



Speech by

T N Manoharan

Chairman

at the 14th Annual General Meeting
of the Shareholders,
on 26th July, 2016 at Bengaluru.

Ladies and Gentlemen,

At the outset, we extend a hearty and warm welcome to all of you to this Annual General Meeting. This is the 14th Annual General Meeting since your Bank went public in November 2002. We sincerely appreciate your august presence on this occasion and thankfully acknowledge your continued support and valuable partnership with Canara Bank.

The year 2015-16 turned out to be the most challenging year for most of the public sector banks (PSBs) in the banking industry, including Canara Bank. The profits and profitability of your Bank, despite increase in the total income and operating profit, has been impacted by the increased provisioning made during the year. However, we assure you that the core fundamentals of your Bank continued to be stronger. In view of the strong Governance structure in place, accelerated recruitments augmenting the dedicated workforce, innovative and robust technological systems deployed, large network and loyal customer base of the Bank, the challenge encountered last year on account of deterioration in asset quality must be construed as surmountable by the Bank. The Management has stood up to this unprecedented crisis situation with reoriented efforts and rejuvenated vigor with a view to restore the Bank on the path of sustained growth with profitability in the current year and the years that lay ahead.

The final accounts of the Bank and the Directors' Report for the year ended March 2016 are already with you and therefore, with your permission, are taken as read. We shall now proceed to look at the economic scenario and thereafter the highlights of your Bank's performance in the year 2015-16.

ECONOMIC SCENARIO

Indian economy has emerged as the bright spot in the global economic landscape, amidst weak growth and continued geopolitical uncertainties prevalent across the different continents, recording a 7.6% growth in the gross domestic product compared to 7.2% in the previous year. Economic conditions have significantly improved during the year, with the numerous measures undertaken by both the Government of India and Reserve Bank of India (RBI). Improved business sentiments have been drawing attention and confidence of both domestic and overseas investors on India's sustainable growth story. Government of India, under 'Indradhanush' announced a comprehensive revamp plan for revitalizing public sector banks, including recapitalization support. All these efforts are going to yield positive results for the banking industry and your Bank in the years to follow, which in turn shall benefit all stakeholders.

PROFITS AND PROFITABILITY

Notwithstanding stressed industry scenario, the operating profit of your Bank increased to ₹ 7147 crore as against ₹ 6950 crore last year, with almost same level of business.

Total income increased to ₹ 48897 crore compared to ₹ 48300 crore last year.

The efforts of your Bank have been noteworthy in containing total expenses. Interest expenses increase was marginal at 0.51% to ₹ 34259 crore compared to an increase of 11.38% last year at ₹ 34086 crore. On the other hand the operating expenses increase was curtailed to 3.14% to ₹ 7492 crore compared to an increase of 19.45% in the previous year. Major heads of controllable other operating expenditure were identified and monitored for optimization across the Bank. Conscious efforts to bring down interest cost on deposits culminated into cost of deposits down to 6.94% compared to 7.38% in the previous year.

The net interest income, being the difference between interest earned and interest paid by the Bank, increased to ₹ 9763 crore, resulting in Net Interest Margin (NIM) to stay at 2.19% as at March 2016 compared to 2.16% in the December 2015 and 2.25% as at March 2015.

The non-interest income of your Bank also increased by 7.14% to ₹ 4875 crore compared to ₹ 4550 crore last year. The percentage share of non-interest income to total income increased to 9.96% from the last year's level of 9.42%.

It is on account of the higher total provisioning and contingencies at ₹ 9959 crore, including ₹ 9608 crore on NPAs, your Bank posted a net loss of ₹ 2813 crore for the year under review. The higher provisioning was done as part of rigorous Asset Quality Review (AQR) undertaken by your Bank under the oversight of RBI during the year. The gross NPA level of your Bank increased to ₹ 31638 crore, with gross NPA ratio rising to 9.40% from 3.89% in the previous year. The net NPA further increased to ₹ 20833 crore, with net NPA ratio rising to 6.42% from 2.65% a year ago. Cash Recovery made during the year aggregated to ₹ 4758 crore. As at March 2016, the outstanding restructured assets portfolio (including restructured NPA accounts) of the Bank stood at ₹ 23227 crore as at March 2016, accounting for 6.90% of the gross advances.

