank to 13.2% as on 31.3.2018 from 12.9% as on 31.3.2017 with CET at 9.5% and Tier 1 capital at 10.3% in comfortable range.

Conscious to the need for improving efficiency, the management has taken steps for controlling costs and as a result the total expense has declined by 3.5%. The share of e-transactions has increased significantly from 64.70% to 76.50% leading to reduction in the cost of providing services.

The management feels that with the present capital and the potential for business growth, the capital adequacy ratio will be in the comfortable range to support the anticipated credit growth. Further, with the various steps already initiated for transformation, the management is hopeful of much improved performance during 2018-19.

Key Highlights

Financial Results for the Quarter and Financial Year ended March 31, 2018

- ✚ Gross profit for FY18 increased to ₹9548 cr, up by 7.12% y.o.y from ₹8914 cr (FY17).
 - ✓ During Q4 FY18, Gross profit stood at ₹1765 cr.
- ✚ Net Interest Income surged 23.21% during FY18 to ₹ 12163 cr from ₹ 9872 cr (FY17)
 - ✓ During Q4 FY18 NII increased by 10.32% y.o.y to ₹2988 cr (₹2708 cr in Q4FY17).
- ✚ Non-Interest Income during FY 18 stood at ₹ 6943 cr; For Q4 FY18 it was at ₹1332 cr.
 - ✓ Non. Int. Income excluding trading profit during FY 18 increased by 9.80% y.o.y, aided by enhanced recovery in written off accounts (91.41% y.o.y).
 - ✓ Share of non-interest income in total income stood at 11.53%.
- ✚ Global Business rose to ₹9.06 lakh cr, up by 8.26% y.o.y.
 - ✓ Global deposits stood at ₹5.25 lakh cr, up by 5.96% y.o.y.
 - ✓ Net Advances grew at a healthy pace of 11.61% ₹3.82 lakh cr.
- ✚ Strong growth in assets (y.o.y)
 - ✓ Agriculture (13.41%), MSME (10.49%), Retail lending (30.46%),
 - ✓ Direct Housing (16.32%), Vehicle (31.11%), Education (10.29%) and Other Personal loans (56.13%).
- ✚ CASA share (Domestic) improved to 34.28% from 32.85% a year ago.
 - ✓ CASA Deposits up by 11.54% y.o.y to ₹1.67 lakh cr.
- ✚ Cost of deposits came down by a healthy 65 bps to 5.60% from 6.25% last year.
- ✚ NIM (Domestic) improved to 2.65% and NIM (Global) 2.42%.
- ✚ Cost to Income ratio stood at 50.03%.
- ✚ Total expenditure declined by 1.27% y-o-y, aided by 7.05% decline in interest expenses.
- ✚ Gross NPA Ratio stood at 11.84% and Net NPA at 7.48% as at Mar 2018.
- ✚ Cash Recovery aggregated to ₹2253 cr during the quarter.
- ✚ Provision Coverage ratio improved to 58.06% from 55.62% last year.
- ✚ Capital adequacy ratio improved to 13.22%, up from 12.86% a year ago.
- ✚ Branch network stood at 6212 and number of ATMs at 9395.
- ✚ E- transactions ratio rose sharply to 76.50%, from 64.97% a year ago.
- ✚ 90.75 lakhs Mobile Banking and 47.96 lakhs Net Banking users.

Detailed Financial Results for the Quarter and Financial Year ended March 31, 2018

a. Business as on 31st March 2018 vis-à-vis 31st March 2017:

- ✦ Global Business grew by 8.3% to ₹906475 cr from ₹ 837284 cr.
 - ✓ Domestic Business grew by 9% to ₹ 838513 cr from ₹ 769569 cr
- ✦ Global Deposits grew by 6% to ₹524772 cr.
 - ✓ Domestic Deposits grew by 6.9% to ₹485994 cr from ₹ 454610 cr
- ✦ Global Advances (Net) grew by 11.61% to ₹381703 cr
 - ✓ Domestic Advances (net) grew by 11.9% to ₹ 352519 cr from ₹ 314959 cr
- ✦ Overseas business constituted 7.5% of the total business.
 - ✓ Total business of 8 overseas branches stood at ₹67962 cr.
- ✦ CD ratio (global) as on 31st March 2018 improved to 72.7% from 69.1% (31st March 2017)
 - ✓ CD ratio (Domestic) as on 31st Mar'18 improved to 72.5% (69.3% as at 31st Mar' 17)
- ✦ Clientele accounts increased to 8.27 cr from 7.79 cr last year.

b. Deposit Portfolio- Thrust on CASA & Retail Deposits

- ✦ CASA deposits increased to ₹167035 cr, with a y.o.y growth of 11.54%.
 - ✓ CASA share (domestic) improved to 34.3% from 32.9% a year ago.
- ✦ Retail term deposits (RTD) increased to ₹212800 cr with a y.o.y growth of 5.8%.
 - ✓ Share of RTD in term deposits increased to 66.6% compared to 65.9% last year.

