

CITY UNION BANK LIMITED



ESTD.: 1904

ANNUAL REPORT 2000-2001

CITY UNION BANK LIMITED

BOARD OF DIRECTORS



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



K.S. RAMAN, M.Sc.



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



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



R.G. CHANDRAMOGAN



VR. ARUNACHALAM, B.Sc., F.C.A.



S. THIAGARAJAN, M.A., C.A.I.B.



Dr. S. KASINATHAN, Ph.D., D.Sc.



K.V. RAMAN, B.Sc., F.C.A., A.I.C.W.A.



M. MAHALINGAM, B.A., B.Com., F.C.A.

SENIOR EXECUTIVES



T.M. RAMANI, M.Sc., C.A.I.B.,
C.A.I.B (Lond.), D.B.M., D.I.B.
General Manager



S. BALASUBRAMANIAN,
M.Sc., C.A.I.B., P.G.D.F.M.
General Manager



S. PADMANABAN, M.Sc.
Deputy General Manager



S. RAGHUPATHI,
B.Com., C.A.I.B.
Deputy General Manager



S. SRIDHARAN, M.Sc., D.C./
Deputy General Manager



CITY UNION BANK LTD.

ASSISTANT GENERAL MANAGERS

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

COMPANY SECRETARY

N S Mohan

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STATUTORY AUDITORS

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

SHARE TRANSFER AGENT

Integrated Enterprises (India) Ltd.
II Floor, "Kences Towers",
No.1, Ramakrishna Street,
Off-North Usman Road, T.Nagar,
Chennai - 600 017.
Ph: 8140801 to 8140803 Fax: 8142479
Website: www.iepindia.com

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 THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the members of City Union Bank Ltd., will be held on Saturday, the First September, 2001 at 11.00 a.m. at "Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam-612001 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, 2001 and the Directors' Report and the Auditors' Report thereon.
2. To declare dividend for the year 2000-2001.
3. To appoint a Director in the place of Shri VR. Arunachalam, who retires by rotation and being eligible, seeks re-election.
4. To appoint a Director in the place of Shri S. Thiagarajan, who retires by rotation and being eligible, seeks re-election.
5. To appoint a Director in the place of Dr.S. Kasinathan, who retires by rotation and being eligible, seeks re-election.
6. To appoint Auditors for the year 2001-2002 and fix their remuneration and in this connection, to consider, and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Price Patt & Co., Chartered Accountants, be and are hereby appointed Statutory Central Auditors of the Bank in the place of the retiring Auditors M/s. S. Bernard & Co., Smt. Varalakshmi Murali and M/s. R. Rajendran & Co., from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Bank at a remuneration as may be fixed by the Board of Directors of the Bank."

AS SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.
"RESOLVED THAT, in terms of Section 228 of the Companies Act, 1956, the Board of Directors be and is hereby authorised to appoint from time to time and in consultation with Bank's Statutory Central Auditors, one or more persons qualified for appointment as branch auditors to audit accounts for the year ending 31st March, 2002 of such branch offices of the Bank as are not proposed to be audited by the Bank's Statutory Central Auditors on such remuneration and subject to such terms and conditions as may be fixed/determined by the Board of Directors."
8. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.
"RESOLVED THAT, Shri M. Mahalingam 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
23rd June, 2001

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 Statement in respect of item no.6 is annexed hereto.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to items no.7 & 8 is annexed hereto.
4. 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 1st September, 2001 and to the eligible beneficial owners whose names appear in the list provided by both the Depositories namely National Securities Depository Limited and Central Depository Services (India) Limited as on 16th August, 2001.
5. The Register of Members and Share Transfer Books will remain closed from 17th August, 2001 to 1st September, 2001 (both days inclusive).





6. Members are requested to notify changes, if any, in their addresses immediately to our Share Transfer Agent, Integrated Enterprises (India) Limited, Second Floor, Kences Towers, No.1, Ramakrishna Street, Off-North Usman Road, T. Nagar, Chennai - 600 017 giving full addresses in block letters with PIN CODE.
7. Members are requested to quote the folio of the Register of Members/Client ID & DPID number in all their correspondences.
8. 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.
9. 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.
10. The Bank had 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 encashed the amount of Dividend Warrants issued to them in 1996, 1997, 1998, 1999 and 2000 (pertaining to the years 1995-96, 1996-97, 1997-98, 1998-99 and 1999-2000) are requested to send the same to the Registered Office for revalidation and encashment at any of our branches.

STATEMENT IN RESPECT OF ITEM NO.6

The Reserve Bank of India has issued fresh guidelines on appointment of Statutory Central Auditors effective from the year 2001-02.

In this regard, your bank has received a special notice from the members under Section 225 of the Companies Act, 1956 proposing to move the resolution indicated in item no.6 of the accompanying notice for appointment of M/s. Price Patt & Co., Chartered Accountants, Chennai as the Statutory Central Auditors in the place of the existing Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting. The proposed Auditors satisfy all the norms prescribed by RBI.

The existing Auditors have been duly informed with a copy of the aforesaid notice.

