

Press Release

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

**Canara Bank sustains growth trajectory with improved fundamentals**

Canara Bank's net profit for Q3FY19 grew by a robust 152% y.o.y to Rs. 318 cr aided by strong growth domestic advances and a healthy CASA growth. The domestic advances grew by a robust 24.6% y-o-y and CASA deposits by 10.7% with Savings deposits growing at 11.42% during the period. Consequently, the Net Interest Margin (NIM) of the Bank improved to 2.65%, from 2.39% a year ago. During the first nine months of the current FY2019, the Net Interest Income (NII) grew by a healthy 19.6% y.o.y.

The global business of the bank surged 13.2% to reach Rs. 9.93 lakh cr, driven by a higher growth of 15.7% y.o.y in domestic business. The domestic business growth was propelled by 16.1% growth in deposits and 15.1% growth in advances. Consequently the domestic market share of the bank improved significantly y-o-y by 18 bps under deposits to 4.33% and 19 bps under advances to 4.34%. The global deposits of the bank improved 14.2% to Rs. Rs.5.76 lakh Cr and the global net advances grew by 11.8% y-o-y to reach Rs. 4.17 lakh cr with a CD ratio of 72.50%. The CASA ratio stood at 32.2%.

The concerted efforts of the bank for improving the asset quality have yielded results with the Gross NPA decreasing sequentially by 31 bps to 10.25% and Net NPA (down by 17 bps) at 6.37%, backed by significant recoveries and upgradations. Cumulative cash recovery improved to Rs. 7927 cr as on Dec'18. Further the provision coverage ratio has improved a healthy 670 bps to 62.54% from the Dec'17 level of 55.81%.

The CRAR of 12.21% provides adequate cushion for an organic growth that the bank is aiming at. The recently concluded Employees Stock Purchase Scheme (ESPS) mopped up Rs. 558 cr which would augment the CRAR further. In fact, the ESPS scheme of the bank saw a strong participation of employees with the offer getting oversubscribed 1.35 times.

The capital optimization measures taken by the bank have led to decrease in risk-weight density to 87.39% as at Dec 2018 from 91.27% as at Dec 2017. The well capitalized position of the bank will be supportive for further credit growth. CET1 at 8.81% and Tier 1 capital at 9.54% are at comfortable levels.

Going ahead, bank aims at improving the bottom-line further with balanced thrust on both retail and corporate advances coupled with increased adoption of digitalization for efficiency improvement. The bank intends to continue with the growth in the retail advances while simultaneously focusing on improvement in corporate book with high rated corporate advances.

The Bank's management is highly confident about remaining as one of the leading market players in the industry with adequate capital to support augmented business growth. Also, the management is hopeful of improved performance during rest of the current financial year.

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## Key Highlights

### Financial Results for the Quarter ended December 31<sup>st</sup>, 2018

#### A. Profitability Parameters

- Net profit for Q3FY19 at ₹318 cr, up by 152% y.o.y from ₹126 cr (Q3FY18).
- Gross profit stood at ₹2357 cr in Q3 FY19, in Q3 FY18 it was at ₹2831 cr.
- Net Interest Income increased to ₹3814 cr from ₹3679 cr (Q3FY18)
  - ✓ Aided by healthy growth in interest on advances (25.18% y.o.y) and
  - ✓ Interest on investments (9.83% y.o.y)
- Net Interest Income excluding interest on income tax increased 14.45% y.o.y at ₹3366 cr from ₹2814 cr.
- Non-Interest Income during Q3 FY19 stood at ₹1325 cr; For Q3 FY18 it was at ₹1566 cr.
  - ✓ Non. Int. Income excluding trading profit during Q3 FY19 increased by 6.29% to ₹1233 cr.

