

CITY UNION BANK LIMITED

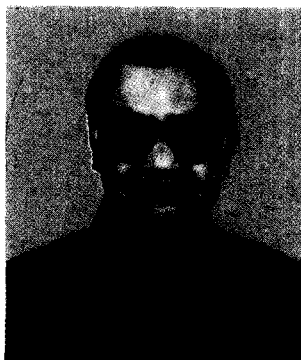


ESTD. 1904

ANNUAL REPORT 2002 - 2003

CITY UNION BANK LTD

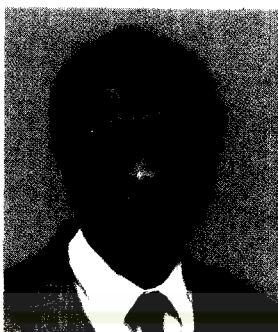
BOARD OF DIRECTORS



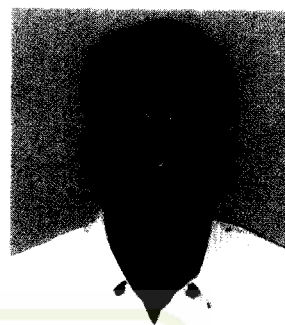
V. NARAYANAN, B.Com., A.C.A.
Chairman



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



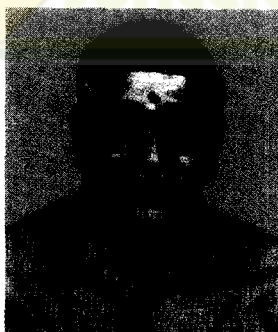
S.M. MISKEEN
B.Com., F.C.A.



R.G. CHANDRAMOGAN



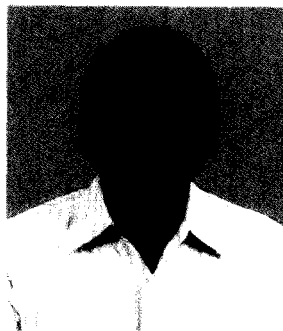
VR. ARUNACHALAM
B.Sc., F.C.A.



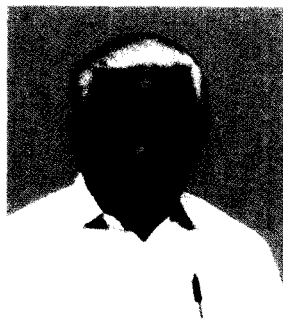
Dr. S. KASINATHAN
Ph.D., D.Sc.



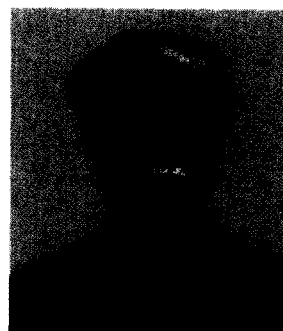
K.V. RAMAN
B.Sc., F.C.A., A.I.C.W.A.



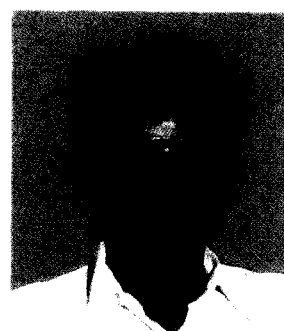
M. MAHALINGAM
B.A., B.Com., F.C.A.



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



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



V. JAYARAMAN, I.R.S. (Retd.)

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STATUTORY CENTRAL AUDITORS

Price Patt & Co.,
Chartered Accountants
Chennai.

SHARE TRANSFER AGENTS

Integrated Enterprises (India) Ltd.
II Floor, "Kences Towers",
No.1, Ramakrishna Street,
Off-North Usman Road, T.Nagar,
Chennai - 600 017.
Ph : 28140801 to 28140803
Fax : 28142479
Website : www.iepindia.com

REGISTERED OFFICE :

