

CITY UNION BANK LIMITED



ANNUAL REPORT 1998-99

CITY UNION BANK LTD.

BOARD OF DIRECTORS



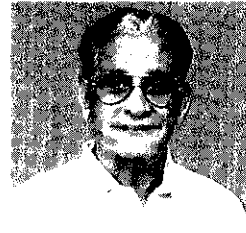
V. NARAYANAN, B.Com., A.C.A.
CHAIRMAN



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



K.G. RAMANATHAN



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



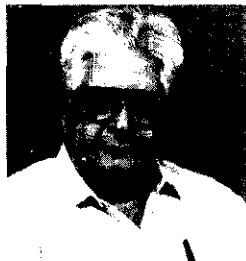
N. NARAYANASWAMY, B.Sc.,
D.M.I.T., A.M.I.E.T.E., M.I.E.



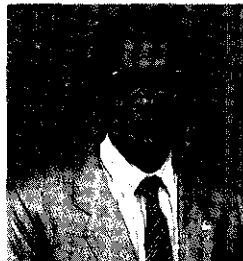
T.S. VENKATASUBBAN,
B.Com., F.C.A.



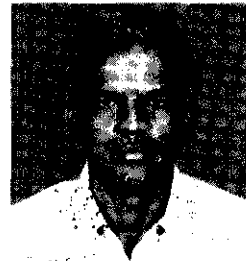
K.S. RAMAN, M.Sc.



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



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



R.G. CHANDRAMOGAN

SENIOR EXECUTIVES



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



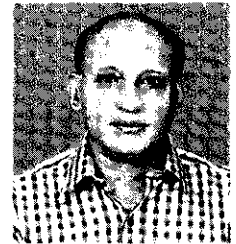
T M RAMANI, M.Sc.,
CAIIB, CAIB (Lond.),
DBM, DIB.
General Manager



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



S PADMANABAN, M.Sc.,
Deputy General Manager



S RAGHUPATHI,
B.Com, CAIIB.
Deputy General Manager

CITY UNION BANK LTD.

REGISTERED OFFICE : 149, T S R (Big) Street, Kumbakonam - 612 001.

Ph : (0435) 432322, 431622, 431412 Fax : (0435) 431746 Telex : 0467 212 Telegram : "SERVICE"

e-mail : cubco@md3.vsnl.net.in Website : <http://www.cityunion.com>

Website : <http://business.vsnl.com/cityunionbank>

ASSISTANT GENERAL MANAGERS

V Krishnan

V Gopalan

R Kuppuswamy

T S Ramanujam

S Sridharan

G K Balasubramanian

V Sundar

R Mohan

N Sri Raman

S Balasubramanian

S Sridharan

K Ganesan

S Sekar

COMPANY SECRETARY

N S Mohan

STATUTORY AUDITORS

Arasu & Arunachalam

S Ramadoss

Varalakshmi Murali

S Bernard & Co.

SHARE TRANSFER AGENTS

Integrated Enterprises (India) Ltd.

46, Vijayaraghava Road,

T. Nagar, Chennai - 600 017.

Tel : 823 8891-94

Fax : 825 9914

CITY UNION BANK LTD.

Contents	Page No.
Notice	3
Directors' Report	4
Auditors' Report	7
Balance Sheet	8
Profit & Loss Account	9
Schedules to Accounts	10
Balance Sheet Abstract	18
Cash Flow Statement	19
List of Branches	20
List of Overseas Correspondents	21
Decade of Progress	22
Attendance Slip / Proxy Form	23



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of City Union Bank Ltd., will be held on Monday, the 30th August, 1999 at 11.00 a.m at "Raya Mahal" 45-46 GANDHI ADICAL SALAI, KUMBAKONAM 612 001 to transact the following business.

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at and Profit and Loss Account for the year ended 31st March, 1999 and the Directors' Report and the Auditors' Report thereon.
2. To declare dividend for the year 1998-99.
3. To appoint a Director in the place of Shri K G Ramanathan, who retires by rotation and being eligible, seeks re-election.
4. To appoint a Director in the place of Shri K S Raman, who retires by rotation and being eligible, seeks re-election.
5. To appoint a Director in the place of Shri R Jayaraman, who retires by rotation and being eligible, seeks re-election.
6. To appoint Auditors for the year 1999-2000 and fix their remuneration.

