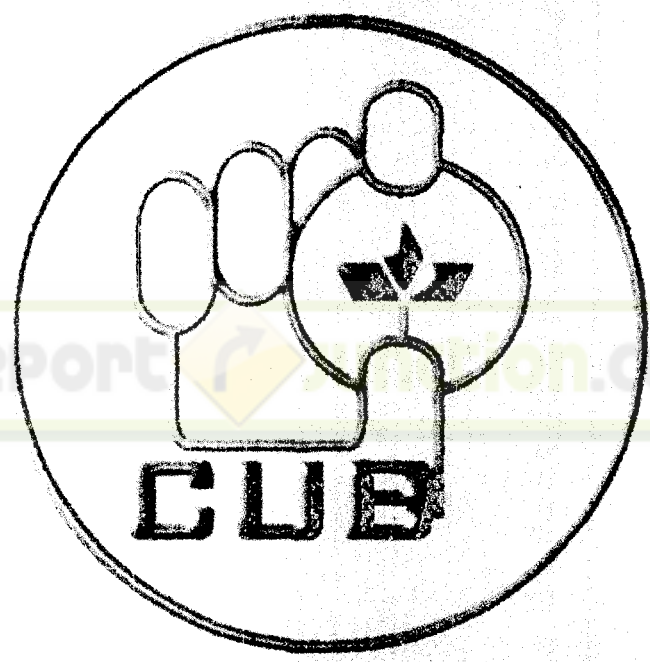


CITY UNION BANK LIMITED

MD	<input checked="" type="checkbox"/>		RKC	<input type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input type="checkbox"/>
AGM	<input type="checkbox"/>		SHI	<input type="checkbox"/>
YE	<input type="checkbox"/>			<input type="checkbox"/>



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ANNUAL REPORT. 1997-98

CITY UNION BANK LTD.

BOARD OF DIRECTORS



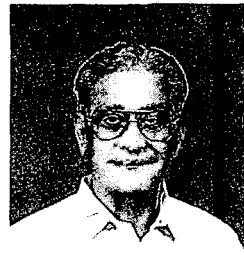
V. NARAYANAN, B.Com., A.C.A.,
CHAIRMAN



S. RAJARATNAM,
M.A. L.L.M. F.I.C.W.A.,



K.G. RAMANATHAN



R. JAYARAMAN, B.A., B.L.



N. NARAYANASWAMY,
B.Sc., D.M.I.T., A.M.I.E.T.E, M.I.E.



T.S. VENKATASUBBAN,
B.Com., F.C.A.



K.S. RAMAN, M.Sc.



J. RADHAKRISHNAN,
B.Com., B.L.



S.M. MISKEEN,
B.Com., F.C.A.



R.G. CHANDRAMOGAN



T.S. JAYAKUMAR,
B.Com., C.A.I.I.B.,
(Additional Director, RBI Nominee)

G. MOHANDAS, B.Com.,
(Alternate Additional Director,
RBI Nominee)

EXECUTIVES



K VENKATARAMAN,
B.Sc., PGDBA, PGDFM
Chief General Manager



T M RAMANI, M.Sc., CAIIB,
CAIB (Lond.), DBM, DIB
General Manager



S BALASUBRAMANIAN,
M.Sc., CAIIB, PGDFM.
Deputy General Manager



S PADMANABAN, M.Sc.,
Deputy General Manager



REGISTERED OFFICE

149, T.S.R. (Big) Street,
Kumbakonam - 612 001.
Ph : (0435) 432322, 431622, 431412

STATUTORY AUDITORS

G. Suriyanarayanan B.Sc., F.C.A.
R. Ganesh B.A., F.C.A.
Arasu & Arunachalam
S. Ramadoss B.Com., F.C.A.

SHARE TRANSFER AGENTS

INTEGRATED ENTERPRISES (INDIA) LTD.
46, Vijaya Raghava Road, T. Nagar,
Chennai - 600 017.
Tel : 823 8891 - 94
Fax : 825 9914

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CITY UNION BANK LTD.

DIRECTORS' REPORT FOR THE YEAR 1997-98

Your Directors have great pleasure in presenting their Report on the working results of the Bank for the year ended 31st March 1998.

CAPITAL AND RESERVES

The capital funds of the Bank stood at Rs.6266.74 lakhs as on 31.3.98 as against Rs.4264.96 lakhs last year registering a growth of 46.94% thus maintaining a strong capital position. The paid up capital of the bank has increased from Rs.5.40 crores to Rs.18.00 crores during this year owing to conversion of Zero interest fully convertible debentures on 23.08.97 and on account of issue of bonus shares on 31.03.98. The shareholders might be pleased to note that the Bank has issued 60,00,000 equity shares of Rs.10/- each as fully paid bonus shares in the ratio of 1:2 to those shareholders whose names appeared on the register of members as on 31.3.98, capitalising the share premium account to the tune of Rs.6.00 crores. A sum of Rs.887.00 lakhs has been transferred to Statutory Reserve Fund. The Capital adequacy ratio of your Bank as on 31.03.98 is 11.60% as against 9.47% last year, thus keeping the position much above the stipulated norm of 8%.