#### B. Business Parameters

- Global Business rose to ₹9.93 lakh cr, up by 13.20% y.o.y.
  - ✓ Global deposits stood at ₹5.76 lakh cr, up by 14.22% y.o.y.
  - ✓ Global Advances (Net) grew at a healthy pace of 11.82% to ₹4.17 lakh cr.
- Strong growth in assets (y.o.y)
  - ✓ Agriculture (11.20%), MSME (11.47%), Retail lending (24.95%),
  - ✓ Direct Housing (20.41%), Vehicle (34.40%), Education (6.01%) and Other retail loans (36.15%).
- CASA share (Domestic) stood at 32.23%.
  - ✓ CASA Deposits up by 10.66% y.o.y to ₹1.74 lakh cr.

#### C. Efficiency Parameters

- Cost of deposits stood at 5.60% against 5.59% last year.
- Yield on advances improved to 8.49% as against 8.21 last year.
- NIM (Domestic) improved to 2.85% and NIM (Global) 2.65%.
- Return on Asset improved to 0.20% and Return on Equity improved to 5.01%.
- Cost to Income ratio stood at 51.45%.

#### D. Asset Quality

- Gross NPA Ratio came down 31 bps to 10.25%, down from 10.56% as at September 2018.
- Net NPA Ratio dipped 17 bps to 6.37%, down from 6.54% as at September 2018.
- Cash Recovery aggregated to ₹2814 cr during the quarter.
- Provision Coverage ratio improved (670 bps) to 62.54% from 55.81% last year.

#### E. Others

- Capital adequacy ratio stood at 12.21%.
- Banking outlets stood at 6314 and number of ATMs at 9004 .
- E- transactions ratio rose sharply to 80.19%, from 76.22% a year ago.
- 59.03 lakh Net Banking users and 16.32 lakh under new version Mobile Banking application.

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

**a. Business as on 31<sup>st</sup> December 2018 vis-à-vis 31<sup>st</sup> December 2017:**

- △ Global Business grew by 13.20% to ₹992752 cr from ₹877010 cr.
  - ✓ Domestic Business grew by 15.72% to ₹934252 cr from ₹807350 cr
- △ Global Deposits grew by 14.22% to ₹575525 cr.
  - ✓ Domestic Deposits grew by 16.11% to ₹540213 cr from ₹465249 cr
- △ Global Advances (Net) grew by 11.82% to ₹417227 cr.
  - ✓ Domestic Advances (net) grew by 15.18% to ₹394039 cr from ₹342102 cr
- △ Overseas business constituted 5.89% of the total business.
  - ✓ Total business of 7 overseas banking outlets stood at ₹58501 cr.
- △ CD ratio (Global) as on 31<sup>st</sup> Dec 2018 stood at 72.50% from 74.05% (Dec 2017)
  - ✓ CD ratio (Domestic) as on 31<sup>st</sup> Dec 2018 improved to 72.94%.
- △ Clientele base increased to 8.59 cr from 8.18 cr last year.

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

- △ CASA deposits increased to ₹174391 cr, with a y.o.y growth of 10.66%.
  - ✓ CASA share (domestic) stood at 32.23%.
- △ Retail term deposits (RTD) increased to ₹221811 cr with a y.o.y growth of 3.24%.
  - ✓ Share of RTD in total deposits stood at 60.59%.

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

- △ Share of Retail Advances (Agriculture, MSMEs, Housing & Other Retail Schemes) in total credit portfolio stood at 59.31%
- △ Advances to Priority Sector increased 15.14% y.o.y to ₹202336 cr.
- △ Advances to Agriculture grew by 11.20% y.o.y to ₹91221 cr.
- △ Credit to MSMEs (Micro, Small & Medium Enterprises) grew 11.47% y.o.y to ₹90806 cr.
  - ✓ Credit to M&SE segments reached ₹72163 cr.
- △ Achieved the mandated targets for Total Priority (54% against 40% ANBC norm)
  - ✓ Agriculture (22% 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 (16.16% Vs 5% norm).
  - ✓ 31.44 lakh women beneficiaries assisted to the tune of ₹55167 cr.
- △ Retail Lending Portfolio increased 24.76% y-o-y to ₹76212 cr
  - ✓ Housing Loan (Direct) Portfolio increased 20.41% y-o-y to ₹33008 cr,
  - ✓ Vehicle loans & other personal loans grew by 34.40% (₹8501cr) and 36.15% (₹25290 cr) respectively.
  - ✓ Education Loan Portfolio increased to ₹8913 cr, with a y.o.y growth of 6.01%, covering over 2.90 lakh students.

