

Press Release-

Financial Results for the Quarter ended September 2018

Canara Bank geared up for organic growth with enhanced focus on domestic business

Canara Bank's net profit for Q2FY2019 grew by a robust 15.38% y.o.y to Rs.300 cr backed by a healthy pace of net interest income (NII) growth at 17.89% y.o.y. The solid performance in NII growth is driven by 18% y.o.y growth in domestic advances supported by stellar growth in retail credit at 35% y.o.y.

The global business of the bank surged 12.49% to reach Rs. 9.61 lakh cr, with specific thrust on domestic business which registered a robust growth of 15.92% yoy to reach Rs. 9.12 lakh cr. The global deposits of the bank improved by 11.18%, while its domestic deposits growth was higher at 14.47%. The CASA deposits posted a y.o.y growth of 9.40% with Savings deposits growing at a strong pace of 11.40%. The CASA ratio stood at 32.34%. The CD ratio of the bank improved by 204 bps to 74.20% from the 72.16% level a year ago.

The sustained efforts of the bank has yielded results on the asset quality front which showed a commendable improvement with Gross NPA falling at 10.56% and Net NPA at 6.54%, backed by significant recoveries and upgradations. Cash recovery improved to Rs. 5113 as on Sept'18. Further the provision coverage ratio has improved to 61.39% from 54.75% in the previous year.

The comfortable CRAR of 12.62%, up from 12.45% a year ago, highlights that the bank is well cushioned for an organic growth that it aims at. The capital optimization measures taken by the bank has led to decrease in risk-weight density to 86.21% as at Sept 2018 from 94.48% as at Sep 2017. The adequately capitalized position of the bank will be supportive for further credit growth. CET1 is at 9.11% and Tier 1 capital at 9.86% 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 (12.49%) and domestically (15.95%), stands as a testimony with improved CD ratio 74.20 (global) and 74.03 (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.

The improvement in NIM of the bank to 2.53%, from 2.34% a year ago, has contributed significantly to the 17.89% 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 September 30, 2018

A. Profitability Parameters

- Net profit for Q2FY19 at ₹300 cr, up by 15.38% y.o.y from ₹260 cr (Q2FY18).
- Gross profit stood at ₹2327cr in Q2 FY19, in Q2 FY18 it was at ₹2480 cr.
- Net Interest Income up by 17.89% during Q2FY19 to ₹3281 cr from ₹2783 cr (Q2FY18)
 - ✓ Aided by healthy growth in interest on advances (12.71% y.o.y) and
 - ✓ Interest on investments (4.80% y.o.y)
- Non-Interest Income during Q2 FY19 stood at ₹1555 cr; For Q2 FY18 it was at ₹1936 cr.
 - ✓ Non. Int. Income excluding trading profit during Q2 FY19 increased at a healthy pace by 13.0% y.o.y, aided by enhanced recovery in written off accounts (37% y.o.y).
 - ✓ Share of non-interest income in total income stood at 12.26%.

B. Business Parameters

- Global Business rose to ₹9.61 lakh cr, up by 12.49% y.o.y.
 - ✓ Global deposits stood at ₹5.52 lakh cr, up by 11.18% y.o.y.
 - ✓ Global Advances (Net) grew at a healthy pace of 14.31% to ₹4.10 lakh cr.
- Strong growth in assets (y.o.y)
 - ✓ Agriculture (11.63%), MSME (13.72%), Retail lending (35.15%),
 - ✓ Direct Housing (20.80%), Vehicle (32.06%), Education (6.71%) and Other retail loans (73.64%).
- CASA share (Domestic) stood at 32.34%.
 - ✓ CASA Deposits up by 9.40% y.o.y to ₹1.70 lakh cr.

C. Efficiency Parameters

- Cost of deposits came down by a 18 bps to 5.52% from 5.70% last year.
- Yield on advances stood at 8.33%.
- NIM (Domestic) improved to 2.74% and NIM (Global) 2.53%.
- Return on Asset improved to 0.20% and Return on Equity improved to 4.93%.
- Cost to Income ratio stood at 50.15%.

D. Asset quality

- Gross NPA Ratio improved to 10.56%, down from 11.05% as at June 2018.
- Net NPA Ratio declined to 6.54%, down from 6.91% as at June 2018.
- Cash Recovery aggregated to ₹5113 cr during the quarter.
- Provision Coverage ratio improved to 61.39% from 54.75% last year.

E. Others

- Capital adequacy ratio improved to 12.62%, up from 12.45% a year ago.
- Banking outlet stood at 6308 and number of ATMs at 9207 .
- E- transactions ratio rose sharply to 78.67%, from 73.40% a year ago.
- 98.13 lakhs Mobile Banking and 54.75 lakhs Net Banking users.

