

PRESS RELEASE

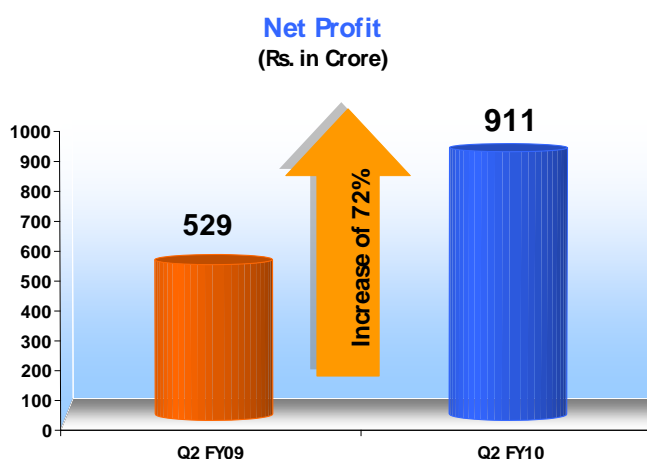
Highlights for the Quarter ended September 2009

- *Net Profit* for Q2 zoomed to **Rs.911 crore**, recording a **robust 72% growth**.
- *Operating Profit* increased by **83.5%** to reach **Rs.1419 crore**.
- A *total provision* of Rs.509 crore made including a provision of Rs.243 crore towards NPA.
- *Aggregate Business* increased to **Rs.350740 crore**, up by 20.6% y.o.y, an addition of Rs.25628 crore during the current financial.
- *Total Deposits* reached **Rs.204284 crore**, up by 19%.
- *Net Advances* grew by 23% to reach **Rs.146456 crore**.
- *Credit to Deposit ratio* improved to **71.69%**.
- While *Total Income* rose by 26%, *Total Expenses* contained at 13.8%.
- *Other income* up by a robust 163.6% to **Rs.893 crore**.
- *Operating Expenses* growth contained at 10.3%.
- *Cost to Income ratio* declined to **35.69%** from 48.01% a year ago.
- *Net Interest Income* up by 14.3% to **Rs.1314 crore**.
- *Net Interest Margin* protected at **2.66%**.
- *Return on Average Assets*, on annualized basis, for Q2 improved to **1.63%**.
- Comfortable *Capital Adequacy Ratio* at **14.46%**, well above the stipulated norm of 9%. **Tier I Capital at 8.95%**.

Profits and Profitability

Canara Bank's net profit for Q2 of FY10 rose by a **robust 72%** to reach **Rs.911 crore**, compared to Rs.529 crore recorded in the corresponding quarter last year.

Operating profit grew by **84%** to reach **Rs.1419 crore**. With a provision of Rs.243 crore towards NPA, the Bank has made a **total provision** of Rs.509 crore.



Return on Average Assets for the Q2 improved to **1.63%** compared to 1.13% for the same quarter a year ago. **Earnings Per Share (EPS)** (not annualized) for Q2 improved to Rs.22.21 from Rs.12.91 a year ago. **Book Value** rose to Rs.280. 38 compared to Rs.219.25 as at September 2008.

Income and Expenses

The Bank's **total income** during Q2 grew by 26% to reach Rs.5602 crore, with Rs.3505 crore contributed by **interest income from loans/advances**. **Non-interest income** of the Bank grew by a robust 163.6% to touch Rs.893 crore.

While **total expenses** contained at 13.8%, the **operating expenses** during Q2 grew by 10.3%. The Bank continues its austerity drive to control expenses under various heads.

Net Interest Income for Q2 increased to Rs.1314 crore, registering a growth of 14.3% compared to Rs.1149 crore a year ago.

First Half Year Performance

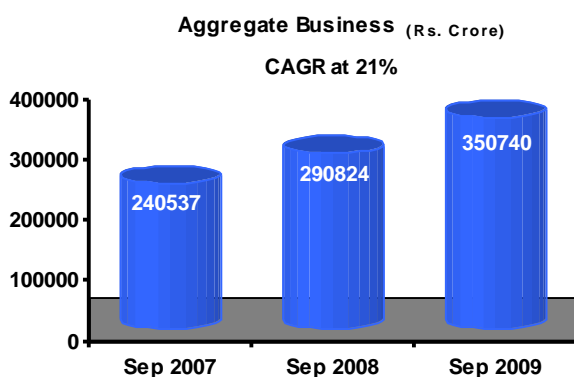
Net profit for the first half more than doubled to **Rs.1466 crore**, registering a robust **125% growth** compared to Rs.652 crore a year ago. **Operating profit** rose by **67%** to **Rs.2460 crore** during the first half of FY10.

The Bank's **total income** rose by 24.4% during the first half to reach Rs.10634 crore, with Rs.6930 crore contributed by **interest income from loans/advances**. The **non-interest income** of the Bank grew by 93.2% to touch Rs.1367 crore.

With a **total expenditure** growth of 15.6%, the growth in **operating expenses** during H1 was contained at 8%.

