



## T N Manoharan

Chairman's Statement  
at the 15th Annual General Meeting  
of the Shareholders,  
on 20th July, 2017 at Bengaluru.

### Ladies and Gentlemen,

At the outset, we extend a hearty and warm welcome to all of you to the 15th Annual General Meeting since your Bank went public in November 2002. We sincerely appreciate your august presence here and thankfully acknowledge your continued support and valuable partnership with Canara Bank.

The year 2016-17 turned out as another eventful year for the banking industry, including Canara Bank. The banking system has witnessed some transformational changes with the initiatives by both the Union Government and the Reserve Bank of India, like, digitalization, demonetization and active stressed assets management during the year. However, we assure you that the core fundamentals of your Bank continue to be stronger in spite of the challenging environment. With the cleansing of the balance sheet along with the reorientation efforts carried out during last two years, your Bank is back on the sustained growth path resulting in profits and improved profitability. We reassure all assembled here that your Bank will further improve upon the stakeholders' value 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 2017 are already with you and with your permission, are taken as read. We shall now proceed to look at the highlights of your Bank's performance in the year 2016-17 vis-à-vis the economic environment within which it functions.

### ECONOMIC SCENARIO

Indian economy continues to remain as a bright spot despite some growth moderation during 2016-17, recording a 7.1% growth in the Gross Domestic Product (GDP) compared to 8.0% in the previous year. But the structural reforms and initiatives undertaken by the Government of India and RBI are expected to positively impact growth in 2017-18. The reduction in the lending rates will help encourage both consumption and investment demands in the economy. However, the roll-out of the Goods & Services Tax (GST) and initiatives being undertaken to resolve stressed assets of the banking sector are expected to yield positive results for the economy and also for the banking sector during the current year.

### PROFITS AND PROFITABILITY

During the year, your Bank improved its performance in the key parameters, especially on profitability and operational financial ratios. While total income was sustained at the previous year's level, your Bank could

substantially reduce its expenditure over last year, resulting in enhanced operating profit. Operating profit of the Bank increased by 24.72% to ₹ 8914 crore compared to ₹ 7147 crore last year. As a result of which your Bank posted a net profit of ₹ 1122 crore for 2016-17 compared to a net loss of ₹ 2813 crore last year.

The efforts of your Bank have been noteworthy in containing the total expenses. With conscious efforts to reduce the interest cost, your Bank undertook timely revision in the rate of interest offered on term deposits aligning in tune with the market. As a result, the interest expenses declined by 8% to ₹ 31516 crore from ₹ 34259 crore in the last year and the cost of deposits came down substantially by 69 basis points to 6.25% as at March 2017 compared to 6.94% in the previous year. The increase in operating expenses was contained at ₹ 8512 crore. Major heads of controllable other operating expenditure were monitored for containing the expenses across the Bank.

The non-interest income of your Bank also increased substantially by 54.95% to ₹ 7554 crore compared to ₹ 4875 crore last year.

Your Bank has improved its operational financial ratios during the year. Return on Assets (RoA) increased to 0.20% and Return on Equity (RoE) increased to 4.15% compared to the negative levels in the last year. The net interest income, the difference between interest earned and interest paid by the Bank, increased to ₹ 9872 crore, resulting in Net Interest Margin (NIM) to increase to 2.23% from 2.19% in the last year. While the share of non-interest income to total income has shot up to 15.43% from the last year's level of 9.97%, the controlled expenses aided in reducing the cost to income ratio to 48.85% from 50.65% a year ago.

The pace of increase of your Bank's gross NPA is controlled during the year. The amount of gross NPA increased by ₹ 2564 crore to ₹ 34202 crore as at March 2017 from the previous year's increase of ₹ 18598 crore. The gross NPAs to gross advances ratio was at 9.63% compared to 9.40% in the previous year. With a net NPA amount of ₹ 21649 crore, net NPA ratio declined from 6.42% in the previous year to 6.33%. Cash Recovery made during the year aggregated to ₹ 4162 crore, excluding intra month recovery. As the Bank has already made required provisions for NPAs, any recoveries effected in NPAs would enhance your Bank's profitability.