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

ITEM NO. 7

Your Bank has now 114 branch offices spread over in eight States and one Union Territory and will appoint separate Auditors for the audit of some of the branches which are not proposed to be audited by the Statutory Central Auditors. It is therefore proposed to empower the Board of Directors to appoint persons, qualified for appointment as auditors under Section 228 of the Companies Act, 1956 to audit the accounts of such branches which are not audited by the Statutory Central Auditors and fix the remuneration of such Branch Auditors.

None of the Directors is interested in the resolution.

ITEM NO. 8

The Board, at its meeting held on 28th October, 2000, co-opted Shri M. Mahalingam as Additional Director of the Bank. As per Section 260 of the Companies Act, 1956, Shri M. Mahalingam 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 a member of the Bank along with the prescribed deposit for appointment of Shri M. Mahalingam as a Director of the Bank.

Shri M. Mahalingam, B.A., B.Com., F.C.A. is a practising Chartered Accountant at Kumbakonam.

The Board considers it desirable that the Bank should continue to avail itself of the services of Shri M. Mahalingam.

None of the Directors of the Bank except Shri M. Mahalingam is interested in the resolution.

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

Kumbakonam
23rd June, 2001

N S MOHAN
Company Secretary



CITY UNION BANK LTD.**DIRECTORS' REPORT FOR THE YEAR 2000-2001**

Your Directors have pleasure in presenting their Report on the financial results of the Bank for the year ended 31st March, 2001.

ECONOMY

The year 2000-2001 has been a year of many challenges. The growth in GDP is estimated to be at 6% as compared to the growth rate of 6.4% achieved in 1999-2000. The reduction in overall growth of GDP is due to decline of growth rate of industrial sector. Also the Forex market position changed markedly due to continued high oil prices combined with successive increases in interest rates in US and Europe and lower capital inflows. The Rupee depreciated against U.S.\$ considerably. The annual rate of inflation was 4.9% in 2000-01.

BANKING SCENARIO

During the year under review, the aggregate deposits of the scheduled commercial banks have grown at 17.8%, higher than that of 17.2% in the previous year. The aggregate advances rose by 17.21% as against 18.63% during the last year.

The Bank Rate and Cash Reserve Ratio(CRR) were changed a number of times during the year. CRR was reduced from 9% to 8% at the beginning of the Financial Year 2000-01. Again it was increased to 8.5% in the month of July, 2000 keeping in view the external developments. Thereafter it was reduced to 8% and again to 7.5% w.e.f. 19.05.2001.

PERFORMANCE OF YOUR BANK

With the unstinted support of the customers, the employees and the shareholders, your Bank has performed well during the year under review despite a slow down in the economy.

DEPOSITS

During the year, deposits have crossed Rs.1612 Cr (as on 31-03-2001) from Rs.1340 Cr (as on 31-03-2000) recording an impressive growth of 20.30%. The cost of deposits fell to 8.96% from 9.86%.

ADVANCES

The Advances have increased to Rs.876 Cr as on 31/03/2001 from Rs.769 Cr as on 31-03-2000. The fall in interest rate scenario had lead to a competitive environment

wherein the bank would have to offer fine rates to the borrowers. Thus the yield on advances has declined to 13.75% from 15.06%. Gross Non-Performing assets accounted for 13.69 % of gross advances. Net non-performing assets form 8.20 % of net advances. The bank is taking continuous efforts to reduce the level of non-performing assets. The priority sector advances to net credit reached a level of 41.33% and the export credit accounted for 12.10%.

INVESTMENTS/TREASURY OPERATIONS

Despite sluggish market, your bank had reasonably done well through domestic treasury operations. Your Bank had set-up an Integrated Treasury Department at Chennai to ensure better management of funds. The investments has increased to Rs.650 Cr. from Rs.531 Cr. Yield on investments worked out to 11.38%

ASSET LIABILITY MANAGEMENT

Your Bank has put in place a system for Assets and Liabilities management as per the guidelines issued by RBI. The system will further get stabilised in the current year covering 100% of the business.

RISK MANAGEMENT

During the year under review, Credit Risk Management Department (CRMD) and Loan Review Department have been set up to evaluate and mitigate the risks associated with the operations of the bank. Further, Credit Rating System is being put in place.

FINANCIAL RESULTS

Your Directors are pleased to furnish below the financial results for the year ended 31st March, 2001.

