

PRESS RELEASE

Net Profit for Q2 at ` 1008 crore, up by 10.7%
Aggregate Business crosses ` 4.25lakh crore

*Buoyed by a 21% growth in total business,
Canara Bank's Net Profit for Q2 moves up to ` 1008 Cr.*

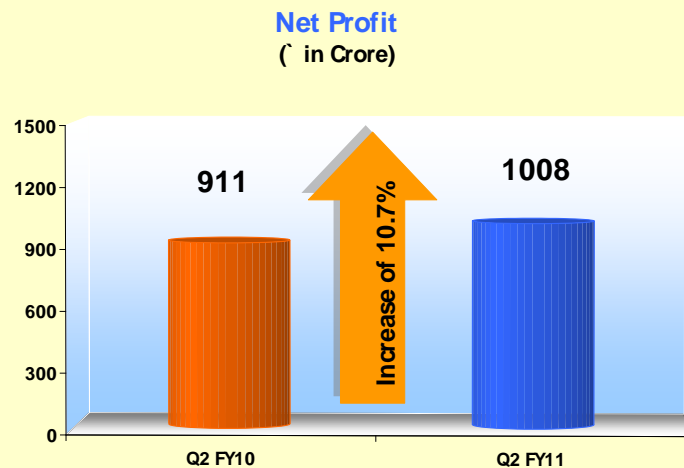
Major Highlights – Q2 (FY 11)

- Total business crossed `4.25 lakh crore, up by 21%
- Net Profit at `1008 crore, up by 10.7%
- Over `1000 crore Net Profit for Two Consecutive Quarters
- Robust Net Interest Income Growth at 52.5%
- Further improvement in NIM to 3.16%
- Return on Assets at 1.52%
- Capital Adequacy Ratio at 13.88%, Tier I ratio at 8.82%
- Gross NPA ratio at 1.49% and Net NPA ratio at 1.06%, both down y.o.y
- 100% Coverage of Branches under CBS

Net Profit for the second quarter of FY11 rose to `1008 crore, with a y.o.y growth of 10.7% compared to `911 crore recorded in the corresponding Q2 of the previous financial. The Bank has posted over `1000 crore in net profit for two consecutive quarters.

Notwithstanding the muted treasury gains during the quarter, **operating profit** rose by 6.5% to `1416 crore.

A total provision of `408 crore, including a provision of `199 crore towards NPA, has been made. **Provision Coverage Ratio** is 77.06% as at September 2010.



Return on average assets (RoAA) for the Q2 was at 1.52%. **Earnings per Share (EPS)** rose to `24.58 as against `22.21 a year ago. **Book Value** increased to `355.25 compared to `280.38 as at September 2009.

Capital Adequacy

Capital Adequacy Ratio stood at 13.88%, well above the regulatory minimum of 9%. Tier I capital ratio improved to 8.82%. The Bank has raised `750 crore under Innovative Perpetual Debt Instrument and `1000 crore under Upper Tier II bonds during the second quarter. With 73.17% Government of India holding, the Bank has adequate headroom available under both Tier I and Tier II options to raise capital and support business growth momentum.

Income and Expenses-Q2

Net Interest Income for the second quarter rose by a significant 52.5% to `2003 crore compared to `1314 crore in the same quarter a year ago.

Recording a growth of 17%, **interest income from loans/advances** rose to `4110 crore.

While growth in **total expenditure** was 9.1%, the growth in **interest expenses** during Q2 was contained at 5.3%.

First Half (H1) Performance

Net Profit for the first half (H1) recorded a 38% growth to reach `2021 crore compared to `1466 crore in the corresponding period last year. **Operating profit** grew by 28.8% to `2899 crore over `2250 crore recorded in the period a year ago.

Net Interest Income for H1 grew by a significant 43% to `3731 crore compared to `2605 crore a year ago.

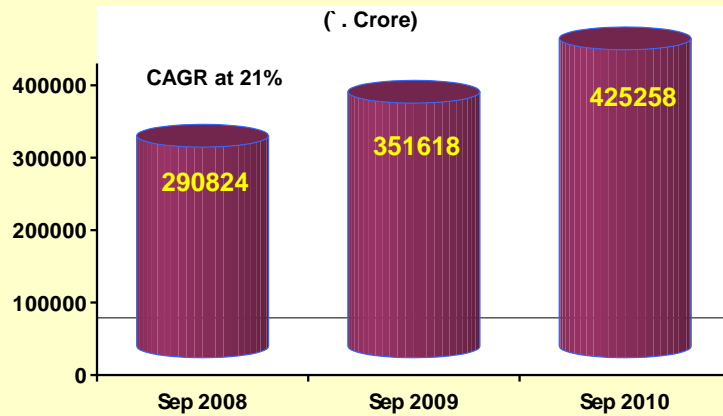
Net Interest Margin (NIM) further improved to 3.16%, up from 2.66% at September 2009 and 3.01% at June 2010.

Total income for the first half rose by 12.6% to `11972 crore, driven by a 14% growth in income from loans/advances. The Bank's non-interest income upto September 2010 was `1234 crore.

While **total expenses** grew moderately at 8.2% to `9073 crore, growth in interest expenses was contained at 5.2%.

Business Growth and Productivity

Aggregate Business



Total business of the Bank rose to a level of ₹425258 crore as at September 2010, recording a **y-o-y growth of 21%**. Total deposits increased to ₹249187 crore, with a growth of 21.5%.

