



Report

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ANNUAL REPORT 1999-2000



CITY UNION BANK LTD.

ASSISTANT GENERAL MANAGERS

V Krishnan
V Gopalan
R Kuppuswamy
T S Ramanujam
S Sridharan
G K Balasubramanian
V Sundar
R Mohan
S Balasubramanian
S Sridharan
K Ganesan
S Sekar

COMPANY SECRETARY

N S Mohan

Contents	Page No.
Notice	2
Directors' Report	4
Auditors' Report	7
Balance Sheet	8
Profit & Loss Account	9
Schedules to Accounts	10
Balance Sheet Abstract	19
Cash Flow Statement	20
List of Branches	21
Decade of Progress	22
Attendance Slip / Proxy Form	23

STATUTORY AUDITORS

S Ramadoss
S Bernard & Co.,
Varalakshmi Murali
R Rajendran & Co.,

SHARE TRANSFER AGENT

Integrated Enterprises (India) Ltd.
46, Vijayaraghava Road,
T. Nagar, Chennai - 600 017.
Tel : 823 8891-94
Fax : 825 9914

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@tr.dot.net.in Website : <http://www.cityunion.com>

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

CITY UNION BANK LTD.**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 28th August, 2000 at 1.30 p.m. at "Raya Mahal", 45-46, GANDHI ADIGAL 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, 2000 and the Directors' Report and the Auditors' Report thereon.
 2. To declare dividend for the year 1999-2000.
 3. To appoint a Director in the place of Shri J. Radhakrishnan, who retires by rotation and being eligible, seeks re-election.
 4. To appoint a Director in the place of Shri S. M. Miskeen, who retires by rotation and being eligible, seeks re-election.
 5. To appoint a Director in the place of Shri R.G. Chandramogan, who retires by rotation and being eligible, seeks re-election.
 6. To appoint Auditors for the year 2000-2001 and fix their remuneration.
- The retiring Auditors Shri S. Ramadoss, Smt. Varalakshmi Murali, M/s. S. Bernard & Co., and M/s. R. Rajendran & Co., are eligible for reappointment.

AS SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.
"Resolved that Shri VR. Arunachalam be and is hereby appointed as a Director of the Bank, liable to retire by rotation."
8. To consider and, if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.
"Resolved that Shri S. Thiagarajan be and is hereby appointed as a Director of the Bank, liable to retire by rotation."
9. To consider and, if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.
"Resolved that Dr.S. Kasinathan be and is hereby appointed as a Director of the Bank, liable to retire by rotation."
10. To consider and, if thought fit, to pass the following resolution with or without modification as an Ordinary Resolution.
"Resolved that Shri K.V. Raman be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

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

Kumbakonam
30th June, 2000.

N S MOHAN
Company Secretary

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. 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.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed hereto.
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 28th August, 2000.
4. The Register of Members and Share Transfer Books will remain closed from 17th August, 2000 to 28th August, 2000 (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 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, and 1999 (pertaining to the years 1995-96, 1996-97, 1997-98 and 1998-99) are requested to send the same to the Registered Office for revalidation and encashment at any of our branches.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item Nos.7 to 10

In terms of Section 10A(2A)(i) of the Banking Regulation Act, 1949 and the Banking Laws Amendment Act, 1983, our Directors Shri S. Rajaratnam, Shri K.G. Ramanathan, Shri R. Jayaraman, Shri N. Narayanaswamy and Shri T.S. Venkatasubban vacated their office in February, 2000 on completion of eight years of continuous service on the Board.

The Board, in its meeting held on 26th February, 2000, co-opted Shri VR. Arunachalam, Shri S. Thiagarajan, Dr. S. Kasinathan and Shri K.V. Raman as Additional Directors of the Bank. As per Section 260 of the Companies Act, 1956, the above four co-opted Directors will hold office upto the date of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from some of the members of the Bank alongwith the prescribed deposit for the appointment of the co-opted Directors as Directors of the Bank.