AQR has only strengthened your Bank's balance sheet. Though the provisioning is done, you can be rest assured that no stone shall be left unturned to closely monitor and recover the amounts due in respect of those accounts and any amount so recovered will straightaway add to the bottom-line of your Bank.

CAPITAL AND RESERVES

Your Bank's capital to risk weighted assets ratio at 11.08% remained comfortable against the regulatory requirement of 9.625%, including Capital Conservation Buffer. Within the capital adequacy ratio, Common Equity Tier I ratio was at 8.18% against requirement of 5.5% and Tier I capital ratio was at 8.80% against the requirement of 7%.

During the year, the Bank raised ₹ 1520 crore equity capital by way of preferential allotment of 4 crore shares to LIC of India in April, 2015. Government of India infused ₹ 947 crore equity capital in the Bank by way of preferential allotment of 2.78 crore equity shares in September 2015. On account of the above, the Government of India's shareholding in the Bank rose to 66.30%. Further, your Bank also raised ₹ 2400 crore BASEL III compliant Tier II Bonds, taking the total capital raised to ₹ 4867 crore during the year.

Adequate headroom is also available under both Tier-I and Tier-II options for the Bank to raise capital for future business expansion.

BUSINESS GROWTH

With the increasing stress, the business level remained almost same as the previous year. Total deposits reached ₹ 479792 crore and net advances stood at ₹ 324715 crore. Business, comprising total deposits and net advances, reached ₹ 804507 crore compared to ₹ 803876 crore in the previous year.

While total deposits growth was marginal, your Bank focused on mobilizing more CASA and retail term deposits to reduce overall cost of deposits. CASA deposits increased to ₹ 123542 crore with a 8.82% growth. CASA deposits percentage to domestic deposits increased to 27.38% compared to 25.47% in the last year. To increase CASA deposits, the Bank had launched nationwide campaigns and introduced new products/services. Keeping the thrust on mobilizing more retail term deposits, the Bank's retail term deposits share (less than ₹ 1 crore, excluding Certificate of Deposits), in domestic term deposits increased to 56.5% from 48.5% a year ago, thereby reducing dependence on bulk deposits.

The clientele base of your Bank is consistently on rise. Your Bank was serving a total clientele accounts of 7.25 crore, comprising 6.44 crore under deposit accounts and 81 lakhs under borrowal accounts, as at March 2016, compared to 6.57 crore clientele accounts in the last year.

TREASURY OPERATIONS

Aggregate investments (net) of your Bank were of the order of ₹ 142309 crore as at March 2016. Portfolio modified duration stood at 4.71 compared to 4.37 last year. Modified duration of the Available for Sale (AFS) portfolio increased to 4.45 as at March 2016 from 3.58 in the previous year. In view of effective management of the investment portfolio, in spite of challenging times, your Bank earned a trading profit of ₹ 990 crore during the year.

THRUST ON RETAIL ASSETS

With a view to emerge as one of the leading retail banks in the country, your Bank is reorienting its strategies by focussing on expanding retail assets and meeting varied goals under national priorities, including agriculture, micro and small enterprises, education, housing, micro-credit, credit to weaker sections and specified minority communities.

In pursuant of the various national priorities, your Bank has creditably achieved the mandated targets in respect of total priority with 49.29% of the adjusted net bank credit against 40% norm, lending to agriculture with 22.75% of the adjusted net bank credit against 18% norm, credit to specified minority communities with 17.76% of the total priority sector lending against 15% norm, weaker sections with 14.73% of the adjusted net bank credit against 10% norm, 24.21% growth in number of Micro Enterprises accounts against 10% norm and 14.25% of the adjusted net bank credit to women beneficiaries against 5% norm. These achievements indeed speak of your Bank's commitment to the nation building.