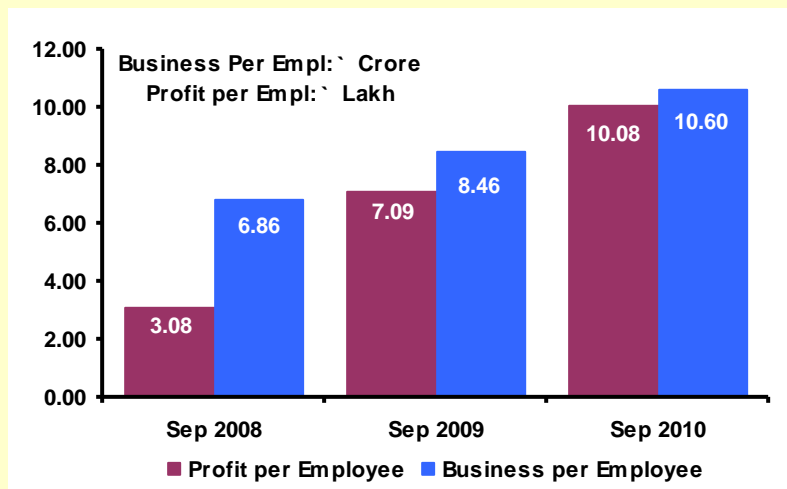
Advances (net) grew by 20.2% to reach ₹176071 crore, up from ₹146456 crore as at September 2009.

The Bank's **domestic business** constituted 96% of the total business with ₹241740 crore under

deposits and ₹167535 crore under advances.

Driven by an intensive thrust, **CASA deposits** crossed ₹72000 crore as at September 2010. Both CASA deposits and savings deposits in particular recorded a growth of 23%. Share of CASA deposit in domestic deposits improved further to 30.10% compared to 29.19% a year ago. Notably, the Bank has added ₹10,000 crore in SB deposit and over 17 lakhs SB Deposit clientele during the period. The Bank has launched a nationwide '**Savings Mahotsav**' campaign across all branches to shore up SB deposit level.

Steady improvement in business is well reflected in rising productivity of the Bank. While **Business per Employee** increased to ₹10.60 crore, **Business per Branch** improved to ₹138.70 crore as at September 2010 compared to ₹125 crore a year ago. The Bank's **clientele base** reached 37.46 million, comprising 33.33 million under deposit accounts and 4.13 million under borrowal accounts.



Asset Quality

With relentless thrust on asset quality and intensive monitoring of credit, the Bank's **gross NPA ratio** came down to 1.49% (₹2636 crore) and **net NPA ratio** to 1.06% (₹1860 crore) as at September 2010 compared to the gross NPA ratio of 1.60% and Net NPA ratio of 1.16% as at September 2009. **Cash recovery** during the first half at ₹742 crore was much higher than ₹530 crore in the same period a year ago.

Credit Segments

The Bank's credit growth at 20% during the period compares well with the industry's growth and is broadbased across segments- retail, priority sectors, industrial and infrastructure.

Driven by higher retail credit demand, the Bank's **retail lending portfolio** grew by 26.3% to `26029 crore. The growth under direct housing loan was robust at 41.8% with an outstanding portfolio at `11669 crore. Housing loan constituted 45% of the retail lending portfolio, of which a majority comes under the priority ambit. The Bank is currently celebrating a **retail loan festival**, offering attractive rates on Home and Vehicle loans to enhance further retail loan portfolio.

The Bank's credit to **Micro, Small and Medium Enterprises** (MSME) recorded a 21.4% growth to reach `32801 crore compared to a level of `27030 crore as at September 2009.

Outstanding **advances to the priority segments** grew by 14.4% to reach `60658 crore, with an outstanding agricultural advances level of `23882 crore.

Continuing its lead among nationalized banks, the Bank's **education loan portfolio** rose to `3259 crore, covering 1.77 lakh students.

Pursuing its commitment to the financial inclusion, the Bank has achieved total financial inclusion in all the 26 lead districts spread over five States. The Bank has opened 1.8 lakhs No Frill Accounts during H1, taking the total tally of **No-frill accounts** to 23.59 lakhs since inception. The Bank formed 3.34 lakhs **Self Help Groups** as at September 2010, with credit linking of 2.85 lakhs SHGs.

InfoTech Advancement

All branches of the Bank are now under Core Banking Solution (CBS), accounting for 100% of the Bank's business. With 100% CBS, the Bank offers technology banking, such as, Internet & Mobile Banking and Funds Transfer through NEFT and RTGS across all branches. With over 2000 ATMs, the Bank's debit card base rose further to 52 lakhs.

Delivery Channels

During the first half, the Bank added 19 domestic branches and one overseas branch at Leicester, UK and a Representative Office at Sharjah, UAE, taking the total tally under the branch network to **3066 branches**. The Bank plans to open 200 branches in the identified centres during the current financial year, with majority of branches slated for opening during the third quarter itself.

Goals for FY11

- The Bank aims to reach an **aggregate business** figure of **`5 lakh crore**, comprising total deposits of `285000 crore and advances of `215000 crore.

- The Bank will continue to focus on **core business**, with the objective of augmenting profits and profitability.
- Expanding global footprints, the Bank has plans to open branches in **Manama and QFC-Qatar**.
- The Bank has plans to open **over 200 new branches** during H2.

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