1. Shri VR. Arunachalam, B.Sc., F.C.A. is a practising Chartered Accountant at Kumbakonam.
2. Shri S. Thiagarajan, M.A., C.A.I.I.B. is having vast experience in banking. He was working earlier as Officer in Reserve Bank of India. He retired as Chief General Manager from SIDBI. He is providing consultancy services.
3. Dr. S. Kasinathan, Ph.D., D.Sc. is an Agriculturist. He also possesses knowledge on Integrated Pest Management.
4. Shri K.V. Raman, B.Sc., F.C.A., A.I.C.W.A. is a practising Chartered Accountant at Rajapalayam.

The Board considers it desirable that the Bank should continue to avail itself of the services of the above said co-opted Directors.

None of the Directors of the Bank except the co-opted Directors is interested in the resolutions.

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

Kumbakonam
30th June, 2000

N S MOHAN
Company Secretary

CITY UNION BANK LTD.**DIRECTORS' REPORT FOR THE YEAR 1999-2000**

Your Directors have great pleasure in presenting their Report on the working results of the Bank for the year ended 31st March, 2000.

ECONOMY

During the financial year 1999-2000, Indian Economy showed positive signs of revival. The economy withstood the Kargil crisis. With a modest recovery conditions prevailing in the economy, the Gross Domestic Product was 5.9% as against 6.8% during 1998-99 and the industrial growth had accelerated to 7.9%.

BANKING INDUSTRY

Banking Industry witnessed relatively a better year compared to the previous year. The aggregate deposits of the Scheduled commercial banks increased by 13.5% as against 19.3% in the previous year and interest rates were softened. Banks are allowed to take decisions in regard to interest rates on bank credit considering its own cost of funds, transaction costs and interest rates ruling in non-banking sector.

The Reserve Bank of India has been taking a number of measures to enhance the liquidity and to reduce the cost of funds to banks. In line with the continuing overall stance of policy, the Bank rate was cut from 8% to 7% effective 1st April, 2000 and Cash Reserve Ratio reduced in two stages from 9% to 8%. This has brought down overall cost of debt in the economy.

The cut in interest rates, asset classification and tightened provisioning norms will have impact on the profitability of the Banks. This has brought to the fore the significance of harnessing the potential for increasing the non-interest / fee income for the Banks and the need of larger volume of business through improved customer service and effective control over the overheads.

PERFORMANCE OF YOUR BANK

During the year under review, your Bank has recorded a good performance with the unstinted support of the customers, the employees and the shareholders.

DEPOSITS

Your Bank's deposits increased to Rs.1340 Cr (as on 31-03-2000) from Rs.1227 Cr (as on 31-03-1999) registering

a growth of 9.20%. During the year under review, the growth in deposits was consciously kept at a lesser pace in tune with the growth in credit and with a view to enhancing Credit Deposit Ratio. The cost of deposits fell to 9.86% from 10.60%. Further, the Bank is now in the process of evolving suitable methods for reducing the cost of deposits and improving the customer base both under savings and current account.

ADVANCES

Your Bank's credit portfolio recorded a better growth this year from Rs.666 Cr to Rs.769 Cr @ 15.46%. During the year, your Bank adopted a flexible interest rate policy with the result the yield on advances fell from 15.40% to 15.06%. Gross non-performing assets accounted for 12.40% of gross advances. Net non-performing assets form 7.26% of net advances. The priority sector advances to net credit reached a level of 40.02% and the export credit accounted for 11.87%.

INVESTMENTS/TREASURY OPERATIONS

Your Directors are pleased to report that during the year, your Bank had made a notable performance through treasury operations. The investments of your Bank have increased to Rs.531 Cr from Rs.475 Cr. The Bank has chosen to "mark to market" the entire investment of the Government and other approved Securities to current category as against the limit of 75% prescribed by RBI for the financial year 1999-2000. Yield on investments rose to 11.85% from 11.70%. Integrated Treasury operations will start functioning at Chennai during this year.