Priority Sector Advances of your Bank reached ₹ 145558 crore, with a growth of 23.11%. Advances under agriculture portfolio increased by 14.11% to ₹ 67176 crore, covering over 59 lakh farmers. During 2015-16, the Bank's agriculture credit disbursement increased to ₹ 57018 crore, with a growth of 26%. Your Bank undertook special campaigns for extending Crop Loans and Kisan Credit Cards facility to farmers and non-farmers.

Advances to Micro, Small & Medium Enterprises (MSMEs) increased by 10.04% to ₹ 66689 crore as at March 2016, out of which credit to Micro & Small Enterprises rose to ₹ 50898

crore. To speed up delivery under MSMEs, your Bank has 165 Specialized SME branches and 45 SME Sulabhs (loan processing centres) for speedy processing and sanctions. New Schemes under MSME credit were launched and MoUs were also entered to increase lending to MSME segments. Under Pradhan Mantri Mudra Yojana, your Bank surpassed the target ₹ 7330 crore by disbursing ₹ 7701 crore, covering 7.90 lakh accounts.

Your Bank's performance in retail loans portfolio was quite robust. Retail loans, including housing, commendably grew by 27.83% to ₹ 54069 crore as at March 2016. The outstanding total housing loan portfolio rose to ₹ 30975 crore, accounting for 57.28% of the total retail lending portfolio and vehicle loans and other personal loans increased by 14.24% and 14.32% respectively. The Bank's education loan portfolio increased to ₹ 6738 crore, covering around 2.91 lakh students as at March 2016. Several initiatives were undertaken to increase retail lending, like, new retail loan products, viz., Yuva Awas Rin, Housing Loan for Senior Citizens and vehicle loan for agriculturists along with an array of existing products. The Bank also launched nationwide campaigns and expos with competitive interest rates and entered into tie-ups with reputed builders and vehicle dealers. During the year, 5 new Retail Asset Hubs (loan processing centres) were opened, taking the total number of Retail Asset Hubs to 66 across major centres for faster processing and sanction of retail loans.

Your Bank has been all along actively encouraging entrepreneurship development among women. During the year, the Bank assisted 27.46 lakh women, with a credit outstanding to the tune of ₹ 42066 crore.

DRIVING FINANCIAL INCLUSION

Your Bank has been actively pursuing the agenda of Financial Inclusion (FI), with key interventions in four groups, namely, expanding banking infrastructure, offering appropriate financial products, making extensive and intensive use of technology and through advocacy and stakeholder participation.

Under Pradhan Mantri Jan Dhan Yojana (PMJDY), your Bank has opened 74.31 lakh accounts, thereby mobilizing a CASA deposits of ₹ 1317 crore. Accounts opened under PMJDY are issued with Rupay Debit card, accidental Insurance coverage to the extent of ₹ 1 lakh, life insurance cover of ₹ 30,000/- for accounts opened upto 31.01.2015 and overdraft upto ₹ 5000/- after six months of satisfactory dealing.

Your Bank covered all allotted 3962 Sub Service Area (SSAs) and 3371 Urban Wards for implementation of PMJDY and the zero balance accounts were brought down from 36.83% as at March 2015 to 14.95% as at March 2016.

Your Bank also performed well under various social security schemes launched by the Government of India during the year. 66.19 lakh enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana (20.04 lakhs) & Pradhan Mantri Suraksha Bima Yojana (46.15 lakhs). Under Atal Pension Yojana the Bank has made 66821 enrollments and under Sukanya Samridhi Yojana, the Bank has also mobilized 10768 accounts.

