Resolution Plan - Canara Bank New York branch

Part I - Resolution Plan - Public Information

December 31, 2016
Introduction

Canara Bank is a foreign banking organization duly organized and existing under the laws of India. In the United States, Canara Bank maintains a New York state licensed branch (the “New York Branch”). This is the public section of the plan for resolution (“Resolution Plan”) prepared by Canara Bank and required pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Section 165(d) and the regulations state that any foreign bank or company that is, or is treated as, a bank holding company under section 8(a) of the International Banking Act of 1978 (the “IBA”) and that has $50 billion or more in total, global consolidated assets must submit annually to the Federal Reserve and the FDIC a plan for the rapid and orderly resolution of the Bank’s U.S. operations in the event of material financial distress or failure. The initial Resolution Plan of Canara Bank is due on December 31, 2016, with annual updates thereafter.

The FDIC and the Federal Reserve have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for these resolution plans, and have required that certain information be included in a public section of the resolution plans. This public section of Canara Bank’s Resolution Plan adheres to these requirements.

Canara Bank is defined as a “covered company” under the applicable rules because it is treated as a bank holding company and is supervised by the Federal Reserve and has consolidated assets of $50 billion or more. Canara Bank is submitting a “tailored” resolution plan which is available for foreign-based covered companies that have less than $100 billion in total U.S. nonbank assets and whose U.S. depository institution operations, branches, and agencies comprise 85% or more of the company’s U.S. total consolidated assets. The “tailored” plan allows Canara Bank to provide information on Canara Bank’s U.S. nonbanking material entities and operations. Canara Bank provided written notice to the FRB and FDIC of its intent and eligibility to submit a tailored resolution plan that was received on March 1, 2016, and received a notice from the FRB and FDIC dated August 3, 2016, indicating that Canara Bank may file a tailored plan.

Overview of the Bank

Canara Bank Head Office (Parent Entity):

Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka, India. As at 31st March 2016, the Bank had 5849 branches and 9251 ATMs in India. The Bank’s overseas operations covered 8 countries, which include branches in London and Leicester (U.K), Hong Kong, Shanghai (China), Manama (Bahrain), Dubai International Financial Centre (DIFC) (U.A.E), Johannesburg (South Africa) and New York (U.S.A); a Representative Office at Sharjah (U.A.E) and a Joint Venture Bank
in Moscow (Russia). The Bank also has a wholly-owned subsidiary in Tanzania opened in May 2016. Canara Bank had 54,008 employees as at 31st March 2016.

As at 31st March 2016, Canara Bank had total assets of USD 85.08 billion, total loans of USD 49.05 billion and shareholders’ equity (including minority interest) of USD 4.89 billion. The Bank’s capital adequacy ratio as at 31st March 2016 stood at 11.08%.

Canara Bank is a full service commercial and retail bank with its headquarters in Bangalore, India, and is controlled indirectly by the Government of India through share ownership. Shares of Canara Bank are publically traded on the National Stock Exchange of India Ltd and Bombay Stock Exchange in India. As of March 31, 2016, 66.30% of Canara Bank’s shares were held by the Indian government and 33.70% were held by individuals, legal entities and non-affiliated foundations.

Canara Bank has four principal business departments - Retail Banking, Commercial Banking, International Banking and Treasury and Investment Banking. In addition, Canara Bank (including through its subsidiaries and other companies in which Canara Bank has an interest) provides mutual fund investments in the debt and equity areas, merchant banking, securities brokerage, trading platforms in debt and derivatives, software development and advisory services, long term residential loan financing, factoring, venture capital investing and life insurance. Retail banking is Canara Bank’s primary focus, providing a broad range of services, including deposits, loans (including auto and mortgage loans), credit and debit cards, investment accounts and payroll services. Commercial Banking encompasses project finance, cash transfer, business-to-business activities, foreign exchange, corporate finance, electronic banking, cash management and investment services. Treasury focuses on diversifying Canara Bank’s funding sources and acting as a market maker in the Indian money and forex markets.

Canara Bank New York Branch

The New York State Department of Financial Services (the “NYSDFS”) licensed Canara Bank to operate as a branch in United States in June 2014. A Federal Reserve order approving the branch was released in December 2013. The New York Branch engages in deposit taking, remittances, commercial lending, trade finance activities, treasury and investments. The New York Branch is subject to supervision, examination and regulation by the NYSDFS and the Federal Reserve.

Summary of the Resolution Plan

Overview of Resolution Plan

This Resolution Plan provides an evaluation by Canara Bank as to how it can be resolved in the United States under the insolvency regime applicable to its businesses in a way that would not pose serious risk to the financial system. This requires Canara Bank to map its core business lines and critical operations (if any)
to material entities and that is significant to the activities of a critical operation or core business line. This Resolution Plan contains information on Canara Bank’s U.S. operations and on the interconnections and interdependencies between Canara Bank’s U.S. and non-U.S. operations.