ASSET LIABILITY MANAGEMENT

The Bank has put in place the Asset Liability Management system as per RBI guidelines covering 83% of the bank's business turnover. The maturity gaps for the first two buckets are within the norms set by RBI. For the remaining buckets, the Bank has prescribed suitable limits.

RISK MANAGEMENT

Your Bank is in the process of implementing an appropriate Risk Management System. A separate MIS department has been set up to strengthen the flow of management information.



FINANCIAL RESULTS

Your Directors are pleased to furnish below the financial results for the year ended 31st March, 2000.

(Rs. in Lakhs)

Particulars	For the current year ended March 31, 2000	For the previous year ended March 31, 1999
Gross Income	208,97.27	177,49.45
Total Expenses	159,91.71	152,60.17
Profit before Provisions & Contingencies	49,05.56	24,89.28
Provisions & Contingencies	29,00.00	12,63.95
Net Profit	20,05.56	12,25.33

APPROPRIATIONS:

The summary of appropriations is made hereunder:

(Rs. in Lakhs)

Particulars	For the current year ended March 31, 2000	For the previous year ended March 31, 1999
Net Profit	20,05.56	12,25.33
Balance of profit brought forward	0.03	0.03
Amount Available for appropriations	20,05.59	12,25.36
Transfer to		
Statutory Reserve	12,73.50	7,33.40
Proposed Dividend	6,00.00	4,43.18
Proposed Corporate Dividend Tax and Surcharge	1,32.00	48.75
Balance of profit carried forward	0.09	0.03

OWNED FUNDS

The paid up capital of the Bank stood at Rs.24 Cr as on 31st March, 2000. The capital funds have increased to Rs.103.74 Cr as on 31st March, 2000 as against Rs.91 Cr as on 31st March, 1999. The Capital Adequacy Ratio as at 31st March, 2000 stands at 13.33%.

DIVIDEND

Your Directors are pleased to recommend a dividend of 25% for the year ended 31st March, 2000.

BRANCH EXPANSION

During the year, your Bank has opened branches at Vadodara, Koramangala(Bangalore), Calcutta and Pune. Presently, your Bank has 109 branches. Your Bank has plans to open 20 more branches at selected centres.

HUMAN RESOURCE DEVELOPMENT

As on May 31, 2000, your Bank has 1351 employees comprising 17 executives, 339 officers, 720 clerks and 275 sub-ordinate staff. Industrial relations continue to be harmonious. Your Bank has been imparting training to them at various reputed training institutions besides our Staff Training College for sharpening skills of the employees at various levels and to enable them to cope-up with the challenges of the Banking Industry.

The required information under Sub-Section(2A) of Section 217 of the Companies Act, 1956 is annexed and forms part of this report.

AUTOMATION

During the year, your Bank has increased the number of computerised branches to 58 covering 83% of the bank's business. Your Directors have been taking steps to upgrade and update the Bank's technological infrastructure on an ongoing basis.

CUSTOMER SERVICE

Your Bank always aims at rendering improved customer service. During the year, your Bank has introduced the system of offering "any transaction any counter" in selected branches to render faster service to the customers. Further, it has extended the business hours at all computerised branches.

INTERNATIONAL BANKING

During the year, your Bank's foreign exchange business recorded a turnover of Rs.594 Cr as at 31-03-2000. The non-resident deposits as on 31-03-2000 was Rs.115.91 Cr.

DEMATERIALISATION OF SHARES

Your Directors are pleased to inform that the Bank has entered into a Tripartite Agreement with the Depository namely National Securities Depository Limited, Mumbai for the purpose of facilitating the shareholders to trade the bank's shares in an electronic form on an optional basis.

BOARD OF DIRECTORS

Sarvashri S. Rajaratnam, K.G. Ramanathan, R. Jayaraman, N. Narayanaswamy and T.S Venkatasubban, Directors