ROBUST RISK MANAGEMENT

Your Bank has in place comprehensive risk management policies, including an Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2 of Basel norms. A Capital Planning Committee is in place to articulate macroeconomic scenarios vis-à-vis capital requirements of the Bank. The final guidelines on Basel III Capital Regulations became effective from 1st April, 2013. As per RBI guidelines, the transitional period for full implementation of Basel III Capital regulations has been extended to 31.03.2019. The banks in India need to

maintain a minimum Common Equity Tier 1 (CET1) capital of 5.50%, Tier 1 capital of 7.00%, total Capital of 9% and Capital Conservation Buffer (CCB) of 2.50% at the end of March 2019. Thus, your Bank is fully prepared to meet Basel III norms.

DOMESTIC AND GLOBAL OUTREACH

Further expanding footprints across India, your Bank added 175 branches during the year, taking the total branch network to 5849 branches. Your Bank opened one overseas branch at Dubai International Financial Centre (DIFC) (U.A.E) during the year. The Bank's overseas operations covered 8 countries, with branches at London and Leicester (UK), Hong Kong, Shanghai (China), Manama (Bahrain), Johannesburg (South Africa), New York (USA), Dubai (UAE), a Representative Office at Sharjah (UAE) and a Joint Venture Bank in Moscow (Russia).

During 2015-16, your Bank also added 718 ATMs, taking the total number of ATMs to 9251, covering all across the country. The debit card base of your Bank further rose to 3.19 crore from 2.54 crore in the previous year. These apart, 170 hi-tech e-lounges were functional at major centres with facilities, like, ATM, Cash Deposit Kiosk with voice guided system, Cheque Deposit Kiosk, Self Printing Passbook Kiosk, Internet Banking Terminal, Online Trading Terminal and Corporate Website Access.

As a result of various alternate delivery measures adopted by your Bank, e-transaction ratio has increased to 54.21% as at March 2016 from 50.21% in the last year. Your Bank aims at taking the ratio beyond 70% in the medium term.

ENHANCING DIGITAL BANKING

Your Bank, while ensuring the preservation of traditional values and culture in banking business, has always strived to remain contemporary by modernizing the way banking services are delivered. Several initiatives have been taken to move ahead in the digital banking space for the customers' convenience through some of the major interventions in the tech-products and services.

- **Online Instant Loan portal released for Housing and Car Loans** where applicants will get instant in-principle sanction letter based on the information provided.
- **Improved Mobile Applications-** CanMobile, Canara e-InfoBook and Canara m-Wallet were upgraded to provide more convenience and facilities to customers. Customers can now download, register and activate CanMobile without visiting a Branch or ATM.
- **Upgraded Internet Banking** by providing a number of new features, better navigation and refreshed look.
- **Social Security Schemes of Govt. of India.** Facility to subscribe these schemes provided to the customers through multiple channels, viz., Branches, ATMs, Internet Banking.
- **Digital Life Certificate (Jeevan Praman)** for Pensioners. Pensioners need not to be physically required to be present in the Branch for this purpose.
- **Facility of closure of Term Deposit** through Internet Banking. Customers can now open and close term deposits without visiting Branches.
- **e-KYC facility at Branches.** The Customers with Aadhaar number need not bring any KYC document and can get their KYC formalities done by just swiping their fingers on Biometric Device in a Branch.

Your Bank is following sustained pursuit for identifying and evolving a number of digital initiatives for customer convenience and better service delivery.

CUSTOMER CARE & ORIENTATION

Customers are the nerve centre of any business. Several initiatives were taken by your Bank to remain customer focused- be it providing expeditious service or introducing diversified products and services or responding to customers' queries or in redressal of customer complaints. For the benefit of the customers, the 'Code of Commitment to Customers' issued by Banking Codes and Standards Board of India (BCSBI) and 'Revised Citizen's Charter' of IBA is made available in Bank's website and branches. As advised by IBA and RBI, the Bank has adopted the newly formulated 'Customer Rights Policy of RBI' since July 2015, which spells out the Rights of the Customers and also responsibilities of the Banker. Customers' fortnight was conducted from 16.11.2015 to 30.11.2015 all across the branches to create awareness and invite suggestions.