(Rs. in Lakhs)

Particulars	For the current year ended March 31, 2001	For the previous year ended March 31, 2000
Gross Income	213,87.05	208,97.27
Total Expenses	164,38.66	159,91.71
Profit before Provisions & Contingencies	49,48.39	49,05.56
Provisions & Contingencies	28,18.50	29,00.00
Net Profit	21,29.89	20,05.56



APPROPRIATIONS

The summary of appropriations is given hereunder:

(Rs. in Lakhs)

Particulars	For the current year ended 31st March, 2001	For the previous year ended 31st March, 2000
Net Profit	21,29.89	20,05.56
Balance of Profit brought forward	0.09	0.03
Amount available for appropriations	21,29.98	20,05.59
Transfer to Statutory Reserve	14,56.70	12,73.50
Other Reserve	12.05	—
Proposed Dividend	6,00.00	6,00.00
Proposed Corporate Dividend Tax and Surcharge	61.20	1,32.00
Balance of profit carried forward	0.03	0.09

OWNED FUNDS

The Bank's paid-up capital stood at Rs.24 Cr as on 31st March, 2001. The capital funds have grown to Rs.118.42 Cr as on 31st March, 2001 as against Rs.103.74 Cr as on 31st March, 2000. The Capital Adequacy Ratio as at 31st March, 2001 stood at 13.59%.

DIVIDEND

Your Directors are pleased to recommend a dividend of 25% on the equity shares for the financial year 2000-01.

BRANCH EXPANSION

During the year under review, your bank has expanded its network by opening the branches at Purasawalkam, Anna Nagar (Chennai), Sivakasi, Srirangam and S.S.Colony (Madurai). With this, your bank has 114 branches. Further, your bank is in the process of opening five more branches at Tambaram, Tiruvanmiyur (Chennai), Trissur (Kerala), Tumkur (Karnataka) and Rajamundhry (Andhra Pradesh) in the current year.

HUMAN RESOURCE DEVELOPMENT

As on 31st May, 2001, your Bank has 1368 employees comprising 16 executives, 358 officers, 727 clerks and 267 sub-ordinate staff. The bank continues to have cordial and harmonious relations with the staff. The necessary training is being imparted to the employees to cope-up with the emerging challenges in the banking industry and to update the knowledge and sharpen the skills of employees.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended is not furnished since no employee employed throughout/part of the year, was in receipt of remuneration of Rs.12,00,000/- or more per annum or Rs.1,00,000/- or more per mensem, as the case may be.

AUTOMATION

During the year, the bank has computerised 7 more branches. With this, the total number of computerised branches increased to 65 covering 86% of the business of the bank as compared to 58 during last year. Your Directors continue to take steps and measures for upgrading and updating the Bank's technological infrastructure.

INTERNATIONAL BANKING

As at 31st March, 2001, your Bank's turnover in Foreign Exchange Business was Rs.663 Cr thereby registering an increase of 11% over the corresponding period of last year. The non-resident deposits as on 31st March, 2001 stood at Rs.114.37 Cr.

ELECTRONIC MODE OF TRADING OF SHARES

During the year, your bank's shares were included in the list for compulsory dematerialised trading by all investors as per the directives of Securities and Exchange Board of India (SEBI). Accordingly, your Bank has entered into a Tripartite Agreement with the Depository Central Depository Services (India) Limited, Mumbai in addition to the existing Tripartite Agreement with National Securities Depository Limited, Mumbai with a view to extending facilities to the shareholders to trade the bank's shares in an electronic form.

BOARD OF DIRECTORS

Shri M. Mahalingam has been co-opted as Additional Director in the meeting of the Board of Directors held on 28th October, 2000 pursuant to Section 260 of the Companies Act, 1956. He will hold office upto the date of ensuing Annual General Meeting. Your Bank has received notice from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri M. Mahalingam.

Sarvashri VR. Arunachalam, S.Thiagarajan and Dr.S. Kasinathan will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

In accordance with the policy of rotation and resting, Shri S. Ramadoss, Chartered Accountant, retires at the conclusion of this Annual General Meeting.

The remaining Auditors M/s.S. Bernard & Co.,



CITY UNION BANK LTD.

Smt. Varalakshmi Murali, and M/s.R.Rajendran & Co., retire at the conclusion of this Annual General Meeting.

The Reserve Bank of India has recently revised the eligibility norms for appointing the Statutory Central Auditors(SCA) with effect from the year 2001-2002. To comply with the same, it is proposed to appoint a new SCA.

Accordingly, a special notice has been received from the members under Section 225 of the Companies Act, 1956 to appoint M/s.Price Patt & Co., Chartered Accountants, Chennai as the Statutory Central Auditors at the ensuing Annual General Meeting in the place of the above three retiring Auditors.

CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Bank has been taking steps to reduce energy consumption to the extent possible. Your bank, being a banking company and an authorised dealer in foreign exchange, has been taking all steps to improve forex earnings.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby state that:

- (i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as

to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Board of Directors express their sincere appreciation to all the shareholders, customers and well wishers of the bank for their excellent co-operation and support extended to the bank and look forward to their continued patronage in the years to come.

The Board of Directors also express their gratitude to RBI, NABARD, NHB, IDBI, SIDBI, EXIMBANK, ECGC, DICGC, SEBI, Stock Exchanges, Depositories, the Share Transfer Agents, Correspondent Banks and various Government Agencies for their patronage and support.

The Board of Directors also place on record the contribution made by the employees at all levels and conveys their appreciation for their dedication and devotion to duty.

For and on behalf of the Board

Kumbakonam
23rd June, 2001

V. NARAYANAN
Chairman