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

Ph : (0435) 2432322, 2431622, 2431412 Fax : (0435) 2431746 Telex : 0467 212 Telegram : "SERVICE"

e-mail : cubco_kmb@sancharnet.in Website : <http://www.cityunionbank.net>

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

CITY UNION BANK LTD

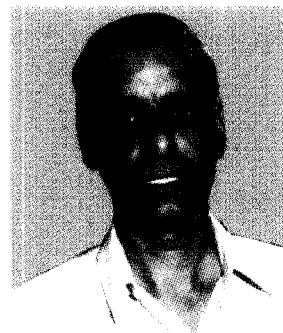
SENIOR EXECUTIVES



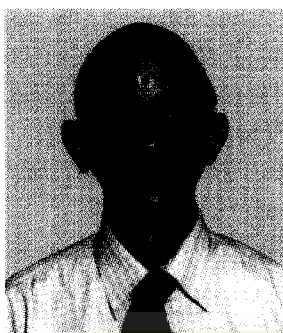
S. BALASUBRAMANIAN
Executive Director



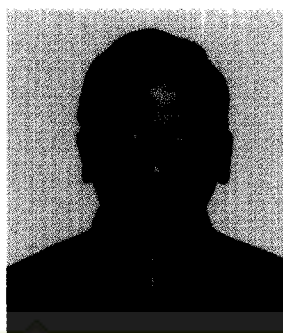
S. SRIDHARAN
General Manager



G.K. BALASUBRAMANIAN
General Manager



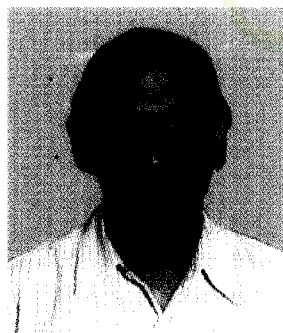
S. BALASUBRAMANIAN
Deputy General Manager



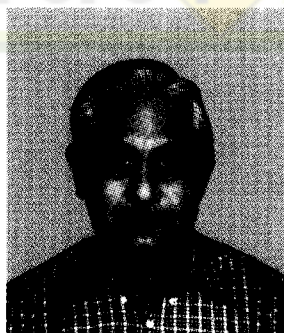
S. SRIDHARAN
Deputy General Manager



R. MOHAN
Deputy General Manager



V. GOPALAN
Deputy General Manager



R. KUPPUSWAMY
Deputy General Manager



S. SEKAR
Deputy General Manager



N. KAMAKODI
Deputy General Manager

ASSISTANT GENERAL MANAGERS

T.S. Ramanujam
R. Chandrasekaran
N. Vijayanarasimhan
D. Kannappan

V. Sundar
B. Sekar
B. Rajagopal
S. Balasubramanian

K. Ganesan
S. Raman
S. Viswesan
S. Rajagopalan

J. Rajagopalan
R.K. Viswanathan
J. Kumar

COMPANY SECRETARY

N.S. Mohan

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 Friday, the 29th August, 2003 at 10.00 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, 2003 and the Directors' Report and the Auditor's Report thereon.
2. To declare dividend for the year 2002-2003.
3. To appoint a Director in the place of Shri R.G. Chandramogan, who retires by rotation and being eligible, seeks re-election.
4. To appoint a Director in the place of Shri K.V. Raman, who retires by rotation and being eligible, seeks re-election.
5. To appoint a Director in the place of Shri M. Mahalingam, who retires by rotation and being eligible, seeks re-election.
6. To appoint Auditors for the year 2003-2004 and fix their remuneration.

The retiring Auditors M/s. Price Patt & Co., Chartered Accountants, Chennai are eligible for reappointment. The Bank has received approval of the Reserve Bank of India.

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,

- i) To make application to the Central Government for exemption from Branch Audit.
- ii) To arrange for audit of such branches as are not exempted and
- iii) To appoint the Branch Auditors for audit of such of the branches for the year 2003-04 in consultation with Bank's Statutory Central Auditors and fix their remuneration.

8. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.

"Resolved that Shri V. Jayaraman 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 with or without modification the following resolution as a Special Resolution.

"Resolved that consent be and is hereby given to Shri N. Kamakodi to hold and continue to hold office as Deputy General Manager or under such other designation as the Directors may from time to time decide on an initial monthly basic pay of Rs. 18,005/- in the time scale of 16105-380/5-18005-420/4-19685 together with benefits as applicable to other executives of our Bank now in force notwithstanding that he is a relative of Shri V. Narayanan, Chairman of the Bank.