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Detailed Financial Results for the Quarter ended September, 2018

a. Business as on 30th September 2018 vis-à-vis 30th September 2017:

- ✦ Global Business grew by 12.49% to ₹961455 cr from ₹854695 cr.
 - ✓ Domestic Business grew by 16% to ₹911811 cr from ₹786367 cr
- ✦ Global Deposits grew by 11.18% to ₹551926 cr.
 - ✓ Domestic Deposits grew by 14.47% to ₹523947 cr from ₹457698 cr
- ✦ Global Advances (Net) grew by 14.31% to ₹409529 cr
 - ✓ Domestic Advances (net) grew by 18.01% to ₹387864 cr from ₹328669 cr
- ✦ Overseas business constituted 5.16% of the total business.
 - ✓ Total business of 8 overseas banking outlets stood at ₹49644 cr.
- ✦ CD ratio (Global) as on 30th Sept 2018 improved to 74.20% from 72.16% (Sept 2017)
 - ✓ CD ratio (Domestic) as on 30th Sept 2018 improved to 74.03%.
- ✦ Clientele accounts increased to 8.48 cr from 8.05 cr last year.

b. Deposit Portfolio- Thrust on CASA & Retail Deposits

- ✦ CASA deposits increased to ₹169659 cr, with a y.o.y growth of 9.40%.
 - ✓ CASA share (domestic) stood at 32.34%.
- ✦ Retail term deposits (RTD) increased to ₹218914 cr with a y.o.y growth of 2.65%.
 - ✓ Share of RTD in total deposits stood at 61.79 %.

c. Credit Portfolio- Thrust on Retail Assets

- ✦ Share of Retail Advances (Agriculture, MSMEs, Housing & Other Retail Schemes) in total credit portfolio improved 58.89% from 59.72% a year ago.
- ✦ Advances to Priority Sector increased 15.95% y.o.y to ₹195659 cr.
- ✦ Advances to Agriculture grew by 11.63% y.o.y to ₹87947 cr.
- ✦ Credit to MSMEs (Micro, Small & Medium Enterprises) grew 13.72% y.o.y to ₹88143 cr.
 - ✓ Credit to M&SE segments reached ₹69732 cr.
- ✦ Achieved the mandated targets for Total Priority (53% against 40% ANBC norm)
 - ✓ Agriculture (21% Vs 18% ANBC norm), credit to specified minority communities (18% Vs 15% norm) and weaker sections (11% Vs 10% ANBC norm).
- ✦ Credit to women beneficiaries (15% Vs 5% norm).
 - ✓ 30.93 lakh women beneficiaries assisted to the tune of ₹53108 cr.
- ✦ Retail Lending Portfolio increased 35.15% y-o-y to ₹76053 cr
 - ✓ Housing Loan (Direct) Portfolio increased 20.80% y-o-y to ₹31316 cr,
 - ✓ Vehicle loans & other personal loans grew by 32.06% (₹7637 cr) and 73.64% (₹28245 cr) respectively.
 - ✓ Education Loan Portfolio increased to ₹8855 cr, with a y.o.y growth of 6.71%, covering over 2.91 lakh students.

d. Financial Performance for the quarter ended Q2 FY19

- Net profit up by 15.38% y.o.y at ₹300 cr from ₹260 cr (Q2 FY18)
- Gross profit stood at ₹2327 cr, In Q2 FY18 it was at ₹2480 cr.
- Net Interest Income improved 17.89% to Rs. 3281 cr (Rs. 2783 cr - Q2FY18)
- Non Interest Income declined 19.67% to Rs. 1555 cr due to dip in treasury income
- Total Expenditure increased by 8.80% y.o.y to ₹10352 cr.
- Total Income increased by 5.71% to ₹12679 cr.
- Global NIM improved to 2.53% from 2.34% (Q2 FY18)
 - Domestic NIM improved to 2.74% from 2.60% (Q2FY18)
- Yield on Funds stable at 7.52% vis-à-vis 7.18% (Q2FY18)
- Cost of Funds declined to 5.13% vis-à-vis 5.23% (Q2FY18)
- Cost to income ratio stood at 50.15%
- Return on Asset at 0.20% and Return on Equity at 4.93%.

e. First Half Year (H1 FY19) Performance

- Net profit up by 13.48% y.o.y at ₹581 cr from ₹512 cr (H1 FY18)
- Gross profit stood at ₹5260 cr; In H1 FY18 it was at ₹4952 cr.
- Net Interest Income improved at a robust pace of 30.34% y.o.y at ₹7164 cr from ₹5497 cr (H1FY18)
- Non Interest Income declined by 16.23% y.o.y at ₹3388 cr from ₹4045 cr.
- Total expenditure increased by 6.54% y.o.y at ₹20611 cr from ₹19347 cr.
- Total Income improved by 6.47% y.o.y at ₹25872 cr from ₹24299 cr.