In order to enhance customer focus, 'Project Shikhar' for branch transformation was implemented. In the journey of transformation, 700 branches of your Bank were transformed as 'Shikhar Branches', with 75 branches under star 5 category and 38 under star 4 category as at March 2016, with various customer centric initiatives, like, Welcome Desk, Queue Management System, Single Window Operation and allocation of larger space for 'Customer Waiting Area' along with self-service kiosks.

A Call centre with single point contact toll free number <18004250018> is functioning to cater to customers in 6 regional languages, such as, Bengali, Kannada, Malayalam, Marathi, Tamil and Telugu, besides Hindi and English for redressal of grievances. Your Bank has implemented online grievance redressal facility of customers in the website for lodging grievances online under the portal- Canara Public Grievance Redressal System. All grievances were redressed as per prescribed time norms. As per Damodaran Committee Recommendations, the Bank has appointed a Chief Customer Service Officer (CCSO), who acts as an Internal Ombudsman of the Bank.

CORPORATE SOCIAL RESPONSIBILITY

Following the founding principles all along these years, your Bank has been engaged in promoting Corporate Social Responsibility and has earned several laurels and above all goodwill of the people across India. Your Bank through its Canara Bank Centenary Rural Development Trust (CBCRDT), has established 34 exclusive training institutes, including 26 Rural Self Employment Training Institutes (RSETIs) and 5 Institutes of Information Technology and 3 Artisan Training Institutes to promote entrepreneurship development among rural youth and encourage them to take up self employment activities. During 2015-16, these Institutes trained 30,387 candidates, taking the tally to 2.57 lakhs unemployed youth since inception, with an impressive settlement rate of 73%.

Your Bank has also co-sponsored another 27 Rural Development and Self Employment Training Institutes (RUDSETIs) across 17 States, engaged in training of rural youth for taking up self-employment programmes. During 2015-16, these Institutes trained 26,909 candidates, taking the tally to 3.96 lakhs unemployed youth, with a settlement rate of 72%.

The Bank has co-sponsored Andhra Pradesh Bankers Institute for Rural and Entrepreneurship Development (APBIRED) at Hyderabad, Canara Bank Deshpande RSETI at Haliyal, Karnataka, Karnataka Farmers Resource Centre (KFRC) at Bagalkot, Karnataka and Bharat Ratna Shri M Visvesvaraya Training Institute at Bengaluru. Cumulatively, your Bank's sponsored/ co-sponsored 65 training institutes have trained 6.78 lakhs unemployed youth, with a settlement rate of 72%.

Several other initiatives were also taken under CSR, including health care for the underprivileged, support to education,

construction of toilets for girls in Government Schools in the Bank's lead districts, De-fluoridation-Reverse Osmosis drinking water plants in villages, support to extend Mid Day Meals to students, assisting the people in distress, support to persons with disability and initiatives for environment protection.

Your Bank, under a novel Canara Gramodaya Scheme, has adopted 63 villages and 3 slums pan India for comprehensive development. Apart from developmental activities, like, providing health, sanitation, agricultural technology and inputs about livelihood activities, involving various development agencies, banking activities, like, opening of accounts and extension of credit facilities to all households were taken up for all-round economic development.

HUMAN RESOURCE MANAGEMENT

Your Bank had 54008 committed and professional employees on its rolls as at March 2016. During the year, 3747 staff were recruited in different cadres to fill the retirement gap at various levels. During the last four years, your Bank has recruited 24556 staff in various cadres, which has brought down the average age profile of the staff to 41 years. With young and empowered staff, your Bank is confident of meeting the swiftly changing industry scenario and emerge out stronger in the competitive financial services landscape.

CORPORATE GOVERNANCE

Your Bank's corporate governance philosophy is based on pursuit of sound business ethics and strong professional acumen that aligns the interests of all segments of the stakeholders as also of the society at large. Accordingly, your Bank promoted fairness, transparency, accountability and efficiency across levels to maximize sustainable value for stakeholders in a transparent manner.

