



Speech by **Shri R K DUBEY**
Chairman and Managing Director
at the 12th Annual General Meeting
of the Shareholders held on
21st July, 2014 at Bangalore.

केनरा बैंक
Canara Bank

(A Government of India Undertaking)
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Ladies and Gentlemen,

I am delighted to welcome you all to this Annual General Meeting. This is the 12th Annual General Meeting since your Bank went public in November 2002 and the 2nd in my tenure at Canara Bank.

I thankfully acknowledge your continuous support, trust and patronage, which helped us to perform commendably.

2013-14 was a year of success for Canara Bank. The Bank returned to the high growth trajectory setting aside low growth syndrome of last 2 years.

Major Highlights

- The Bank crossed ₹7 lakh crore business milestone during the year to reach ₹721790 crore, with a y-o-y growth of 21%.
- Increase in CASA ratio (domestic) to 25.9% from 25.1% last year. Savings deposits increased to ₹85536 crore, with a y-o-y growth of 20.2%.
- Robust growth in credit segments - MSME (35%), MSE (38%), Retail Lending (45%), Housing Loans (50%), Vehicle Loans (62%) and other personal loans (58%).
- Mandatory norms complied under Priority Credit, Agriculture, MSE credit, Micro Enterprises Accounts, Credit to Minority Communities and Weaker Sections.
- Commendable Asset Quality - Gross NPA Ratio down to 2.49% from 2.57% as at March 2013 and from 2.79% at December 2013.
- Record Cash Recovery at ₹5494 crore compared to ₹4006 crore last year.
- Significant increase in Delivery Channels – 1027 domestic branches opened, second highest in the industry and 2786 new ATMs opened.

These achievements clearly reveal your Bank's strength and resilience in difficult macro-economic environment and adverse market conditions.

The Bank has been able to deliver value to all segments of our stakeholders. I am confident that with your support, we shall do much better in the future.

Several initiatives were taken by the Bank in different areas. The final accounts of the Bank and the Directors' Report for the year ended March 2014 are already with you and with your permission, I take them as read. Let me therefore present the highlights of your Bank's performance.

INDIAN ECONOMIC SETTING

Indian economy witnessed yet another year of economic slowdown during 2013-14, third time in a row, with GDP growth

staying sub-5% for seven successive quarters. As per the provisional estimates released by the Central Statistical Organization (CSO), GDP growth was estimated at 4.7% for 2013-14, slightly higher compared to 4.5% recorded last year. The inflation rate moderated during the year. Inflation inched towards the glide path set by the Urjit Patel Committee. It was, however, higher than the RBI's comfort levels during the year.

External trade sector witnessed a volatile trend during the year. Current Account Deficit (CAD) narrowed considerably to 1.7% of GDP compared to 4.8% last year.

FINANCIAL SNAPSHOT- SUSTAINED GROWTH

I would like to place before you the highlights of the Bank's performance during 2013-14.

The Bank's global business crossed ₹7 lakh crore mark to reach ₹721790 crore as at March 2014, registering a y-o-y growth of 20.7%. While total deposits grew by 18.2% to reach ₹420723 crore, net advances grew by 24.3% to reach ₹301067 crore as at March 2014.

During the year, the Bank shed ₹25681 crore worth high cost deposits. As a result, the share of high cost bulk deposits came down from 15% as at March 2013 to 6.5% as at March 2014.

The Bank's CASA deposits to domestic deposits improved to 25.9% from 25.1% last year. CASA deposits of the Bank grew by 20% y-o-y to ₹103279 crore, of which, savings deposits was at ₹85536 crore, registering an increase of 20.2%. To increase CASA deposits, the Bank launched nationwide campaigns and introduced new products/services.

The credit-deposit ratio of the Bank stood at 71.56%. Productivity, measured by business per employee improved to ₹14.42 crore and business per branch stood at ₹151.80 crore. The clientele base of the Bank rose to 5.55 crore, comprising 4.89 crore under deposit accounts and 66 lakh under borrowal accounts.