The retiring Auditors Shri S Ramadoss, Smt Varalakshmi Murali and M/s S. Bernard & Co are eligible for reappointment.

Proposal has been received from a shareholder of the bank for the appointment of M/s R Rajendran & Co as Auditors of the Bank for the year 1999-2000.

By Order of the Board
for CITY UNION BANK LTD.,

N S MOHAN
Company Secretary

Place : Kumbakonam
Date : 28.06.1999

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf only at the time of poll and such proxy need not be a member.
2. The Proxy forms, duly stamped and completed should reach the Registered Office of the Bank atleast 48 hours before the time fixed for the commencement of the meeting.
3. The dividend on the Equity Shares as recommended by the Board, will be paid on approval of the General Body to the eligible Equity Shareholders whose names appear in the Bank's Register of Members as on 30.08.1999.
4. The Register of Members and Share Transfer Books will remain closed from 18.08.1999 to 30.08.1999 (both days inclusive).
5. Members are requested to notify changes, if any, in their addresses immediately to our Share Transfer Agent, Integrated Enterprises (India) Limited, 46/3 Vijayaraghava Road, T Nagar, Chennai 600 017 giving full addresses in block letters with PIN CODE.
6. Members are requested to quote the folio of the Register of Members in all their correspondences.
7. Members are requested to bring with them the enclosed attendance slip and hand it over duly signed by them at the entrance of the Meeting Hall.
8. Shareholders who happen to hold Shares in identical orders of names in different folios of the Register of Members are requested to write to the Bank, enclosing their Share Certificates, to enable the Bank to consolidate their holdings.
9. The Bank has already transferred Unclaimed Dividend for the financial year 1994-95 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government Rules, 1978). Those members who have not so far claimed or collected their dividend may claim their dividend from the Registrar of Companies, Sastri Bhavan, II Floor, 26 Haddows Road, Chennai 600 006.

Members who have not yet collected the amount of Dividend Warrants issued to them in 1996, 1997, 1998 (pertaining to the years 1995-96, 1996-97 and 1997-98) are requested to send the same to the Registered Office for revalidation and encashment at any of our branches.

CITY UNION BANK LTD.

DIRECTORS' REPORT FOR THE YEAR 1998-99

Your Directors have great pleasure in presenting their Report on the working results of your Bank for the year ended 31st March, 1999.

ECONOMY

During the financial year 1998-99, economic growth was subdued. Though Gross Domestic Product grew by 5.8%, as against 5% during 1997-98, the manufacturing sector had a growth rate of 3.8% as against 6.6%.

BANKING INDUSTRY

Economic slowdown had significant impact on the Banking Industry. While deposits with the Banks grew by 18.5%, credit growth was lower at 12.1%. Even as the economy remains in the state as it does, asset classification and provisioning norms have been tightened. The new norms will have a significant impact on the profitability of the Banking Sector in the coming years also. Asset Liability Management norms have also been introduced for managing risks within acceptable levels.

PERFORMANCE OF YOUR BANK

Your Bank has performed reasonably well, considering the circumstances. This is chiefly on account of unstinted support of the customers, the employees and the shareholders.

CAPITAL AND RESERVES

During the year, your Bank strengthened the capital base considerably by issuing 60,00,000 equity shares to public at a price of Rs 35 per share. The Initial Public Offering, which closed on 27th June, 1998, added Rs 21Cr to the networth. Public Issue funds, along with ploughed back profits, increased the networth from Rs 62.7Cr (as on 31.3.1998) to Rs 91.0Cr (as on 31.3.1999). Capital to Risk Assets Ratio stood at 14.3% as against 11.6% (as on 31.03.1998) and against stipulated minimum of 8%.

DEPOSITS

Deposits of your Bank grew from Rs 1,022Cr (as on 31.3.1998) to Rs 1,227Cr (as on 31.03.1999), a growth of 20%. Cost of deposits decreased from 10.8% to 10.6%. This year, we shall strive to reduce our cost of deposits further. We plan to keep our deposit interest rates low and improve our customer base under current account and savings account.