This Resolution Plan relates to the subsidiaries, branches, critical operations and core business lines that are domiciled in the United States or are conducted in whole or in material part in the United States. The Resolution Plan includes the information required for a tailored plan, including a description of Canara Bank’s U.S. banking operations. Canara Bank is subject to regulation by its financial regulators primarily in India. There are no current requirements of the Indian financial authorities relating to recovery and resolution planning of Canara Bank although such requirements may be imposed in the future.

1 Names of Material Entities

1.1. A “material entity” is defined as a “subsidiary or foreign office of the Covered Company that is significant to the activities of a critical operation or core business line.”

1.2. Core business lines are defined as “those business lines of the Covered Company, including associated operations, services, functions and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit, or franchise value.

1.3. Critical operations are defined as “those operations of the Covered Company, including associated services, functions and support, the failure or discontinuance of which, in the view of the Covered Company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States.”

1.4. Canara Bank has determined that it does not have any “critical operations” that, upon their failure or discontinuance, would pose a threat to the stability of the U.S. financial system. Neither the Federal Reserve nor the FDIC designated any operations as “critical operations.”

1.5. In the view of management of Canara Bank, there are no critical operations or core business lines conducted in the United States. The only entity that Canara Bank operates in the U.S. is the New York Branch. The New York Branch is licensed by the NYSDFS and is located at 405 Park Avenue, Suite 904, New York, New York 10022. The New York Branch engages in deposit taking, remittances, commercial lending, trade finance activities, treasury and investments. The New York Branch is subject to supervision, examination and regulation by the NYSDFS and the Federal Reserve.

1.6. Canara Bank has evaluated whether the New York Branch is a “material entity” that is significant to the activities of a critical operation or core business line. Based on the definition in the regulation, the New York
Branch is not a “material entity.” The New York Branch does not conduct any core business lines or critical operations in the U.S., but engages in some banking activities such as: offering commercial loans—both secured and unsecured—including working capital and term loans; offering a full suite of trade finance products including export and import letters of credit as well as standby letters of credit; handling collection of trade documents and arranging for bid and performance bonds for customers and offering remittance activities including both domestic and international wire transfers for customers.

2. Description of Core Business Lines

As noted above, in the view of management of Canara Bank, there are no core business lines conducted in the United States. Core business lines means those business lines of Canara Bank, including associated operations, services, functions and support, that, in the view of Canara Bank, upon failure would result in a material loss of revenue, profit or franchise value. There is no activity of the New York Branch that, upon its failure, would result in a material loss of revenue, profit or franchise value for Canara Bank. There is no activity of the New York Branch that even comes close to contributing five percent of the income attributed to that activity for Canara Bank as a whole.

3. Summary financial information regarding assets, liabilities, capital and major funding sources

3.1 Assets and Liabilities

The following is Canara Bank’s Consolidated Balance Sheet for the period ended March 31, 2016. For a more detailed discussion on each of the specific line captions on the Consolidated Balance Sheet, please refer to Canara Bank’s 2015-2016 Annual Report. The financial information was prepared in accordance with Generally Accepted Accounting Principles in India.

3.2 Consolidated financials as at 31st March 2016

<table>
<thead>
<tr>
<th></th>
<th>USD in Million</th>
<th>INR in 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>81.95</td>
<td>5,429,910.00</td>
</tr>
<tr>
<td>Reserves And Surplus</td>
<td>4,809.70</td>
<td>318,666,832.00</td>
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<tr>
<td>Minority Interest</td>
<td>67.80</td>
<td>4,492,313.00</td>
</tr>
<tr>
<td>Deposits</td>
<td>72,409.47</td>
<td>4,797,489,375.00</td>
</tr>
<tr>
<td>Borrowings</td>
<td>4,069.64</td>
<td>269,634,232.00</td>
</tr>
<tr>
<td>Other Liabilities and Provisions</td>
<td>3,645.56</td>
<td>241,536,570.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85,084.13</td>
<td>5,637,249,232.00</td>
</tr>
</tbody>
</table>
### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>USD in Million</th>
<th>INR in 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Balances with Reserve Bank of India</td>
<td>3,119.01</td>
<td>206,650,317.00</td>
</tr>
<tr>
<td>Balances With Banks and Money at Call and Short Notice</td>
<td>5,445.43</td>
<td>360,787,136.00</td>
</tr>
<tr>
<td>Investments</td>
<td>23,012.57</td>
<td>1,524,698,033.00</td>
</tr>
<tr>
<td>Advances</td>
<td>49,051.75</td>
<td>3,249,923,619.00</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>1,087.58</td>
<td>72,057,612.00</td>
</tr>
<tr>
<td>Other Assets</td>
<td>3,367.78</td>
<td>223,132,515.00</td>
</tr>
<tr>
<td>Total</td>
<td>85,084.13</td>
<td>5,637,249,232.00</td>
</tr>
<tr>
<td>Contingent Liabilities</td>
<td>43,490.93</td>
<td>2,881,491,266.00</td>
</tr>
<tr>
<td>Bills For Collection</td>
<td>4,009.21</td>
<td>265,630,023.00</td>
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</tbody>
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**Note:** Conversion Rate is @ 66.255