c. Credit Portfolio- Thrust on Retail Assets

- ✦ Share of Retail Advances (Agriculture, MSMEs, Housing & Other Retail Schemes) in total credit portfolio improved 63.7% from 60.6% a year ago.
- ✦ Advances to Priority Sector increased 15.8% y.o.y to ₹185626 cr.
- ✦ Advances to Agriculture grew by 13.4% y.o.y to ₹84012 cr.
- ✦ Credit to MSMEs (Micro, Small & Medium Enterprises) grew 10.5% y.o.y to ₹82098 cr.
 - ✓ Credit to M&SE segments reached ₹65760 cr.
 - ✓ The number of Micro Enterprises Accounts recorded a growth of 3.60%.
- ✦ Achieved the mandated targets for Total Priority (51.69% against 40% ANBC norm)
 - ✓ Agriculture (22.17% Vs 18% ANBC norm), credit to specified minority communities (16.58% Vs 15% norm) and weaker sections (12.80% Vs 10% ANBC norm).
- ✦ Credit to women beneficiaries (15.87% Vs 5% norm).
 - ✓ 30 lakh women beneficiaries assisted to the tune of ₹51069 cr.
- ✦ Retail Lending Portfolio increased 30.46% y-o-y to ₹76853 cr
 - ✓ Housing Loan (Direct) Portfolio increased 16.32% y-o-y to ₹28308 cr,
 - ✓ Vehicle loans & other personal loans grew by 31.11% (₹6739 cr) and 56.13% (₹21601 cr) respectively.
 - ✓ Education Loan Portfolio increased to ₹8438 cr, with a y.o.y growth of 10.29%, covering over 2.99 lakh students.

d. Financial Performance for the quarter ended March 2018 (Q4 FY18)

- ✦ Gross profit stood at ₹1765 cr. (Q4 FY 17 ₹ 2973 cr)
 - ✓ Net loss at ₹ 4860 cr (Q4 FY net profit - ₹ 214 cr)

- ✓ Due to higher NPA provisioning of ₹ 8763 cr (Q4 FY 17- ₹ 2924 cr)
- ✦ Net Interest Income increased by 10.32% to ₹2988 cr. (₹2708 cr in Q4FY17).
- ✦ Non-interest income stood at ₹1332 cr. (Q4 FY 17 ₹ 2396 cr)
- ✦ Total income stood at ₹11555 cr. (Q4 FY 17 ₹ 12889 cr)
 - ✓ Due to dip in treasury income
- ✦ Total expenditure declined by 1.27% y.o.y to ₹9790 cr.

e. Financial Performance for the financial year ended March 2018 (FY18)

- ✦ Global NIM improved to 2.42% (FY18) from 2.23% (FY17)
 - ✓ Domestic NIM improved to 2.65% (FY18) from 2.39% (FY17)
- ✦ Yield on Funds stable at 7.34% (FY18) vis-à-vis 7.35% (FY17)
- ✦ Cost of Funds declined to 5.17% (FY18) vis-à-vis 5.59% (FY17)
- ✦ Net Interest Income improved 23.2% to Rs. 12163 cr (Rs. 9872 cr - FY17)
- ✦ Non Interest Income declined 8.1% to Rs. 6943 cr due to dip in treasury income
- ✦ Gross profit increased to ₹9548 cr, up by 7.1% y.o.y from ₹8914 cr (FY17).
 - ✓ Net loss at ₹ 4222 cr due to higher NPA provisioning (₹ 14883 cr-FY 18 Vs ₹ 7438cr-FY 17)
- ✦ Total income declined by 1.5% to ₹48195 cr due to dip in treasury income.
- ✦ Total Expenditure declined by 3.45%, y.o.y to ₹38646 cr
- ✦ Cost to income ratio stood at 50.03%

f. Capital Adequacy

- ✦ Capital Adequacy Ratio as per Basel III norms improved to 13.22% (Regulatory minimum requirement- 10.875%), up from 12.86% a year ago,
 - ✓ CET 1 ratio at 9.51% & Tier I ratio at 10.30%.
- ✦ Government shareholding is at 72.55%.
 - ✓ Comfortable capital position for assets growth.
- ✦ Risk Weighted Assets (RWA) to Gross Advances decreased to 87.74% as on March 31, 2018 compared to 95.41% as on March 31, 2017 reflecting Bank's focus on optimizing risk efficiency.

g. Asset Quality

- ✦ Slippages during Q4 FY18 stood at ₹ 13208 cr due to front loading of NPA recognition notwithstanding the RBI dispensation available.
- ✦ Gross NPA ratio at 11.8% marginally up sequentially from 10.4% as at Dec 2017.
- ✦ Net NPA ratio stood at 7.5% (6.78% as at Dec 2017).
- ✦ Cash Recovery aggregated to ₹2253 cr during the quarter, taking the cumulative figure for FY18 to ₹6458 cr.
- ✦ Provision Coverage Ratio improved to 58.06% as on March 31, 2018 as against 55.62% as on March 31, 2017. (55.81% as on December 31, 2017)

h. Pradhan Mantri Jan Dhan Yojana (PMJDY)

- ✦ 67.53 lakhs accounts opened under PMJDY, securing CASA deposits of ₹2058 cr.