**d. Financial Performance for the quarter ended Q3 FY19**

- Net profit up by 152% y.o.y at ₹318 cr from ₹126 cr(Q3 FY18)
- Gross profit stood at ₹2357 cr, In Q3 FY18 it was at ₹2831 cr.
- Net Interest Income improved to Rs. 3814 cr (Rs. 3679 cr - Q3FY18)
  - Net Interest Income excluding interest on income tax increased 14.45% y.o.y at ₹3366 cr
- Non Interest Income declined 15% to Rs.1325 cr due to dip in treasury income
- Total Expenditure increased by 17.31% y.o.y to ₹11156 cr.
- Total Income increased by 9.50% to ₹13513 cr.
- Global NIM improved to 2.65% from 2.39% (Q3 FY18)
  - Domestic NIM improved to 2.85% from 2.64% (Q3FY18)
- Yield on Funds stable at 7.62% vis-à-vis 7.32% (Q3FY18)
- Cost to income ratio stood at 51.45%
- Return on Asset at 0.20% and Return on Equity at 5.01%.

**e. Nine Months Financial (9M FY19) Performance**

- Net profit up by 40.91% y.o.y at ₹899 cr from ₹638 cr (9M FY18)
- Gross profit stood at ₹7617 cr; In 9M FY18 it was at ₹7784 cr.
- Net Interest Income improved at a robust pace of 19.64% y.o.y at ₹10978 cr from ₹9176 cr (9M FY18)
  - aided by robust growth in domestic advances at 15.18% y.o.y
- Non Interest Income excluding trading profit increased ₹4553 cr from ₹3755 cr.
  - Aided by enhanced recovery in written off accounts by 58.57% y.o.y at ₹1194 cr
  - And service charges by 26.17% y.o.y at ₹1914 cr
- Total expenditure increased by 10.09% y.o.y at ₹31767 cr from ₹28856 cr.
- Total Income improved by 7.49% y.o.y at ₹39385 cr from ₹36640 cr.

**f. Capital Adequacy**

- Capital Adequacy Ratio as per Basel III norms stood at 12.21% (Regulatory minimum requirement- 10.875%),
  - CET 1 ratio at 8.81% & Tier I ratio at 9.54%.
- Government shareholding is at 72.5%.
  - Comfortable capital position for assets growth.
- Risk Weighted Assets (RWA) to Gross Advances decreased to 87.39% as on Dec 31<sup>st</sup>, 2018 compared to 91.27% as on Dec 31<sup>st</sup>, 2017 reflecting Bank's focus on optimizing risk efficiency.

**g. Improving Asset Quality**

- Gross NPA ratio came down 31 bps to 10.25% sequentially (10.56% as at Sept 2018)
- Net NPA ratio dipped 17 bps to 6.37% from 6.54% as at Sept 2018.
- Cash Recovery aggregated to ₹7927 cr during the year.
- Provision Coverage Ratio improved to 62.54% as on Dec 31<sup>st</sup>, 2018 as against 55.81% as on Dec 31<sup>st</sup>, 2017. (61.39% as on Sept 2018).

