

CORPORATION BANK

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BANKING

GOVERNMENT

Chairman: V. K. Chopra

SEC: P. K. Alva (G. M.)

AUD: Rao & Kumar

Yr of Inc	B. Code	BL. Code	F.V.	Price	% ch 1-m	% ch 12-m	P/E	P/CF	Yield	Mkt cap	Vol.	ISIN
1906	532179	CRPBK.IN	10	399.8	5.9	19.6	8.5	na	1.8	57,347.3	29.0	INE112A01015

SHAREHOLDING

Indian Promoters	:	57.2%	Exports (fob)	Rs m
Foreign collaborators	:	0.0%	Imports (cif)	Rs m
Indian inst/Mut Fund	:	29.8%	Fx inflow	Rs m
FII's/GDR	:	10.1%	Fx outflow	Rs m
Free float	:	2.9%	Net fx	Rs m
Shareholders	:	29,706		

FX Transaction (FY06)

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No. of months	12	12	12
Year ending	31/03/04	31/03/05	31/03/06

EQUITY SHARE DATA

High	Rs	303	400	508
Low	Rs	133	211	313
Income per share	Rs	158.7	160.0	185.4
Earnings per share	Rs	37.0	24.4	30.9
Cash flow per share	Rs	88.2	49.9	72.6
Dividends per share	Rs	6.00	6.50	7.00
Avg Dividend yield	%	2.8	2.1	1.7
Book value per share	Rs	202.8	219.2	240.7
Shares outstanding (eoy)	m	143.44	143.44	143.44
Bonus/Rights/Conversions		-	-	-
Avg Price / Income ratio	x	1.4	1.9	2.2
Avg P/E ratio	x	5.9	12.5	13.3
Avg P/CF ratio	x	na	na	na
Avg Price/Bookvalue ratio	x	1.1	1.4	1.7
Dividend payout	%	16.2	26.6	22.7
Avg Mkt Cap	Rs m	31,245	43,821	58,882
No. of employees	'000	11	11	11
Total wages & salary	Rs m	2,855	2,840	3,646
Avg. income/employee	Rs Th	2,120.8	2,132.2	2,348.5
Avg. wages/employee	Rs Th	266.0	263.8	321.9
Avg. net profit/employee	Rs Th	494.5	325.8	391.2

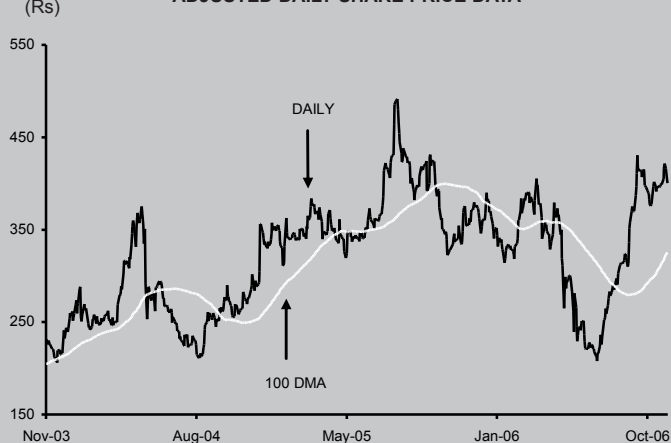
INCOME DATA

Interest income	Rs m	22,765	22,953	26,597
Other income	Rs m	5,368	4,670	5,592
Interest expense	Rs m	12,738	11,356	14,139
Net interest income	Rs m	10,027	11,597	12,458
Operating expense	Rs m	5,771	6,406	7,510
Provisions/contingencies	Rs m	1,371	4,558	3,819
Profit before tax	Rs m	8,258	5,305	6,722
Extraordinary Inc (Exp)	Rs m	0	0	0
Minority Interest	Rs m	0	0	0
Prior Period Items	Rs m	0	0	0
Tax	Rs m	2,950	1,798	2,292
Profit after tax	Rs m	5,308	3,507	4,430
Net profit margin	%	23.3	15.3	16.7