By Order of the Board
For CITY UNION BANK LTD

Kumbakonam
2nd July, 2003

N.S. Mohan
Company Secretary

CITY UNION BANK LTD

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 on a 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 item nos.7 to 9 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 29th August, 2003 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 20th August, 2003.
4. The Register of Members and Share Transfer Books will remain closed from 21st August, 2003 to 29th August, 2003 (both days inclusive).

5. Bank account details

The Shareholders of the Company holding shares in physical form are hereby informed that it is mandatory to incorporate the bank account particulars of the shareholders in the dividend warrant. The shareholders who have not furnished the bank account details are requested to inform the Company's Registrars and Share Transfer Agents their respective bank account no. with full name of the bank and branch, nature of the account, which would enable the Registrars and Share Transfer Agents to print the Bank Mandate particulars on the dividend warrants. These details may be sent to the Company's Registrars and Share Transfer Agents so as to reach them by **20th August, 2003.**

Shareholders holding shares in electronic form should note that the bank particulars furnished by them to their Depository Participant will be used while printing the dividend warrant. Hence, the shareholders who have not furnished the bank account details are requested to contact their Depository Participant for updating the particulars.

6. Members are requested to notify changes, if any, in their addresses immediately to our Share Transfer Agents, Integrated Enterprises (India) Limited, Kences Towers, Second Floor, 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, Shastri Bhavan, II Floor, 26, Haddows Road, Chennai - 600 006.

In terms of Section 205C of the Companies Act, 1956, dividend amounts which have remained unclaimed for a period of seven years, will be transferred to "Investor Education and Protection Fund" established by the Central Government and members/beneficial owners cannot make any claim for the dividend once amounts in the unclaimed dividend account are transferred to such Fund. **Accordingly, the amount of Dividend Warrants issued to the members in 1996 (pertaining to the year 1995-96), which has remained unclaimed will be transferred to "Investor Education and Protection Fund" established by the Central Government and members/beneficial owners cannot make any claim for the dividend.**

CITY UNION BANK LTD

Members who have not yet encashed the amount of Dividend Warrants issued to them in 1997, 1998, 1999, 2000, 2001 and 2002 (pertaining to the years 1996-97, 1997-98, 1998-99, 1999-00, 2000-01 and 2001-02) 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 No. 7**

The passing of this resolution is necessary to meet the requirement of Section 228 of the Companies Act, 1956, in terms of which the accounts of every branch of the bank is required to be audited either by the Bank's Auditors or by a person qualified for appointment as Auditor under Section 226 of the said Act. With regard to those branches of the Bank which are not audited either by the Bank's Auditors or by persons qualified to act as Auditors, the Bank has made satisfactory arrangement for their inspection by the responsible and competent officers of the Bank. In view of this, it is proposed to apply to the Central Government for exemption of such branch from the audit of accounts for the year ending 31st March, 2004 and in the event of such exemption not being granted, to empower the Board of Directors to make necessary arrangement in respect of the audit of such branches of the Bank.

None of the Directors is interested in the resolution.

Item No. 8

The Board, in its meeting held on 30-11-2002, co-opted Shri V. Jayaraman as an Additional Director of the Bank. As per Section 260 of the Companies Act, 1956, he 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 the co-opted Director as a Director of the Bank.

Shri V. Jayaraman is a Post Graduate in Statistics. He is an Agriculturist. He joined the Indian Revenue Service in July, 1963 and held various posts in the Income Tax Department. He was on deputation to Ministry of Home Affairs, New Delhi. He retired as Chief Commissioner of Income Tax. He was the Chairman of Banking Service Recruitment Board, Southern Region as well as Insurance Ombudsman, Southern Region.

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

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

Item No. 9

Shri N. Kamakodi, B.Tech., M.B.A., son of Shri V. Narayanan, Chairman of the Bank, was appointed as Deputy General Manager by the Board at its meeting dated 28-04-2003 on an initial monthly basic pay of Rs. 18,005/- in the scale of 16105-380/5-18005-420/4-19685 with benefits as applicable to the other executives of the Bank now in force.

The sanction of the General Body is sought by Special Resolution for giving consent to the above appointment under Section 314 and other relevant sections of the Companies Act, 1956.

None of the Directors except Shri V. Narayanan, Chairman of the Bank is interested in the resolution.