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

- 71.09 lakh accounts opened under PMJDY, securing CASA deposits of ₹2215 cr.
- 5.84 lakh PMJDY account holders have been provided with overdraft facility, amounting to ₹85.30 cr so far.
- 72 Financial Literacy Centres (FLCs) opened at District/Block levels, educating 11.64 lakh persons during 9M FY19.
- 375.29 lakh accounts were Aadhaar seeded, of which 42.59 lakh accounts under PMJDY accounts.

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- As a part of grievances redressal mechanism for customers, the Bank established Toll free number 1800 425 11222

**i. Social Security Schemes**

- 76.09 lakhs enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY- 18.34 lakhs) & Pradhan Mantri Suraksha Bima Yojana (PMSBY- 57.75 lakhs) as at Sept 2018.
- Under Atal Pension Yojana (APY) 2.18 lakhs accounts mobilized cumulatively.
- Under Sukanya Samridhi Yojana, 9535 accounts have been mobilized cumulatively.

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

- Under Mudra Yojana, the Bank disbursed ₹6762 cr, covering 3.08 lakhs accounts as at December 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 902 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 ₹20726 cr. The CASA component of FI branches stood at 57.45%, amounting to ₹5365 cr.
- 18 Micro Finance branches have garnered a total business of ₹696.23 cr under Urban Financial Inclusion.
- 4.27 lakh Basic Savings Bank Deposit Account (BSBD) accounts opened during the financial year so far with outstanding CASA deposits of ₹5026 cr.
- Formed 565 farmers' clubs during the financial year so far.
- Formed 27334 Self Help Groups (SHGs) and 64231 SHGs have been credit linked to the extent of ₹2145 cr during FY19 so far.
- Business Correspondent Agents have done 109 lakh transactions, amounting to ₹2365 cr during the 9M FY19.

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

- Banking outlets stood at 6314, including 7 overseas outlets (London, Johannesburg, New York, Hong Kong, Manama, Shanghai and Dubai).
- Total number of ATMs stood at 9004. 182 e-lounges were functional across major cities.
- Debit card base rose to 4.57 cr. 16.32 lakhs Mobile Banking and 59.03 lakhs Net Banking users. Ratio of e-transactions increased to 80.19% from 76.22% 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**

- New functionalities in internet banking
  - Enable /Disable and set Limit for ATM and POS transactions for International Cards in addition to Domestic cards.
  - Opening of National Pension Scheme (NPS) account (Also available in our Corporate website)
  - CPGRS (Canara Public Grievances Redressal System) online grievance portal for registering and tracking of complaints
- New functionalities in CanMobile App

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- ✓ Bharat Bill payment system (BBPS), Tax payment, Aadhaar seeding and Authentication have been integrated
- ✓ **Canara Saathi is a self service mobile application was launched**
- ✓ which helps to get all information about your Credit Card. Unique feature amongst other features being conversion of purchases to EMI above Rs.5000/-.
- ✦ First bank to introduce EMV compliance for Security and Risk Mitigation measures for card transactions implemented in our ATM SWITCH as per RBI guidelines.
- ✦ Introduced new Hybrid (TAB based) business correspondents model for rural customers to avail banking facilities without visiting branches.

**n. Achievements**

- ✦ Secured 1<sup>st</sup> position in Digital Score Card among all PSBs published by Ministry of Electronics and Information Technology (MeitY) as on 31.12.2018.
- ✦ Achieved 106.04% of pro-rata target of 48 Crores Digital Transactions by MeitY . (Our Bank has been allocated 64 Crores Digital Transactions for FY 2018-19 by MeitY).
- ✦ Post introduction of BHIM QR in August 2018, it enrollment crossed 3,20,960 Merchants as of now.
- ✦ Enrolled 70,461 Merchants under BHIM Aadhaar PoS as of Dec'18 and aiming to complete the target of 1.02 lakh Merchants by 31.03.19.
- ✦ Number of Merchants enrolled has increased to 5,20,114 as of Dec'18 from 4,18,761 in Dec'17 registering a substantial increase under all seven Digital Payment Platforms.

**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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