**Remarks:** Fiscal year of Canara Bank and its New York branch is April 01 to March 31, hence data reported as at March 31, 2016.

As set out on schedule RAL of the New York Branch’s March 31, 2016 call report filed on 04/25/2016 through Reporting central, the New York Branch’s total assets as of March 31, 2016 were $1734.16 Million, the majority of which was comprised of loans ($256.83 million) and cash and balances due from depository institutions ($1467.90). The New York Branch’s total liabilities as of March 31, 2016 were $1734.16 Million, the majority of which were comprised of deposits ($354.00 Million), Borrowings ($135.40 million) and net due to Head Office ($1243.85 million).

### 3.3 Capital

As at 31\textsuperscript{st} March 2016, the Reserve Bank of India (the “RBI”) required that commercial banks must maintain three types of minimum capital per Basel III capital requirements stipulated by RBI. The minimum capital requirement of RBI and Bank’s CRAR as on 31\textsuperscript{st} March 2016 was:

<table>
<thead>
<tr>
<th>Type of Capital</th>
<th>RBI minimum capital Requirement</th>
<th>Bank's CRAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 Capital Ratio</td>
<td>5.50%</td>
<td>8.18%</td>
</tr>
<tr>
<td>Tier 1 Capital Ratio</td>
<td>7.00%</td>
<td>8.80%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>9.00%</td>
<td>11.08%</td>
</tr>
</tbody>
</table>

### 3.4 Major Funding Sources

Canara Bank funds its operations in various ways. Its Treasury at the Head Office arranges long term funding for all its operations. The major funding
sources of Canara Bank come from depositors and capital / debt markets in India and worldwide. The New York Branch borrowing activities are tied closely to Head Office. Canara Bank New York manages its market and liquidity risk within the guidelines provided by Head Office by directly borrowing from other banks, customer deposits and funding from Head Office. The New York Branch seeks to have adequate liquidity to cover normal operations and to meet any reasonable level of unexpected funding requirements.

4. Description of Derivative and Hedging Activities

4.1 Canara Bank enters into transactions with derivative instruments, including interest rate swaps, Foreign Exchange forward, swap and options contracts. Canara Bank enters into interest rate swap transactions in order to hedge certain cash flow and currency exposures primarily on floating rate assets and liabilities through converting its fixed rate income/payments into floating rate income/payments. Foreign currency forward contracts are used to manage the foreign exchange risk of foreign currency denominated assets and liabilities. These derivative transactions are considered as effective economic hedges under the Group’s risk management policies.

4.2 New York Branch has no derivative/hedging activity at present. However the New York Branch may engage in swap transactions, primarily single currency interest rate swaps and cross currency interest rate swaps to hedge interest rate/currency risk in a very limited way.

5. Memberships in Material Payment, Clearing and Settlement Systems

The New York Branch is an associate member of Fedline Advantage which is a wire transfer service offered by the Federal Reserve and an associate member of The Society for Worldwide Interbank Financial Telecommunication ("SWIFT") which is a member-owned cooperative to provide a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations.

6. Description of Foreign Operations

6.1 Canara Bank is an Indian banking organization that provides global services to individual and corporate clients through its domestic and overseas operations. The international offices of Canara Bank include the branches and entities discussed above.

6.2 New York branch has no foreign operations and it does not control any foreign entity or domestic entity that in turn may have foreign operations.
7. Material Supervisory Authorities

7.1 Indian Banking System

Canara Bank’s primary regulator is the RBI. The RBI is the central bank of India and as such manages the money supply and foreign exchange. In addition to its role as central bank, the RBI also performs supervisory functions over the activities of Indian commercial banks.

The RBI regulates the banking industry and examines the affairs of commercial banks. Canara Bank provides various reports and information to the RBI on an ongoing basis. The RBI issues regulatory information applicable to Canara Bank including information on capital, reserves and operational matters.

The RBI is responsible for ensuring that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. In addition, each bank must provide information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditor's reports.

India has adopted anti-money laundering standards under FATF, including establishing compliance systems to implement the relevant laws and regulations.