PROFITS AND PROFITABILITY

The net interest income, the difference between interest paid and interest earned by the Bank, increased by 13.5% to ₹8944 crore. Operating profit of the Bank increased by 15.4% to ₹6796 crore. Net Profit of the Bank stood at ₹2438 crore for 2013-14.

Net Interest Margin (NIM), which stayed at around 2.21% in the first three quarters, improved to 2.27% as at March 2014. Return on average assets (RoAA) stood at 0.54% whereas profit per employee worked out to ₹5.00 lakh for the year.

CAPITAL AND RESERVES

Govt. of India infused ₹500 crore capital in the Bank by way of preferential allotment of 1.83 crore equity shares on 31.12.2013. Consequently, the Government of India's shareholding in the Bank increased to 69% from 67.72%. During the year, the Bank

also raised ₹2500 crore Basel III compliant Tier II bonds.

Capital Adequacy Ratio as at March 2014 stood at 10.63% against regulatory requirement of 9%. Adequate headroom is available under both Tier-I and Tier-II options for the Bank to raise capital.

MAXIMIZING RETURNS TO SHAREHOLDERS

The Book Value of the Bank increased further to ₹522.76 as at March 2014 compared to ₹490.56 for the previous financial. A final dividend of 45% has been recommended by the Board of Directors, taking the full year's dividend to 110%, including 65% dividend already declared in January 2014.

EXPANDED OUTREACH AND DELIVERY CHANNELS

The Bank undertook a major branch expansion drive during the year. The Bank added 1027 domestic branches, 2nd highest in the industry, taking the total branch network to 4755 branches, which includes 262 specialized branches, catering to the specific clientele segments.

The Bank's overseas operations covered 6 countries with one branch each at London and Leicester (UK), Hong Kong, Shanghai (China) and Manama (Bahrain) and a Representative Office at Sharjah (UAE). These apart, a joint venture Bank, namely, Commercial Indo Bank LLC in Moscow is also operational in association with State Bank of India.

The Bank opened a branch at Johannesburg (Republic of South Africa) on 19.05.2014 and launched another branch at New York (USA) on 09.06.2014.

Further, the Bank added 2786 ATMs, taking the Bank's ATM network to 6312 as at March 2014. The total debit card base of your Bank rose to 1.51 crore as at March 2014 from 95.53 lakh last year.

The Bank opened 102 hi-tech E-lounges in select branches 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. Interactive Video Conference System is configured at select e-Lounges.

INFOTECH PROGRESS

During the year, the Bank introduced 'Canara e-Infobook' – an electronic passbook and banking related information facility in English, Hindi and 4 Regional Languages, viz., Kannada, Telugu, Tamil and Malayalam on mobile platforms.

Canara Bank RuPay Debit Card, Canara Club Card – Debit, Canara Secured Credit Card, Canara Elite Debit Card and EMV Chip Cards under debit and credit cards were launched by the Bank.

The Bank introduced Online Savings Bank and PPF account opening facility.

Value additions included introduction of fingerprint based biometric login solution, facility of missed call to 092892 92892 to know account balance for domestic customers and 9192892 92892 for NRI customers and missed call to 092891 92891 to know last 5 transactions, exclusive toll free number 1800 425 1254 provided for Retail Lending Products, etc.

CUSTOMER ORIENTATION

Several initiatives were taken to remain customer focused through providing fast service, bringing in diversified products/services, responding to customers' queries and redressal

of customer complaints. The Bank appointed Chief Customer Service Officer (CCSO) on 31.08.2013.

"Customer Satisfaction Survey Form" is available in the Bank's website. Customers' fortnight was conducted from 15.11.2013 to 30.11.2013.

Call centre with single point contact number 18004250018 caters customers in 6 regional languages of Bengali, Kannada, Malayalam, Marathi, Tamil and Telugu, besides, Hindi and English for redressal of grievances.

The Bank has implemented online grievance redressal facility in the website for customers under the portal Canara Public Grievance Redressal System (CPGRS). The complaints received at Call Centre were also integrated with CPGRS package.