CORE FUNDAMENTALS IN PLACE

Your Bank is endowed with following core fundamentals and strengths, which we are sure, will enable the Bank to scale new horizon of growth and development in the coming years:

1. A premier bank with 110 years history of banking excellence and goodwill;
2. A contemporary and appealing brand equity;
3. Pan India presence with well knitted connectivity;
4. Premier human resource talent, highly motivated and dedicated;
5. Ever growing clientele segments, ably cared and served;
6. Unstinted support and continued patronage from large customer base;
7. Innovative and enhanced Digital Banking space using technology; and
8. Broad-based assets portfolio, with more focus on retail assets.

GOALS FOR FY 2016-17

Your Bank shall continue to focus on expanding retail business during the current year, with particular emphasis on increasing CASA and retail deposits and increasing retail assets. More importantly, your Bank has laid overriding emphasis on NPA management and recovery. Further, augmenting fee income and improving operational financial ratios, such as, NIM, RoA, RoE, Cost-to-Income ratio to create value for all stakeholders shall be part of the goals that would be objectively pursued.

AWARDS AND ACCOLADES

In recognition of the varied initiatives, your Bank was conferred with several awards during the year and a few major ones are:

- ⇒ **Special Award for the Best Financial Institution - Gold, 2015**, by the Federation of Karnataka Chamber of Commerce & Industry, Bengaluru.
- ⇒ **Golden Peacock Award for 'Corporate Social Responsibility, 2015'** in recognition of its pioneering work done through CSR initiatives.
- ⇒ **'Best Use of Digital and Channels Technology'** award amongst large banks in IBA Banking Technology Awards, 2014-15.
- ⇒ **Best MSME Bank award** by Chamber of Indian Micro, Small & Medium Enterprises (CI MSME).
- ⇒ **"Agricultural and Best Social Bank"** award (under large bank category) by ASSOCHAM, for its outstanding performance under Agricultural Banking and Social Banking.
- ⇒ **Dun & Bradstreet Banking Awards, 2015**, for Best Bank under Priority Sector Lending and Best Retail Growth performer amongst the PSBs.
- ⇒ **India's Most Trusted Brand-2015** under India's Best Banks Category, in a survey conducted by IBC Infomedia & Media Research Group (MRG).
- ⇒ **Inspiring Workplace Award, 2015, (PSBs)**, instituted by Banking Frontiers in partnership with M/s. Deloitte.
- ⇒ **'Vigilance Excellence Award, 2015-16'**, 3rd Best in Banking Sector, instituted by M/s Institute of Public Enterprise.
- ⇒ **2nd Prize in Region 'C' under Rajbhasha Kirti Pursakar, 2014-15.**

We, on this occasion, rededicate ourselves and affirm that we are committed to continue our journey on the path of excellence to prove worthy of many more such recognitions.

EXPRESSION OF GRATITUDE

We are grateful to the shareholders and all other stakeholders for their immense support and patronage. Our appreciation in abundance is due to the esteemed members of the Board, the Auditors, the Legal Advisors and the correspondent banks for the unstinted guidance, support and co-operation. We acknowledge with gratitude the guidance from the Government of India and the Reserve Bank of India; the constructive coverage by the Media and most importantly, continued patronage that flowed from our valuable customers.

We thank the Securities & Exchange Board of India (SEBI), Stock Exchanges and the investor community for reposing full faith in Canara Bank's professional prowess and proven capabilities.

We sincerely place on record our heartfelt thanks to the members of the Canara Bank family whose contribution has been instrumental in the sustained growth and excellence of the Bank. With the collective wisdom and effort of Canara Bank family, we are confident that the financial year 2016-17 will turn out to be a better year for your Bank.

We seek your continued support and patronage in our journey ahead to script an enchanting bright future for the Bank filled with excellence, growth and profitability.

Yours sincerely,



T N MANOHARAN
CHAIRMAN
26.07.2016, Bengaluru