With regard to resolution of Canara Bank under Indian law, the RBI would be responsible to supervise the process should it occur.

7.2 US Banking System

Canara Bank is deemed to be a bank holding company under section 8(a) of the International Banking Act of 1978 as a result of maintaining the New York Branch. Canara Bank is subject to supervision by the Federal Reserve under the Bank Holding Company Act of 1956, the IBA, the Dodd-Frank Act and the USA PATRIOT Act of 2001 among others. Canara Bank New York Branch is subject to the supervision and examination of the NYDFS.

Indirectly, Canara Bank’s home country supervisor, RBI exercises supervisory authority over the New York Branch, through the covered company in India.

8. Principal Officers

<table>
<thead>
<tr>
<th>Head Office:</th>
<th>General Manager</th>
<th>International Operations and Joint Ventures Wing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. B M. Trehan</td>
<td>+ 91 80 22130049</td>
<td><a href="mailto:bmtrehan@canarabank.com">bmtrehan@canarabank.com</a></td>
</tr>
</tbody>
</table>

Indirectly, Canara Bank’s home country supervisor, RBI exercises supervisory authority over the New York Branch, through the covered company in India.
9. Corporate governance structure for Resolution Planning and Related Processes

9.1 Canara Bank has integrated resolution planning into its corporate governance structure and processes to ensure that the Resolution Plan receives appropriate oversight from designated senior management officials committees and Board of Directors. The Board of Directors is ultimately responsible for approving the Resolution Plan.

9.2 The General Manager, International Operations and Joint Ventures Wing and Chief Executive Officer of New York Branch are primarily responsible for overseeing the development, implementation and filing of the Resolution Plan and for ensuring that the plan complies with requirements of applicable regulations.

9.3 Canara Bank’s Board of Directors decided to opt for filing of a tailored resolution plan for the New York Branch and accordingly approval to file the tailored resolution plan was sought from the regulators.

9.4 In preparing the Resolution plan the compliance department of New York branch was assigned primary responsibility of reviewing the regulations understanding the requirements set forth therein for a tailored resolution plan, preparing the notice of intent to file a tailored resolution plan and working with internal departments of New York branch to identify the business information needed to prepare the plan.

9.5 Once the basic plan was prepared it was reviewed and approved by Canara Bank New York Branch Risk Management Committee to forward it to Head Office for final approval. The Canara Bank New York Risk Management committee consists of Chief Executive Officer, Senior Vice President (Alternate Chief Executive) and other senior officials representing business and supervisory authorities at New York Branch.

9.6 At Head Office, the officials of International Operations and Joint Venture Wing lead by General Manager of the Wing, reviewed the plan and submitted for approval of the Board of Directors. Board of Directors in a regular meeting authorized submission to regulatory authorities.
10. Description of Material Management Information Systems

10.1 Canara Bank utilizes a number of management information systems (“MIS”) and applications to support internal management, risk, accounting, loan, financial and regulatory reporting. The New York Branch’s MIS consist primarily of third party systems owned by the Bank which are managed by Head Office. The branch sends various reports directly to Head Office so they can oversee the day to day branch operations. Canara Bank has policies and procedures to ensure the systems producing MIS are dependable and maintained and operated in a manner that will support Canara Bank’s business ensuring adequate control. Canara Bank has a disaster recovery and business continuity plan for data backup and recovery off-site, periodic testing of the plan, training, and safeguarding of vital records. Policies and procedures govern information security, data protection, technology developments and business continuity.

11. High-level description of resolution strategy including such items as the range of potential purchasers of the company, its material entities and core business lines

11.1 As discussed in the Confidential Section, in the event of material financial distress or failure, the Resolution Plan discusses the plan to be executed to minimize the impact on the U.S. financial community. This would be part of a situation involving Canara Bank specifically, and other financial institutions and markets generally would not be experiencing any system-wide financial panic or crisis. As noted above, the Indian Government has a majority stake in Canara Bank and while this factor may not be considered for the purposes of this Resolution Plan, it is expected that the Government of India would support Canara Bank in times of material financial distress.

11.2 As noted above, Canara Bank currently does not have, nor is it required to have, a Resolution Plan and does not engage in resolution planning pursuant to the requirements of its home country regulator. Canara Bank New York Branch is aware that any resolution activity in the U.S. for Canara Bank New York Branch would be conducted by the New York State Department of Financial Services pursuant to the provisions of New York State Banking Law governing the liquidation of branches of foreign banks operating in New York. In such eventuality the New York Branch would be seized by the Superintendent of the NYDFS who would directly commence the resolution process of the New York Branch under New York State insolvency law. In view of this manner of resolution, Canara Bank New York Branch has adopted a Plan that focuses on coordination with the New York State Department of Financial Services in regard to the liquidation of the New York Branch.