PRIORITY SECTOR LENDING

Priority Sector advances of the Bank grew by 23.8% to reach ₹97762 crore as at March 2014. The Bank's advances under agriculture portfolio increased to ₹48797 crore, covering over 48 lakh farmers. During 2013-14, the Bank's agriculture credit disbursal increased to ₹41667 crore, with a y-o-y growth of 23.5%.

The Bank achieved the mandated targets in respect of agriculture (21.22% against 18% norm), direct agriculture (19.25% against 13.5% norm), credit to specified minority communities (18.19% against 15% norm) and weaker sections (12.99% against 10% norm).

Advances to MSMEs increased to ₹50040 crore as at March 2014, with a y-o-y growth of 35.2%. Credit to M&SE segments rose to ₹36703 crore, with a 37.9% growth against mandated 20% norm. Share of Micro credit in M&SE improved to 55.84% from 32.88% last year. The number of Micro Enterprises Accounts recorded a growth of 99.9% against mandated norm of 10%.

Your Bank has 143 Specialized SME branches and 44 SME Sulabhs. New Schemes under MSME credit were launched and several MoUs were also entered.

Your Bank has been actively encouraging entrepreneurship development among women. As against RBI's requirement of 5% of Net Credit to women beneficiaries, the Bank achieved 15.95% as at March 2014. Over 20.67 lakh women assisted to the tune of ₹36669 crore. The Bank is also extending credit with 0.5% concession on education loans to girl children and loans to women beneficiaries under micro and small enterprises.

ADVANCING RURAL DEVELOPMENT

The Bank, through its Canara Bank Centenary Rural Development Trust (CBCRDT), has established 34 exclusive training institutes, including 26 Rural Self Employment Training Institutes, 5 Institutes of Information Technology and 3 Artisan Training Institutes to promote entrepreneurship development among rural youth and encourage them taking up self-employment activities.

The Bank has co-sponsored another 27 Rural Development and Self Employment Training Institutes (RUDESETIs) across 17 States, engaged in training of rural youth for taking up self-employment programmes.

The Bank has co-sponsored Andhra Pradesh Bankers Institute of 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 Bangalore. Cumulatively, the Bank has sponsored/ co-sponsored 65 training institutes, which have trained 5.67 lakh unemployed youth with a settlement rate of 73%.

SURGE IN RETAIL BANKING

Outstanding retail loans portfolio grew by 45.2% y-o-y to ₹33529 crore as at March 2014. The disbursements under various retail lending schemes amounted to ₹18499 crore. The outstanding housing loan portfolio rose to ₹19684 crore, with a y-o-y growth of 49.9% and accounted for 59% of the total retail lending portfolio. The Bank's Vehicle loans and other personal loans increased by 62% and 58.2% y-o-y, respectively.

The Bank introduced new retail loan products, opened new retail asset hubs and entered into MoUs. Your Bank has set up 50 Retail Asset Hubs for faster clearance of loan proposals.

The Bank's education loan portfolio increased to ₹4901 crore, covering around 2.5 lakh students as at March 2014.

DRIVING FINANCIAL INCLUSION

The Bank has successfully covered all the allotted 1624 villages (spread across 24 States), with population above 2000 for providing banking facilities. After ensuring coverage of villages in more than 2000 population category, the Bank has covered 3860 villages in less than 2000 population category.

261 FI branches opened during 2013-14, mobilized a total business of ₹538 crore, with an average business of ₹2 crore from 3.34 lakh accounts. CASA deposits of these branches constituted 63.55%.

The Bank opened 26.40 lakh Basic Savings Bank Deposit (BSBD) Accounts during the year, out of which, 10.74 lakh BSBD accounts were opened in FI villages.

Financial deepening is yet another endeavour by the Bank in providing various other facilities like In-Built Overdrafts (IODs), Kisan Credit Cards (KCCs), General Credit Cards (GCCs), Differential Rate of Interest Scheme (DRI), Self Help Groups (SHGs), Micro Credit Groups (MCGs), Micro Insurance and Micro Pension under Canara Nayee Disha Scheme.

