

## Press Release

### Brickwork Ratings assigns “BWR AAA” for Canara Bank’s IPDI Issue of Rs. 800 crore and reaffirms “BWR AAA” for Canara Bank’s IPDI Issues of Rs 400 crore, 150 crore and 300 crore

**Issue Rating: BWR AAA**

**Outlook: Stable**

Brickwork Ratings has assigned and reaffirmed the rating grade of BWR AAA (Pronounced BWR Triple A) with a stable outlook for the following ratings of Canara Bank:

Instruments	Amount	Rating	Assigned/ Reaffirmed	Issue Date	Maturity Date	Rating History	
						Review As on	Rating As on
IPDI	Rs. 800 crore	BWR AAA (Stable)	Assigned	NA	NA	NA	NA
IPDI	Tranche 1: Rs 240.30 crore	BWR AAA (Stable)	Reaffirmed	March 30, 2009	Call option-after 10 years	BWR AAA (Stable) March 2010	BWR AAA (Stable) March 2009
	Tranche 2: Rs 159.70 crore	BWR AAA (Stable)	Reaffirmed	August 21, 2009	Call option-after 10 years	BWR AAA (Stable) March 2010	BWR AAA (Stable) March 2009
IPDI	Rs 150 crore	BWR AAA (Stable)	Reaffirmed	August 21, 2009	Call option-after 10 years	BWR AAA (Stable) June 2009	-
IPDI	Rs 300 crore	BWR AAA (Stable)	Reaffirmed	Raised Rs 290.30 cr- August 21, 2009	Call option-after 10 years	BWR AAA (Stable) August 2009	-

The rating grade ‘BWR AAA’ stands for an instrument that is considered to offer the BEST credit quality in terms of timely serving of debt obligations. A “Stable” rating outlook signifies the expectation of the rating being stable in the near term. The rating, inter alia, factors increasing operating profits, its focus on garnering low cost deposits and the Government of India’s equity stake and continued support. Risk factors include decreasing levels of low-cost resources such as current and savings account deposits (CASA deposits) and increasing exposure to infrastructure.

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Canara Bank is one of the larger public sector banks with total business of Rs 4,12,649 Crore as on 30<sup>th</sup> June 2010 (as compared to Rs. 4,03,986 Crore as on 31<sup>st</sup> March 2010). With a growth of 23.34% in its deposits and a growth of 23.55% in its advances year-on-year in June 2010, Canara Bank has reported a growth in profitability of 82.52% during Q1 FY11 as compared to Q1 FY10.

There has been slippage in the first quarter with the gross NPA levels of Rs. 2549 crore as on 30<sup>th</sup> June 2010 as compared to Rs. 2463 crore as on 30<sup>th</sup> June 2009 while the gross NPA levels as on 31<sup>st</sup> March 2010 were Rs. 2590 crore. The bank's performance under settlements and recovery has shown improvement as it has recovered Rs. 88 Crore in Q1 FY11 as against Rs 79 Crore in Q1 FY10. The bank is still well placed in terms of provisioning with provisioning levels at 78.01%.

The bank's net interest margins have substantially increased to 3.01% in Q1 FY11 as compared to a NIM of 2.70% in Q1 FY10 and of 2.80% in March 2010. CASA levels stood at 29.03% in June 2010, down from 29.09% in March 2010. The cost of deposits has decreased to 5.69% during Q1 FY11 as against 6.12% during March FY 10. However, this has been offset by a decreasing return on advances (from 9.81% in March FY10 to 10.05% in Q1 FY 11).

The bank's exposure to housing sector stands at Rs.10,101 Crores as of June 2010. The growth in lending to housing sector stands at 26.70% as of June 2010 (year-on-year). The growth in lending to infrastructure stands at 91.10% with total exposure to infrastructure sector of Rs 40,173 crore as of June 2010 (Rs. 21,027 crore as of June 2009).

The return on average assets has increased from 1.02% in Q1 FY 10 to 1.55% in Q1 FY 11. The cost to Income Ratio has come down to 39.75% in Q1 FY 11 from 40.73% as on March 2010. As on 30<sup>th</sup> June 2010, the bank has reported a total capital adequacy ratio and Tier I capital adequacy ratio of 12.44% and 8.10% respectively. Canara Bank has reported a credit-deposit ratio of 72.76% in June 2010.

Brickwork Ratings expects the performance of the bank to be “Stable” over the next one year.

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