By Order of the Board
For CITY UNION BANK LTD

Kumbakonam
2nd July, 2003

N.S. Mohan
Company Secretary

CITY UNION BANK LTD

DIRECTORS' REPORT FOR THE YEAR 2002-2003

Your Directors have pleasure in presenting their Report on the financial results of the Bank for the year ended 31st March, 2003.

ECONOMY AND BANKING SCENARIO

Indian economy was marked by low growth in the year 2002-03 and uncertainty prevailed on the external front due to the U.S. led War on Iraq. However, industrial recovery, significant growth of exports, an almost stable inflation rate for a major part of the year and level of forex reserves that constituted a record figure, all these proved to be the sustaining factors. RBI stated that the GDP growth for 2002-03 would be 6% as compared to 4.47% estimated earlier. The relatively lower inflation rates in the recent period have helped in creating a favourable environment for continuing with a soft and flexible interest rate policy. RBI has announced a series of measures like reduction in bank rate, cut in CRR, freedom to decide interest rates, alignment of spreads within reasonable limits around PLR and rationalising interest rates on export credit.

PERFORMANCE OF YOUR BANK

Your Bank has performed satisfactorily well during the year under review, due to the overwhelming support of the customers, the employees and the shareholders.

DEPOSITS

During the year, deposits have increased to Rs.2,317.37 Cr as on 31-03-2003 from Rs.1,973.71 Cr as on 31-03-2002 recording an impressive growth of 17.41%. The cost of deposits fell to 7.89% from 8.74%.

ADVANCES

The Advances have increased to Rs. 1,214.47 Cr as on 31-03-2003 from Rs.1,011.05 Cr as on 31-03-2002. The yield on advances stood at 11.72%. Gross Non-Performing assets accounted for 13.46% of gross advances. Net non-performing assets form 8.21 % 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 42.04% and the export credit accounted for 9.43%.

INVESTMENTS/TREASURY OPERATIONS

Your bank had done reasonably well in the sphere of domestic treasury operations. The investments have increased to Rs.1,099.20 Cr from Rs.911.20 Cr. Yield on investments worked out to 9.85%.

ASSET LIABILITY MANAGEMENT

Your bank has a well constituted Committee (ALCO) consisting of top executives, which meets regularly to review various aspects relating to statutory compliance of reserve requirements, balance sheet composition,

sources and uses of funds etc., It also covers analysis of mismatches, interest rate movements through structural liquidity and dynamic liquidity statements. ALCO also decides the interest rates structure for deposits and advances. ALM process will only get strengthened further with the implementation of core banking solutions.

RISK MANAGEMENT

During the year under review, as a part of strengthening the risk management system further, your bank has designated Portfolio/Relationship Managers at important branches where there are large advances, to facilitate monitoring high value credit accounts on an ongoing basis.

FINANCIAL RESULTS

Your Directors are pleased to furnish below the financial results for the year ended 31st March, 2003.

(Rs. in Lakhs)

Particulars	For the current year ended 31st March, 2003	For the previous year ended 31st March, 2002
Gross Income	287,36.71	260,16.01
Total Expenses	207,03.67	195,09.59
Profit before Provisions & Contingencies	80,33.04	65,06.42
Provisions & Contingencies	46,95.66	36,62.89
Net Profit	33,37.38	28,43.53

APPROPRIATIONS:

The summary of appropriations is given hereunder:

(Rs. in Lakhs)

Particulars	For the current year ended 31st March, 2003	For the previous year ended 31st March, 2002
Net Profit	33,37.38	28,43.53
Balance of Profit brought forward	1.15	0.03
Amount available for appropriations	33,38.53	28,43.56
Transfer to Statutory Reserve	9,93.00	7,70.36
Capital Reserve	10.60	2,62.05
Inv't.Fluctuation Reserve	12,50.00	8,50.00
Proposed Dividend	9,60.00	9,60.00
Proposed Corporate Dividend Tax and Surcharge	1,23.00	—
Balance of profit carried forward	1.93	1.15

CITY UNION BANK LTD

OWNED FUNDS

The Bank's paid-up capital stood at Rs.24 Cr as on 31st March, 2003. The capital funds have grown to Rs.164.77 Cr as on 31st March, 2003 as against Rs. 142.22 Cr as on 31st March, 2002. The Capital Adequacy Ratio as at 31st March, 2003 stood at 13.95%.