### CAPITAL AND RESERVES

Your Bank's capital to risk weighted assets ratio at 12.86% significantly increased from 11.08% in the last year and is comfortable against the regulatory requirement of 10.25%, which include Capital Conservation Buffer of 1.25%. Within the capital adequacy ratio, Common Equity Tier I ratio was at 8.92% and Tier I capital ratio at 9.77%.

During the year, the Bank raised ₹ 5124 crore capital comprising of equity capital of ₹ 1124 crore from the Rights Issue, ₹ 1000 crore additional Tier I capital and ₹ 3000 crore Tier II capital by issuing Basel III compliant

Tier I and Tier II bonds. With the Government of India's shareholding at 66.30%, adequate headroom is available under equity and also under Tier-I and Tier-II options for further capital augmentation to support business growth momentum.

## BUSINESS GROWTH

Total deposits reached ₹ 495275 crore and net advances increased to ₹ 342009 crore. Business, comprising total deposits and net advances, reached ₹ 837284 crore compared to ₹ 804506 crore in the previous year.

Your Bank's current account and savings account (CASA) deposits increased by 21.21% to ₹ 149749 crore. Much of the increase in CASA deposits can be attributed to the demonetization move by the Government of India. Consequently, CASA deposits as a percentage to domestic deposits also increased to 32.85% compared to 27.38% in the last year. Besides demonetization, to increase CASA deposits, your Bank also launched nationwide campaigns and introduced new technology products/services. Keeping the thrust on mobilizing more retail term deposits, the Bank's retail term deposits share (less than ₹ 1 crore), in domestic term deposits increased to 65.90% from 56.54% a year ago, thereby, consciously reducing dependence on bulk deposits.

The clientele base of your Bank is consistently on rise. Your Bank's total clientele accounts rose to 7.79 crore, comprising 6.97 crore under deposit accounts and 82 lakhs under borrowal accounts compared to 7.25 crore clientele accounts in the last year.

## TREASURY OPERATIONS

Your Bank's aggregate investments (net) were of the order of ₹ 150266 crore as at March 2017. With the effective management of the investment portfolio, during the year, your Bank earned a trading profit of ₹ 2982 crore compared to ₹ 990 crore earned during last year.

## THRUST ON RETAIL ASSETS

With due focus on retail banking, your Bank is reorienting its strategies on expanding retail assets and meeting various goals under national priorities. Under various national priorities, your Bank has credibly achieved the mandated targets as follows:

- 46.05% of the adjusted net bank credit against 40% norm in total priority
- 19.45% of the adjusted net bank credit against 18% norm in lending to agriculture
- 17.28% of the total priority sector lending against 15% norm in lending to specified minority communities
- 11.07% of the adjusted net bank credit against 10% norm in lending to weaker sections
- 16.46% growth in number of Micro Enterprises accounts against 10% norm
- 13.59% 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 ₹ 160269 crore, with a growth of 10.11%. Advances under

agriculture portfolio increased by 10.28% to ₹ 74079 crore, covering over 60 lakh farmers.

Advances to Micro, Small & Medium Enterprises (MSMEs) increased by 11.42% to ₹ 74302 crore as at March 2017, out of which credit to Micro & Small Enterprises rose to ₹ 53818 crore as against ₹ 50898 crore during the previous year. To speed up delivery under MSMEs, your Bank has 166 Specialized SME branches and 49 SME Sulabhs (loan processing centres) for speedy processing and sanctions. Under Pradhan Mantri Mudra Yojana, your Bank disbursed an amount of ₹ 5182 crore, covering 4.10 lakh accounts. Your Bank has been all along actively encouraging entrepreneurship development among women. The Bank assisted a total of 27.74 lakhs women, with credit outstanding to the tune of ₹ 44766 crore.

