



March 12, 2010

ICRA assigns A1+ rating to Canara Bank's Rs. 350 billion enhanced (from Rs. 300 billion) certificate of deposit programme

ICRA has assigned A1+ (pronounced A one plus) rating to the Rs. 350 billion (enhanced from Rs. 300 billion) Certificate of Deposits programme of Canara Bank[†]. Canara's ratings factor in the implicit sovereign support enjoyed by the bank in its role as one of the largest Nationalised Banks in the country, the strong brand franchise in the corporate sector, adequate capitalisation levels and steady core profitability. The ratings also take into account the competitive operating cost structure, notwithstanding the bank's large branch network and the comfortable liquidity position. ICRA has taken note of the moderate, but steady increase in NPA levels as a result of certain large slippages and the steps taken by the bank to arrest such incremental slippages. The healthy core profitability as a result of better interest spreads and improving operating efficiency could absorb any marginal increase in credit costs. The interest spreads have shown improvement as a result of Canara's efforts to shed high cost deposits and rebalance the credit portfolio, but the declining yield on advances could holdback interest spreads to an extent. The liquidity profile remains comfortable with no adverse gaps in the ALM statement.

For more details, refer to the credit perspective of January 2010

Bank Profile:

Majority owned by the Govt, Canara Bank is the one of the largest nationalised bank in the country Headquartered in Bangalore, Canara bank has a pan India presence and has emerged as a 'financial conglomerate' with nine subsidiaries, joint ventures and sponsored banks. The group consisting of subsidiaries and joint ventures provides a wide range of financial offerings including asset management, online trading, factoring and home finance. The bank made its maiden public offering of its shares in 2002-03 and consequently the GOI shareholding declined to 73%. Canara Bank reported a net profit of Rs. 25.2 billion for the nine months ended December 31, 2009 on a total income Rs. 161.0 billion as compared to Rs. 12.6 billion and Rs. 139.3 billion for the nine months ended December 31, 2008. The bank's asset quality deteriorated marginally with gross NPAs of 1.8% as of December 2009 compared to 1.6% as of March 2009. Its net NPA percentage also was marginally higher at 1.3% as on December 2009 compared to 1.1% as on March 31, 2009. The bank's net worth stood at Rs. 125.6 billion and it reported a capital adequacy of 14.4% as on December 31, 2009.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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