DIVIDEND

Your Directors are pleased to recommend a dividend of 40 % on the equity shares for the financial year 2002-03 for which the Bank had received the approval of the Reserve Bank of India.

BRANCH EXPANSION

During the year under review, your bank has expanded its network by opening branches at Fort (Mumbai), Thrissur(Kerala), Kakinada and Tenali(Andhra) Palghat(Kerala). Further, two more branches have been opened at Bhimavaram (Andhra) and Kovilpatti after 1st April, 2003. With this, your bank has 125 branches. The bank has plans to open ten more branches at important commercial centres during the Financial Year 2003-04.

GENERAL BUSINESS

With a view to providing value added services to its customers, your bank has entered into Memoranda of Understanding with Life Insurance Corporation of India and National Insurance Co.Ltd for selling insurance products. The Bank is set to complete the necessary formalities and statutory compliances to undertake Corporate Insurance Agency Business.

HUMAN RESOURCE DEVELOPMENT

As on 30th June, 2003, your Bank has 1403 employees comprising of Chairman, 25 executives, 364 officers, 726 clerks and 287 sub-ordinate staff. The bank continues to maintain a healthy and harmonious relationship with the staff. Knowledge skills of employees are honed by well-conceived, properly structured training programmes, covering all the modern day banking issues, which prepare them to cope up with the emerging challenges in the banking industry.

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.24,00,000/- or more per annum or Rs.2,00,000/- or more per mensem, as the case may be.

AUTOMATION

During the year, the bank has further computerised 17 more branches. With this, the total number of computerised branches increased to 99, of which fourteen branches have been partially computerised, covering 96% of the business of the bank. Your Directors continue to take steps and measures for upgrading and updating the Bank's technological infrastructure.

As a landmark development, your bank, in its quest to attain technological excellence and to keep pace with contemporaries in modern banking in the provision of hi-tech banking services, has entered into tie-up arrangement with Tata Consultancy Services, for implementing core banking solutions covering all the branches. The applications for core banking named "Quartz" developed by TCS will be tried in Indian market for the first time at your bank. This arrangement is to be implemented at an estimated cost of about Rs.15 Crs inclusive of the cost of hardware. Your bank has already opened five "on site" ATMs at some of its major branches. Your bank has plans to open more ATMs in the current Financial Year.

INTERNATIONAL BANKING

As at 31st March, 2003, your Bank's turnover in Foreign Exchange Business was Rs. 902.12 Cr thereby registering an increase of 17.64% over the corresponding period last year. The non-resident deposits as on 31st March, 2003 stood at Rs. 201.77 Cr.

BOARD OF DIRECTORS

Shri V. Jayaraman has been co-opted as an Additional Director in the meeting of the Board of Directors held on 30th November, 2002 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 V. Jayaraman.

Sarvashri R.G. Chandramogan, K.V. Raman and M. Mahalingam will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS

M/s. Price Patt & Co., Chartered Accountants, Statutory Central Auditors, retire at the conclusion of this Annual General Meeting and they, being eligible, offer themselves for re-appointment. The Bank has received a certificate from the Statutory Central Auditors to the effect that the re-appointment, if made, will be in accordance with the limits prescribed under Section 224(1B) of the Companies Act, 1956.

CITY UNION BANK LTD**CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Your bank, being a banking company and an authorised dealer in foreign exchange, has been taking all steps to improve forex earnings.

CORPORATE GOVERNANCE

The Bank complies with the requirements of Clause 49 of the listing agreement entered into with Madras, National and Mumbai Stock Exchanges where its shares are listed. The reports on Corporate Governance & Management Discussion and Analysis are attached.

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 for the financial year ended 31st March, 2003, 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 2002-03 and of the profit 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 for the financial year ended 31st March, 2003 on a going concern basis.

ACKNOWLEDGEMENT

The Board expresses its 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 looks forward to their continued patronage in the years to come.

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

The Board also places on record the significant contribution made by the employees at all levels and conveys its appreciation for their dedication and devotion to duty.

FOR AND ON BEHALF OF THE BOARD

Kumbakonam
2nd July, 2003

V. Narayanan
Chairman