BALANCE SHEET DATA

Advances	Rs m	139,941	186,341	240,000
Deposits	Rs m	231,867	272,218	328,258
Credit/Deposit ratio	x	60.4	68.5	73.1
Yield on advances	%	7.2	6.8	6.9
Cost of deposits	%	5.1	4.0	3.9
Net Interest Margin	%	3.6	3.9	3.6
Net fixed assets	Rs m	2,503	2,577	2,569
Share capital	Rs m	1,434	1,434	1,434
Free reserves	Rs m	15,950	17,251	23,456
Net worth	Rs m	29,094	31,438	34,523
Borrowings	Rs m	15,657	17,420	16,864
Investments	Rs m	113,169	106,533	106,354
Total assets	Rs m	300,055	344,850	405,607
Debt/equity ratio	x	9.3	10.0	10.0
Return on assets	%	1.8	1.0	1.1
Return on equity	%	18.2	11.2	12.8
Capital adequacy ratio	%	20.1	16.2	14.0
Net NPAs	%	1.8	1.1	0.6

ADJUSTED DAILY SHARE PRICE DATA



No. of months	12	12	12
Year ending	31/03/04	31/03/05	31/03/06

CASH FLOW

From Operations	Rs m	6,240	9,205	6,785
From Investments	Rs m	-767	-762	-560
From Financial Activity	Rs m	-1,400	-1,000	-1,145
Net Cashflow	Rs m	4,074	7,444	5,080

INTERIM RESULTS

		3QFY06	4QFY06	1QFY07	2QFY07
Operating income	Rs m	6,770	7,054	7,301	8,325
Gross Profit	Rs m	3,285	3,109	3,248	3,167
Gross profit margin	%	48.5	44.1	44.5	38.0
Net profit	Rs m	1,151	1,003	1,442	1,270
Net profit margin	%	17.0	14.2	19.8	15.3

KEY DATA

Parameters	Unit	FY04	FY05	FY06
Branches	NOS	696	777	835
Business / branch	Rs m	493	533	589
Profit / employee	Rs m	0.5	0.4	0.4
Employee cost/operating exp.	%	49.5	44.3	48.5

NOTES

One of the few PSU banks in India with an impressive track record, Corporation Bank has been able to sustain high margins and capital adequacy over the years. The bank has tie-ups with the LIC and New India Assurance for cross-selling products and has recently entered into an MOU with OBC and Indian Bank for franchise and employee sharing.

While an asset growth of 29% YoY in FY06 seems reasonable for Corporation Bank in comparison to its peers in the PSU banking sector, the bank was incompetent in tapping the retail lending market. This was also a fallout of the higher delinquencies witnessed by the bank in the home loan segment in the initial two quarters of the fiscal. The bank also slowed down growth in mortgage loans (where it is facing asset quality pressure), which grew by merely 9% YoY. While deposits grew by 21% YoY, the proportion of low cost deposits (CASA) to total deposits declined to 34%. The bank witnessed an uptick in cost of funds faster than the yield on its assets, which resulted in its net interest margins being pressurised (3.6% in FY06 vis-à-vis 3.9% in FY05). The growth in its fee income was negligible during FY06, indicating that the MoU with LIC for cash management services is proving to be of no avail.

While the bank remains bullish on the growth in the SME and agri-loan portfolios, the retail segment is also expected to witness a higher traction and comprise 32% of loan book in the next two fiscals. The bank is well capitalised (CAR 13.9% in 1HFY07) to capture the growth opportunities in the sector. The relatively higher duration of assets in the AFS (available for sale) basket, however, calls for caution due to interest rate risks. The collaboration with Indian Bank and OBC (that has a significant presence in the north) is expected to propel its fee earning and cost rationalisation initiatives.