As the shareholders are already aware, the bank came out with its maiden public issue of 60,00,000 equity shares of Rs.10/- each with a premium of Rs.25/- aggregating to Rs.21 crores in June 1998, thus augmenting its capital base further. It is also relevant to report that the public issue received an overwhelming response from the public resulting in an oversubscription by 1.36 times. The Bank has taken steps to list its shares in the Stock Exchanges at Chennai, Mumbai and also in the National Stock Exchange (NSE)

DEPOSITS

The total deposits of the Bank has increased from Rs.787.87 crores as on 31.03.97 to Rs.1021.82 crores as on 31.03.98 registering an increase of Rs.233.95 crores. The deposit growth works out to 29.69% which is well above the average growth of banking industry as a whole. The Bank as usual continued to focus on sustained growth in public deposits. This resulted in stronger growth in average public deposits.

ADVANCES

In the backdrop of continued sluggish demand for bank credit the total advances of the Bank has increased from Rs.476.41 crores in 1996-97 to Rs.575.52 crores in 1997-98. The Bank kept its commitment to the target under directed credit. Priority sector Advances stood at Rs.216.47 crores, representing 42.41% of the net advances as on 31.03.98 of which a sum of Rs. 40.11 crores has gone to Agriculture sector, Rs.127.77 crores accounted by Small Scale Industries and Rs.48.59 crores deployed in other categories under priority sector which include Transport Operators, Retail Trade, Small business, Professional and Self Employed persons, etc. Our advances to Weaker Sections of the society stood at Rs.45.49 crores constituting 21.01% of the Priority Sector Advances thus establishing our active participation in various Government sponsored programmes such as IRDP, DRI etc. and fulfilling our commitment to the task of poverty alleviation. Our advances under the Prime Minister's Rozgar Yojana Scheme stands at Rs.6.34 crores as at the end of March 1998. The direct advances to priority sector, together with investments in priority sector bonds amounting to Rs.20.05 crores constitute 46.34% of net bank credit and thus we have surpassed the target of 40% in lendings to priority sector during this year.



INVESTMENTS

The Bank's total investments in Government and other securities has increased from Rs.230.10 crores in 1996-97 to Rs.327.52 crores in 1997-98. The average yield on investments in securities during the year under review is 12.50%.

COST OF DEPOSITS & YIELD ON ADVANCES

In consonance with the policy measures announced by the Reserve Bank of India, the Prime Lending Rate of the bank was reduced by 250 basis points during this year from 16.50 percent to 14 percent. The maximum interest spread was also reduced from 5% to 4% this year. The benefit of reduction in lending rates was passed to all the categories of borrowers across the board. Consequently the average yield on advances stood at 16.50% p.a in 1997-98 as against 17.75% in previous year.

This stiff competition also kept the average cost of deposits at 10.84% as compared to 10.16% in the year 1996-97.

WORKING RESULTS

The net profit of the Bank for the year ended 31.03.98 was Rs.11,45,37,419.34 after making usual and necessary provisions. The amount together with the balance of profit of Rs.4751.70 brought from the previous year's account works out to Rs.11,45,42,171.04 and it is proposed to be appropriated as under:

1. To Statutory Reserve	Rs.	8,87,00,000.00
2. To Proposed Dividend @ 25%	Rs.	2,34,90,410.00
3. To Provision for payment of Corporate Dividend Tax	Rs.	23,49,041.00
4. To Balance to be carried forward	Rs.	2,720.04
Total	Rs.	<u>11,45,42,171.04</u>

Your Directors are pleased to recommend a Dividend of 25% for the year ended 31st March 1998 to be paid to the shareholders.

BRANCH NET WORK

As on 31st March 1998 we have 100 branches in all, the composition being 29 rural, 35 semi-urban, 24 urban and 12 metropolitan. We have opened 3 branches in April '98 at Karaikal (Union Territory of Pondicherry), Nanganallur (Chennai) and Vijayawada (Andhra Pradesh). Further we have obtained permission from Reserve Bank of India for opening of our branches at the following seven more centres.

- 1) Calcutta 2) Bangalore 3) Pune 4) Vadodara (Baroda) 5) Mumbai (Fort) 6) Thiruvananthapuram
- 7) Visakhapatnam

PERSONNEL AND TRAINING

The total number of employees as at the end of March 1998 was 1376 comprising 336 Officers, 768 clerks and 272 sub-ordinate staff members. The industrial relations continue to be harmonious. Intensive training programmes covering various facets of banking are conducted by our staff college for the benefit of our staff at all levels. We also sponsor candidates for participation in certain specialised programmes conducted by other training institutions.