Net Interest Income during the first half of the current financial rose by 20.2% to Rs.2605 crore compared to Rs.2168 crore as at September 2008. **Net Interest Margin (NIM)** for the first half protected at to 2.66%.

Business Growth and Productivity



Aggregate Business mix crossed Rs.3.5 lakh crore to reach Rs.3,50,740 crore, registering a y.o.y growth of 20.6%. While aggregate deposits grew by 19% to reach Rs.2,04,284 crore, advances (net) reached a level of Rs.1,46,456 crore, registering a growth of 22.8%. The Bank's **core deposits**, comprising retail and CASA deposits, recorded healthy y-o-y growth of 52%. With a savings deposit growth of

14%, the ratio of CASA deposits to domestic deposits was at 29.19%. Credit to deposit ratio improved to 71.69% compared to 69.57% as at September 2008.

The Bank's **domestic business** constituted 97.8% of the aggregate business with Rs.200513 crore (98.2%) under deposits and Rs. 142332 crore (97.2%) under advances.

While **Business per Employee** of the Bank rose to Rs.8.46 crore as at September 2009 compared to Rs.6.86 crore a year ago, **Business per Branch** improved to Rs.125.00 crore compared to Rs.107.16 crore in September 2008. With an addition of over 10 lakhs clientele during the first half of the current financial, the Bank's clientele base increased to 35.83 million as at September 2009.

Capital Adequacy and Asset Quality

Capital to Risk Weighted Assets Ratio (Basel II norms) worked out to a comfortable **14.46%** vis-à-vis the regulatory requirement of 9%. Given still undiluted 73.17% Government of India holding, the Bank has enough headroom for need based capital augmentation under Tier I, signifying strongest capital position among peers to support the business growth.

Asset quality of the Bank was largely affected by the economic downturn. As at September 2009, the Bank's Gross NPA ratio and Net NPA ratio was at 1.60% and 1.16% respectively. The Bank has made **cash recovery** of Rs.530 crore for the first half of FY10.

Credit Segments

As at September 2009, outstanding **advances to the priority segments** reached Rs.53026 crore, registering a y-o-y growth of 18%. With a credit disbursement of

Rs.8931 crore to agriculture during the first half, outstanding agricultural advances rose to Rs.22583 crore, covering around 26 lakh farmers. Credit to agriculture recorded a y-o-y growth of over 20%.

Under **Small, Micro and Medium Enterprises** (MSME) segment, the Bank's credit grew by 33% y-o-y to reach Rs.27029 crore compared to a level of Rs.20323 crore a year ago.

Leading the nationalized banks, the Bank's **education loan** portfolio increased to Rs.2652 crore as at September 2009. Education loan portfolio recorded y-o-y growth of 30%, covering more than 1.5 lakh students.

The outstanding credit under **retail lending operations** rose by 16% to Rs.20608 crore as at September 2009, with a disbursal level of Rs.3291 crore during the first half of the current financial. Advances under housing (direct) recorded a good 25.4% growth to touch Rs.8230 crore. Housing portfolio, with a significant portion in priority ambit, constituted about 40% of the retail portfolio.

Expanding the coverage of **financial inclusion** in the country, the Bank has achieved total financial inclusion in all 26 lead districts spread across five States. The total tally under the mobilization of no-frill accounts rose to over 19 lakh since inception. The Bank formed 2.89 lakh **Self Help Groups** (SHGs) as at September 2009, with credit linking of 2.43 lakh SHGs.

Delivery Channels and Technology Advancement

The Bank is currently expanding its domestic operation by substantially scaling up its number of branches across India. The Bank has already opened 128 branches during the current financial. Total number of branches moved up to 2806 as at September 2009, including 3 overseas branches (London, Hong Kong and Shanghai) and an Offshore Banking Unit at NOIDA, UP.

The tally under Core Banking Solution increased to 1591 branches, covering a significant 87.5% of the Bank's business. With over 2000 ATMs, the Bank has a debit card base of 6.5 million as at September 2009. The number of branches offering **Anywhere Banking** (AWB) and **Internet and Mobile Banking** (IMB) services expanded to 2084 and 1591 branches respectively. Under the advanced payment and settlement system, all branches have been enabled with RTGS and NEFT facilities.

Awards/Accolades

- **Best Bank in South Zone** Award for the year 2008-09 in respect of lending under KVIC and PMEGP Schemes. The award was handed over by Dr.Manmohan Singh, Hon'ble Prime Minister of India.

Goals for FY10

- The Bank aims to reach an **aggregate business** figure of **Rs.4 lakh crore**, comprising total deposits of Rs.2,25,000 crore and advances of Rs.1,75,000 crore.
- The Bank will continue to focus on **core business**, with the objective of augmenting profits and profitability.

- Number of **domestic branches** is slated to cross **3000** by March 2010.
- Expanding global footprints, the Bank is likely to open a Representative Office at **Sharjah** and its second branch at **Leicester** in the U.K.
- Further roll-out of CBS branches/units.

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