In retail loans, housing direct, grew by 18.86% to ₹ 24337 crore. The outstanding total housing loan portfolio rose to ₹ 32285 crore, accounting for 54.80% of the total retail lending portfolio of ₹ 58910 crore. The Bank's education loan portfolio increased to ₹ 7651 crore, covering around 2.99 lakh students as at March 2017. Several initiatives were undertaken to increase retail lending, like, Online Instant in-principle Sanction for Housing Loan and Car Loan platform, Pradhan Mantri Awaas Yojana, Housing cum Solar Loans, Housing Loans to High Net worth Individuals (HNIs), Non-Resident Indians (NRIs) and Agriculturists. During the year, 16 new Retail Asset Hubs (processing centres) were opened, taking the total number of Retail Asset Hubs to 81 across major centres for faster processing and sanction of retail loans.

## 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 use of technology and enhancing financial literacy.

Under Pradhan Mantri Jan Dhan Yojana (PMJDY), your Bank has opened 64.66 lakh accounts and mobilized a CASA deposit of ₹ 1858 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. The Bank has covered all allotted 10049 villages comprising of 3962 Sub-Service Areas and 3371 Urban Wards by opening 878 brick & mortar branches and engaging 2459 Business Correspondent Agents.

Your Bank also performed well under various social security schemes launched by the Government of India. 50.83 lakh enrolments have been done under both Pradhan Mantri Jeevan Jyoti Bima Yojana & Pradhan Mantri Suraksha Bima Yojana. 1.05 lakh enrollments have been made under Atal Pension Yojana.

## RISK MANAGEMENT

Your Bank has in place comprehensive risk management policies, including an Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2 of Basel III 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 the 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 9.00% and Capital Conservation Buffer (CCB) of 2.50% at the end of March 2019. Your Bank is fully prepared to meet Basel III norms.

## PAN INDIA PRESENCE WITH EXPANDED GLOBAL FOOTPRINTS

Further expanding footprints across India, your Bank added 239 domestic branches during the year, taking the total branch network to 6083 branches. The Bank's overseas operations covered 9 countries, with branches in London and Leicester (UK), Hong Kong, Shanghai (China), Manama (Bahrain), Johannesburg (South Africa), New York (USA), Dubai (UAE), a Representative Office at Sharjah (UAE), a Joint Venture Bank in Moscow (Russia) and a subsidiary in Tanzania.

## ENHANCING DIGITAL BANKING

Your Bank has always strived to remain contemporary. Several initiatives have been taken to move ahead in the digital banking space for the customers' convenience.

Your Bank has added 1268 ATMs, taking the total number of ATMs to 10519, with a pan India coverage. These apart, 182 hi-tech e-lounges are also 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.

The following are some of the major interventions in the tech-products and services.

- **Canara Empower**-Unified Payment Interface (UPI), a single platform to access multiple bank accounts across banks.
- **Canara mServe**, which enables customers to hot list and Block/Unblock Debit and Credit Cards.
- **Canara Swipe** - all missed call solutions in a single application.
- **Canara GeoLocate** for locating Branches and ATMs
- **Canara Cart**, an umbrella app containing all mobile based solutions.
- Introduced "**Green PIN**" functionality for enabling the customers themselves to generate Debit Card PIN at the time of Issuance of Card and also if PIN is forgotten.
- Customers can now download, register and activate CanMobile without visiting a Branch or ATM. Mobile Banking registration through ATM introduced.
- **Upgraded Internet Banking** released with simplified functionalities.
- **Instant Loan application portal** for Housing Loan and Car Loan.

To enhance digital transactions, in the line with Government of India initiatives, the Bank is onboarding merchants for increasing usage of **Debit and Credit Card payments, Unified Payments Interface (UPI), Bharat Interface for Money (BHIM) App, BharatQR Code and Aadhaar-enabled Payment Systems (AEPS)**. Your Bank is in the process of implementing a number of digital initiatives for customer convenience and better service

delivery. As a result of various alternate delivery measures adopted by your Bank, e-transaction ratio has increased to 64.70% as at March 2017 from 54.21% in the last year. Your Bank aims at taking the ratio beyond 70% in the medium term.