- ♦ **IODs** - In built OD facility permitted to 3.22 lakh beneficiaries, amounting to ₹43.65 crore.
- ♦ **KCCs** - During the year, the Bank issued 4.97 lakh KCCs, amounting to ₹7095 crore.
- ♦ **GCCs** - The Bank issued 1.99 lakh GCCs during the year, with total disbursement of ₹461 crore.
- ♦ **DRIs** - During the year, the Bank financed 98000 persons under DRI Scheme, with total assistance of ₹128 crore.
- ♦ **SHGs** - 25741 SHGs were formed during the year. Credit linked 47076 SHGs, with credit of ₹821 crore.

The Bank provided life coverage to 61247 BSBD account holders under Micro Insurance Policy during the year.

On 19th November, 2013, the Bank's Founder's Day, a new Scheme called '**Canara Gramodaya**' was launched for holistic development of 65 villages and 3 slums for credit and non-credit support.

The Bank has set up 60 Financial Literacy Centres (FLCs) to provide financial education to common man. So far, these FLCs have contacted 7.38 lakh persons and counselled 1.19 lakh persons.

Pilot Project for Aadhaar enrolments is undertaken in 10 States, covering 2.37 lakh residents. The Bank has already entered into agreement with UIDAI by signing Aadhaar User Authentication (AUA) Agreement and with National Payments Corporation of India (NPCI) for Aadhaar Enabled Payment System (AEPS) and Aadhaar Payment Bridge System (APBS). The Bank is on-board with NPCI and UIDAI. The Bank is also participating in pilot project for direct credit of LPG subsidy.

In the 121 Districts in Phase I and Phase II of Direct Benefit Transfer (DBT) implementation, the Bank opened SB accounts of the DBT beneficiaries' provided by the Lead Bank and seeded their accounts with their Aadhaar numbers.

Under DBT LPG implementation, the Bank achieved number one position in Aadhaar seeding of LPG customers in Kerala.

Lead Bank Scheme

The Bank has been assigned additional lead bank responsibilities in 3 Metro Districts of Delhi National Capital Territory. With this, the Bank's lead bank responsibilities increased to 29 districts, viz., 8 in Karnataka, 7 in Tamil Nadu, 5 in Kerala, 5 in Uttar Pradesh, 3 in Delhi and 1 in Bihar. The Bank is the Convenor of the State Level Bankers' Committee (SLBC) in Kerala.

TREASURY OPERATIONS

Aggregate investments of the Bank, as at March 2014, reached a level of ₹126828 crore. The yield on investments stood at 8.03%. The Bank's Foreign Business Turnover aggregated to ₹166036 crore.

RISK MANAGEMENT

The Bank has in place risk management policies across geographies and across all risks. These include, policies on Credit Risk Management, Operational Risk Management, Market Risk Management, Asset Liability Management and Group Risk Management.

The Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2 of Basel II and Basel III norms. ICAAP document is reviewed and approved by the Risk Management Committee of the Board and the Board of Directors.

A Capital Planning Committee is in place at Head Office and the Committee articulates macroeconomic scenarios vis-à-vis capital requirements of the Bank.

Preparedness for Basel III

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 is extended up to 31.03.2019. The Bank endeavours to remain adequately capitalized and has drawn plans to meet the capital requirements stipulated by RBI in transitory phase. The Bank has adequate headroom to raise capital from the market, including recapitalization support from the Government of India. The Bank's capital requirement shall be met by injecting fresh equity capital, retention of profit, optimization of business levers and proactive capital planning and management.

ASSET QUALITY

Your Bank performed exceptionally well in containing NPA. The gross NPA level of the Bank stood at ₹7570 crore, with a gross NPA ratio at 2.49% as at March 2014. The Bank's gross NPA ratio is one of the lowest among peers. With a Net NPA of ₹5965 crore, the net NPA ratio reduced to 1.98% from 2.18% a year ago.

Cash Recovery during 2013-14 aggregated to a record ₹5494 crore compared to ₹4006 crore last year and showed a growth rate at 37% compared to 21% in 2012-13.

Besides, the Bank took several initiatives to contain slippages and speed up recovery from overdue loan accounts. These include, identification of stressed accounts for restructuring/ rephasing in time, conduct of Canadalats at branch level and mega adalats at Circle level for one time settlements (OTS), regular follow-up of overdues in loan accounts through Call Centre and conducting e-auctions for sale of seized assets, initiation of stringent recovery measures against Willful Defaulters.