CREDIT

Tardy economic growth continued to affect credit offtake. Your Bank's credit portfolio, net of provisions, registered an expansion from Rs 576Cr to Rs 666Cr. On percentage terms, the growth rate is 16%. On account of reduction in interest rates, yield on advances fell from 15.9% to 15.4%. Gross non-performing loans form 12.02% of gross advances. Net non-performing loans form 7.96% of net advances. This year, the emphasis will be on diversifying credit portfolio by expanding quality customers and recovery of NPAs. This will be implemented by a flexible interest rate policy and reduction of bad accounts. The priority sector advances to net credit reached a level of 40.1% and export credit accounted for 13.3%.

TREASURY OPERATIONS

During the year under review, your Bank started active trading in government securities. Your Bank's investments portfolio grew by 45%, from Rs 328Cr to Rs 475Cr. 83% of the portfolio has been marked to market as against the prescribed 70%. Yield on investments fell from 12.5% to 11.7%. This was on account of falling interest rates in the securities market.

WORKING RESULTS

The net profit of the Bank for the year ended 31st March, 1999 was Rs 12,25,32,713.48 after making usual and necessary provisions. The amount together with the balance of profit of Rs 2720.04 brought forward from the previous year's account works out to Rs.12,25,35,433.52. It is proposed to be appropriated as under:

1. To Statutory Reserve	Rs	7,33,40,000.00
2. To Proposed Dividend	Rs	4,43,17,808.00
3. To Provision for Payment of Corporate Dividend Tax	Rs	48,74,959.00
4. To Balance to be carried forward	Rs	2,666.52



FINANCIAL PERFORMANCE

Comparison between financial projections made in the prospectus dated 26.5.1998, and the actual figures for the year ended 31st March, 1999 are given below :

	Rs in '000s	
	Actuals as on 31st March, 1999	Projected figure for 31st March, 1999
Interest Income	149,89,04	163,00,00
Other Income	27,60,41	33,00,00
Total Income	177,49,45	196,00,00
Interest Expended	123,45,07	132,00,00
Depreciation on Fixed Assets	2,73,16	
Other Expenses	26,41,94	30,00,00
Total Expenses	152,60,17	162,00,00
Gross Profit	24,89,28	34,00,00
Provisions	12,63,95	19,00,00
Net Profit	12,25,33	15,00,00

The deviation is on account of subdued demand for credit during the year and lower estimated other income. While the estimated Credit Deposit Ratio to be 63%, actual CDR was 55%.

DIVIDEND

Your Directors are pleased to recommend a dividend of 20% for the year ended 31st March, 1999.

BRANCH EXPANSION

During the year, your Bank has opened branches at Visakhapatnam, Thiruvananthapuram, Vadodara, Koramangala(Bangalore) and Calcutta. Presently, your Bank has 108 branches. The Board will consider further expansion of the branch network on a selective basis.

HUMAN RESOURCE DEVELOPMENT

As on May 31, 1999 your Bank has 1359 employees comprising 341 officers, 744 clerks and 274 sub-ordinate staff. Industrial relations continue to be harmonious. In order to sharpen skills of the staff working at various levels and to enable them handle their assignments more efficiently, your Bank has been imparting training to them at various reputed training institutions apart from imparting training at Bank's own Staff Training College.

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

AUTOMATION

During the financial year, 14 branches were automated. All the new branches are opened as fully automated branches. Your Bank has 54 fully automated branches, covering 83% of business.

INTERNATIONAL BANKING

The Foreign Exchange Business of your Bank recorded a turnover of Rs 636.8Cr as at 31.03.1999 showing an increase of 14.7% over the previous year. The Non-Resident Deposits as on 31.03.1999 is Rs 122Cr as against Rs 106Cr as on 31.03.1998. Your bank has been accorded a licence to deal in Foreign Exchange Business on a permanent basis.

BOARD OF DIRECTORS

Shri T S Jayakumar, Additional Director and Shri G Mohandas, Alternate Additional Director, nominated by Reserve Bank of India ceased to be Additional Director and Alternate Additional Director respectively in terms of RBI communication dated 1st June, 1999. Your Directors record their appreciation for the services rendered by them during their tenure as Directors of your Bank.