f. Capital Adequacy

- Capital Adequacy Ratio as per Basel III norms improved to 12.62% (Regulatory minimum requirement- 10.875%), up from 12.45% a year ago,
 - CET 1 ratio at 9.11% & Tier I ratio at 9.86%.
- Government shareholding is at 72.55%.
 - Comfortable capital position for assets growth.
- Risk Weighted Assets (RWA) to Gross Advances decreased to 86.21% as on Sept 30, 2018 compared to 94.48% as on Sept 30, 2017 reflecting Bank's focus on optimizing risk efficiency.

g. Improving Asset Quality

- Gross NPA ratio came down to 10.56% sequentially (11.05% as at Jun 2018)
- Net NPA ratio declined to 6.54% from 6.91% as at Jun 2018.
- Cash Recovery aggregated to ₹5113 cr.
- Provision Coverage Ratio improved to 61.39% as on Sept 30, 2018 as against 54.75% as on Sept 30, 2017. (60.69% as on Jun 2018).

h. Pradhan Mantri Jan Dhan Yojana (PMJDY)

- 69.24 lakh accounts opened under PMJDY, securing CASA deposits of ₹2124 cr.
- 5.55 lakh PMJDY account holders have been provided with overdraft facility, amounting to ₹84.41 cr so far.
- 72 Financial Literacy Centres (FLCs) opened at District/Block levels, educating 7.04 lakh persons during H2 FY19.
- 364.16 lakh accounts were Aadhaar seeded, of which 41.87 lakh accounts under PMJDY accounts.
- As a part of grievances redressal mechanism for customers, the Bank established Toll free number 1800 425 11222.

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i. Social Security Schemes

- 70.80 lakhs enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY- 20.95 lakhs) & Pradhan Mantri Suraksha Bima Yojana (PMSBY- 49.85 lakhs) as at Sept 2018.
- Under Atal Pension Yojana (APY) 2.21 lakhs accounts mobilized cumulatively.
- Under Sukanya Samridhi Yojana, 8337 accounts have been mobilized cumulatively.

j. Pradhan Mantri Mudra Yojana (PMMY)

- Under Mudra Yojana, the Bank disbursed ₹5226.14 cr, covering 2.29 lakhs accounts as at September 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 901 Brick & Mortar branches and engaging 2459 Business Correspondent Agents.
- 471 Ultra Small Branches are also functional besides FI branches.
- Financial Inclusion branches have garnered business of ₹19902 cr. The CASA component of FI branches stood at 57.74%, amounting to ₹5215 cr.
- 18 Micro Finance branches have garnered a total business of ₹641.65 cr under Urban Financial Inclusion.
- 2.06 lakh Basic Savings Bank Deposit Account (BSBD) accounts opened during the quarter with outstanding CASA deposits of ₹4961.62 cr.
- Formed 360 farmers' clubs during the quarter.
- Formed 16550 Self Help Groups (SHGs) and 25338 SHGs have been credit linked to the extent of ₹1304 cr during the H2FY19.
- Business Correspondent Agents have done 76.55 lakh transactions, amounting to ₹1658.89 cr during the half year.

l. Enhanced Delivery Channels & Digital Footprints

- Banking outlets stood at 6308, including 8 overseas outlets (London, Leicester, Johannesburg, New York, Hong Kong, Manama, Shanghai and Dubai).
- Total number of ATMs stood at 9207. 182 e-lounges were functional across major cities.
- Debit card base rose to 4.58 cr. 98.13 lakhs Mobile Banking and 54.75 lakhs Net Banking users. Ratio of e-transactions increased to 78.67% from 73.40% 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

- Various new functionalities have been enabled through internet banking services like request for new debit card, single beneficiary lists for IMPS/NEFT/RTGS, standing instruction execution for NEFT transactions.
- Corporate and retail customers can customize daily transaction limits within the default limit in internet banking.
- As a part of PSB reforms agenda, Online Loan Tracking System (OLTS) integrated with internet banking for customers to apply for home and education loans.
- Introduced **Canara OTP (Off-line)** App for self-generation of OTP by customers themselves for doing financial transactions through internet banking.
- Improved version of Canara Mobile banking app with better user interface is released.

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- ✦ Direct tax payment through debit card has been enabled for customers to remit taxes via NSDL website.
- ✦ Automatic conversion of customers' account to senior citizens without changing the product code on attainment of age 60 years.

n. Awards & Accolades

- ✦ Secured Chamber of Indian Micro Small & Medium Enterprises (CIMSME) awards for best bank for promotional schemes (Large category).
- ✦ Received runner up CIMSME award for best MSME bank (Large category) and financially inclusive bank (Large category).
- ✦ Secured PFRDA's best performing PSB award in APY performance and the splendid seven awards for the APY campaign.

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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