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 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.

DEVELOPING HUMAN RESOURCES

The Bank had 48794 committed and professional employees on its rolls as at March 2014. During the year, the Bank recruited 9139 persons in various cadres to fill the retirement gap at various levels and to meet the growing business requirements.

Your Bank also initiated significant shifts in the HR policies in conformity with the transforming banking scenario.

Your Bank is the only Nationalized Bank to associate and implement the project 'UDAAN', successfully as part of its Corporate Social Responsibility. Your Bank absorbed all the 247 candidates - 187 of them as Probationary Officers (JMG Scale I) and 60 as Probationary Clerks.

EXPANDING ROLE OF CANARA BANK

Your Bank is aiming at a business level of ₹8 lakh crore plus in FY15. Overriding thrust is placed on expanding retail business during the current year, with particular emphasis on increasing CASA and retail deposits on the liability side and further expanding retail loan book like home and vehicles loans, other personal loans, loans to agriculture and MSMEs on the assets side. Increasing fee income, containing NPAs and increasing cash recoveries would be focal areas.

During the next two years, your Bank plans to increase branches to 6000+ and number of ATMs to 10000+. The Bank has approval from RBI for expansion in another 8 international centres by March 2015, such as, DIFC (Dubai), Qatar Financial Centre (Qatar), Frankfurt (Germany), Sao Paulo (Brazil), Dar-es-Salaam (Tanzania), Tokyo (Japan), Abuja (Nigeria) and Jeddah (Saudi Arabia).

AWARDS AND ACCOLADES

The Bank received around 30 awards and accolades during the year including

- ♦ **"Best Financial Institution"**, Category-Gold in the Export Excellence Awards 2013 by the Federation of Karnataka Chamber of Commerce, Bangalore.
- ♦ **Golden Peacock Award** for Excellence in Corporate Governance 2013.
- ♦ C&MD was conferred **Mahatma Gandhi Pravasi Gold Samman Award** during the Global Achievers' Conclave

organized by NRI Welfare Society of India at House of Lords, London.

- ♦ **'SKOCH AWARD'** under Corporate Social Responsibility.
- ♦ **GreenTech Life Time Award** for "Excellence in Banking".
- ♦ **Best HR Oriented CEO, Best Strategy in HR**, Training Excellence awards instituted by GreenTech Foundation during April 2013.
- ♦ **Asia Pacific HRM Congress 2013** instituted by Institute of Public Enterprises conferred "CEO of the Year" and "CEO with HR Orientation".
- ♦ **Golden Peacock Award** for excellence in Corporate Social Responsibility for the year 2013.
- ♦ **Greentech Award** for excellence in Corporate Social Responsibility for the year 2013.
- ♦ **Skoch Renaissance Award 2013**, with a Medal and Citation for being India's Best-2013.
- ♦ **Global CSR Excellence and Leadership Awards 2014** from CSR World Congress.

We see these prizes as a responsibility, which strengthens our resolve to constantly innovate and deliver value to all our stakeholders.

ACKNOWLEDGEMENT

I am grateful to the shareholders, customers and all other stakeholders for their support and patronage. Your Bank's excellence in several performance parameters stems from the unstinted guidance, support and co-operation of my colleagues on the Board, the Auditors, the Legal Advisors and the correspondent banks. The Government of India and the Reserve Bank of India provided valuable guidance, the Media provided constructive coverage and most importantly, our valued customers provided continued patronage.

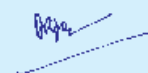
I thank the Securities & Exchange Board of India (SEBI), Stock Exchanges and the investor community for reposing full faith in your Bank's professional prowess and proven capabilities.

I am also thankful to the members of the Canara Bank family for fully contributing to the Bank's success.

I seek your continued support and patronage. I am sure that the financial year 2014-15 will turn out to be yet another year of excellence, with all-round growth for your Bank.

Thank you.

Yours sincerely



R K DUBEY

Chairman & Managing Director

21.07.2014
Bangalore