CITY UNION BANK LTD.

We furnish in Annexure to this report the required information under the sub-section (2-A) of section 217 of the Companies Act, 1956.

COMPUTERISATION

During the year under review we have fully computerised ten more branches taking the total number of fully automated branches to 40 which represents 40% of the branches accounting for 75% of the bank's total business. We are using software programme developed in-house.

INTERNATIONAL BANKING

The Non Resident deposits as on 31.03.98 is Rs.106.23 crores as against Rs.69.23 crores as on 31.03.97. Our Foreign Exchange Business Turnover for the year 1997-98 amounted to Rs.542.94 crores as compared to Rs.471.13 crores in 1996-97 the growth rate being 15%. Advances under export credit stood at Rs.71.52 crores as on 31.3.98

SPORTS & CULTURAL ACTIVITIES

The tenth All India Cricket Tournament 1998 styled CITY UNION BANK TROPHY was conducted successfully by our bank during May 1998. This tournament continues to be very popular in the sports circle. As usual the Bank has participated in various social and cultural activities during this year.

MANAGEMENT

Our Directors Shri M.Mahalingam and Shri K.Sampath vacated their offices on 22.07.98 on completion of 8 years of service in terms of Section 10A (2A)(1) of the Banking Regulation Act, 1949.

Subsequently, Shri S.M.Miskeen, a practising Chartered Accountant and Shri R.G.Chandramogan, a small scale industrialist, were co-opted to our Board as Directors. We place on record our sincere thanks for the services and valuable guidance rendered by Shri M. Mahalingam and Shri K. Sampath.

ACKNOWLEDGMENT

The Board expresses its gratitude to all shareholders, depositors, customers and well wishers of the Bank for their excellent co-operation and support and earnestly request their continued patronage in the years ahead.

The Board takes this opportunity to thank M/s SBI Capital Markets Ltd. and M/s Indbank Merchant Banking Services Ltd., the Lead Managers to our recent public issue, M/S Computer Age Management Services (P) Ltd., the Registrar to the issue, all the bankers to the issue and all others who are associated with the issue for having made our public issue a grand success.

The Directors also acknowledge with gratitude the cooperation and assistance extended by RBI, NABARD, IDBI, SIDBI, DFHI, DICGC, ECGC, IBA, FEDAI, SEBI, Chennai and Mumbai Stock Exchanges, National Stock Exchange (NSE), all commercial banks and all correspondent banks.

The Directors place on record their warm appreciation for the devoted and dedicated services rendered by all categories of Staff and Executives.

For and on behalf of the Board

Kumbakonam.
10.08.98

V. NARAYANAN
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information required as per section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975 and forming part of Directors' Report for the year ended 31.03.98

PART -A

Name	Designation/ Nature of duties	Remuneration	Qualification	Experience in years	Age	Date of Joining	Particulars of previous employment
Shri V.Narayanan	Chairman	Rs.6,44,084.00 (inclusive of Salary arrears amounting to Rs.1,22,326.40)	B.Com, A.C.A.,	27	55	02.09.1971	NIL

PART-B

Employed for part of the year under report and were in receipt of remuneration for any part of that year at a rate which, in aggregate, was not less than Rs.25,000/- per month

-NIL-

CITY UNION BANK LTD.**BALANCE SHEET AS ON 31st MARCH 1998****(Rs. in thousands)**

	Schedule No.	As on 31.3.98	As on 31.3.97
CAPITAL AND LIABILITIES			
Capital	1	18,00,00	5,39,94
Reserves & Surplus	2	44,66,74	32,75,02
Deposits	3	1021,82,01	787,86,83
Borrowings	4	22,01,26	31,18,26
Other Liabilities & Provisions	5	39,68,00	48,53,98
TOTAL		<u>1146,18,01</u>	<u>905,74,03</u>
ASSETS			
Cash and Balances with Reserve Bank of India	6	143,17,24	112,08,99
Balances with Banks & Money at Call and Short Notice	7	56,71,49	51,42,10
Investments	8	327,51,86	230,10,00
Advances	9	575,51,72	476,41,23
Fixed Assets	10	15,71,75	13,37,99
Other Assets	11	27,53,95	22,33,72
TOTAL		<u>1146,18,01</u>	<u>905,74,03</u>
Contingent Liabilities	12	533,39,58	214,02,05
Bills for Collection		92,60,43	41,36,81

V. NARAYANAN
ChairmanK VENKATARAMAN
Chief General ManagerM. MAHALINGAM
K. SAMPATH
S. RAJARATNAM
K.G. RAMANATHAN
R. JAYARAMANN. NARAYANASWAMY
T.S. VENKATASUBBAN
K.S. RAMAN
J. RADHAKRISHNAN
T.S. JAYAKUMARKumbakonam
29/06/98

Directors