## CUSTOMER ORIENTATION

Customers are the nerve centre of any business. Several initiatives were taken by your Bank to remain customer focused- be it providing fast service, bringing in diversified products and services or responding to customers' queries and redressal of customer complaints. To increase awareness 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 available in Bank's website and branches. As per the instructions of 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 16.11.2016 to 30.11.2016, inviting suggestions from customers.

In order to enhance customer orientation, 1211 branches of your Bank were transformed as 'Shikhar Branches', with 165 branches under star 5 category and 67 under star 4 category as at March 2017, 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. Your Bank has in place an online grievance redressal facility in the website for lodging grievances online under the portal- Canara Public Grievance Redressal System. All grievances were redressed as per prescribed time norms. The Bank has 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 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 2016-17, these Institutes trained 30,384 candidates, taking the tally to 2.87 lakhs unemployed youth since inception, with an impressive settlement rate of 75%.

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 2016-17, these Institutes trained 26,284 candidates, taking the tally to 4.23 lakhs unemployed youth, with a settlement rate of 72%.



Your Bank has also 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, and Bharat Ratna Shri M Visvesvaraya Training Institute at Bengaluru.

Cumulatively, your Bank's sponsored/ co-sponsored 65 training institutes have trained over 7 lakhs unemployed youth, with a settlement rate of 72%.

Several other CSR initiatives were undertaken, including health care for the underprivileged, support to education, 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.

#### HUMAN RESOURCES MANAGEMENT

Your Bank had 55717 committed and professional employees on its rolls as at March 2017. During the year, 4952 staff members were recruited in various cadres to fill the retirement gap at various levels. During the last five years, your Bank has recruited 29508 staff in various cadres, which has brought down the average age profile of the staff over last 5 years from 51.25 as at March 2012 to 40.39 years as at March 2017. With young and energetic staff, your Bank is confident of meeting the swiftly changing industry scenario.

#### 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.

#### CORE FUNDAMENTALS IN PLACE

Your Bank is endowed with certain core fundamentals, which we are sure, will take us to new horizon of growth and development in the coming years.

1. A premier bank with 111 years history of banking excellence and goodwill of the people
2. A contemporary and appealing brand equity
3. Pan India presence
4. Ever growing clientele segments
5. Deep understanding of varied clientele segments and their continued patronage
6. Continuous enhancement of Digital Banking space for customer convenience
7. Diversified assets portfolio

#### GOALS FOR FY 2017-18

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 is according overriding emphasis on NPA management and recovery, augmenting fee income and improving operational financial ratios, such as, Net Interest Margin, Return on Assets, Return on Equity, Cost-to-Income ratio to create value for all stakeholders.

#### 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:

- **National Award for Excellence-** 1st position in MSE lending for 2013-14 and 2014-15 by the Government of India.
- **National Award for Excellence in lending to Micro Enterprises,** 1st position for 2013-14 and 2nd Position for 2014-15 by the Government of India.
- **Best bank Award under PMEGP, South Zone in the field of Khadi and Village Industries** for 2013-14 and 2014-15 by the Government of India.
- **Golden Peacock Award, 2016,** under CSR activities.
- **ASSOCHAM Social Banking Excellence Awards, 2016.**
- **'Special Award for the Best Financial Institution-Gold'** for 7th year in succession by Federation of Karnataka Chamber of Commerce & Industry (FKCCI).
- **Corporate Vigilance Excellence Award, 2016-17,** in Banking Sector, consecutively for the 4th year, instituted by M/s. Institute of Public Enterprise.
- **Best Strategy in HR & Training Excellence – Gold Awards,** in 6th Annual Greentech HR Award 2016.

We are committed to walk on the path of excellence.

#### 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 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 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 collective wisdom and effort of Canarites, we are confident that the financial year 2017-18 will turn out to be a promising 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  
20.07.2017, Bengaluru