- ✦ 6.14 lakh PMJDY account holders have been provided with overdraft facility, amounting to ₹92.55 cr so far.
- ✦ 72 Financial Literacy Centres (FLCs) opened at District/Block levels, educating 17.07 lakh persons.
- ✦ 337.44 lakh accounts were Aadhaar seeded, of which 41.01 lakh accounts under PMJDY accounts.
- ✦ As a part of grievances redressal mechanism for customers, the Bank established Toll free number 1800 425 11222.

i. **Social Security Schemes**

- ✦ 52 lakhs enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY- 13.62 lakhs) & Pradhan Mantri Suraksha Bima Yojana (PMSBY- 38.38 lakhs) as at March 2018.
- ✦ Under Atal Pension Yojana (APY) 4.28 lakhs accounts mobilized cumulatively.
- ✦ Under Sukanya Samridhi Yojana, 13679 accounts have been mobilized cumulatively.

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

- ✦ Under Mudra Yojana, the Bank disbursed ₹7041 cr, covering 5.14 lakhs accounts as at March 2018.

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

- ✦ The Bank has provided banking facilities in all the allotted 10049 villages.
- ✦ Covered all 3962 allotted SSAs by opening of 893 Brick & Mortar branches and engaging Business Correspondent Agents.
- ✦ 470 Ultra Small Branches are also functional besides FI branches.
- ✦ Financial Inclusion branches have garnered business of ₹18397 cr. The CASA component of FI branches stood at 57%, amounting to ₹8740 cr.
- ✦ 18 Micro Finance branches have garnered a total business of ₹687 cr under Urban Financial Inclusion.
- ✦ 7.67 lakh Basic Savings Bank Deposit Account (BSBD) accounts opened during FY18 and with outstanding CASA deposits of ₹4892 cr.
- ✦ Formed 1002 farmers' clubs during FY18.
- ✦ Formed 35845 Self Help Groups (SHGs) and 53731 SHGs have been credit linked to the extent of ₹1605 cr during the year.
- ✦ Business Correspondent Agents have done 122 lakh transactions, amounting to ₹2328 cr during the year

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

- ✦ Branch network stood at 6212, including 8 overseas branches (London, Leicester, Johannesburg, New York, Hong Kong, Manama, Shanghai and Dubai).
- ✦ Total number of ATMs stood at 9395. 174 e-lounges were functional across major cities.
- ✦ Debit card base rose to 4.30 cr. 90.75 lakhs Mobile Banking and 47.96 lakhs Net Banking users. Ratio of e-transactions increased to 76.50% from 64.97% a year ago.

- ✦ Major branch transformation with 1548 Shikhar Branches for better customer service to drive business.

m. New Products & Important Customer-friendly Technology Initiatives

- ✦ Canara DiYA (Digitally Your Account) Customer On Board App through OMNI channels - Beta version released.
- ✦ Customers can directly scan Bharat QR 4.0 of merchants with their EMPOWER application and pay directly with their Master/ Visa/ Rupay Cards.
- ✦ First Bank to introduce unique option “Aadhaar Status” in our ATM using which our card holders can ascertain the status of Aadhar linking to their account.
- ✦ Nomination through net banking facility to add/modify and delete enabled.
- ✦ <https://canarabank.gaadi.com> provides car models; on-road price & approximate EMI and instant online loan application can be submitted.
- ✦ Submission of 15G/H through net banking enabled.
- ✦ Instant restoration of credit limit enabled for credit cards in case of remittances of Card dues.
- ✦ Canara mServe App enables to set daily transaction limit on ATM/PoS.
- ✦ Report suspicious transaction through CPGRS web portal, SMS “SUSPECT” to 56161, call centers and branches for blocking accounts in case of unauthorized electronic Banking transaction.

n. Awards & Accolades

The Bank was conferred with the following Major Awards/ Accolades during the year:

- ✦ Received Master card Innovation Award for Canara International Prepaid card under prepaid segment.
- ✦ “Rupay Special” award for being the highest Rupay card issuing bank by NCPI.
- ✦ VISA Award on crossing a key milestone on issuance of 1.35 cr VISA debit card.
- ✦ Bagged FINNOVITI award for Innovation for CANDI Branch
- ✦ ASSOCHAM Social Banking Excellence Awards 2017 for Government Sponsored Schemes and Runner-up for Agriculture Banking in the Large Bank Class.
- ✦ Golden Peacock Award 2017 for Corporate Social Responsibility from Institute of Directors, New Delhi.

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 digitisation for better services and cost minimisation