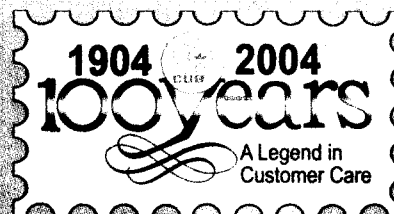


CITY UNION BANK LIMITED



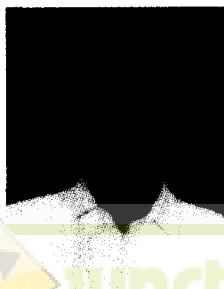
ANNUAL REPORT 2003 - 2004

BOARD OF DIRECTORS

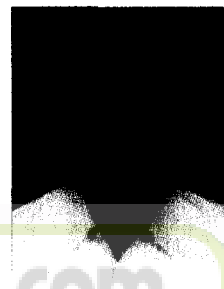
V. NARAYANAN, B.Com., A.C.A
Chairman



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



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



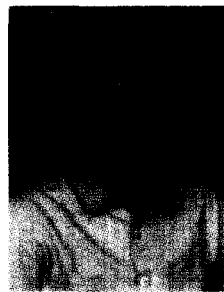
R.G. CHANDRAMOGAN



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



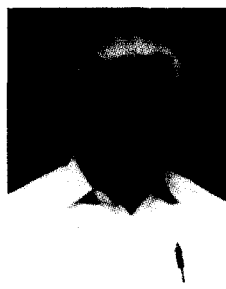
Dr. S. KASINATHAN
Ph.D., D.Sc.



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



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



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



P. VAIDYANATHAN
B.Com., F.C.A., A.I.C.W.A., A.C.S.

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Statutory Central Auditors

Price Patt & Co.,
Chartered Accountants,
Chennai.

Share Transfer Agents

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

Registered Office

149, T.S.R. (Big) Street, Kumbakonam - 612 001.
Phone : 0435 - 2432322, 2431622, 2431412 Fax : 0435 - 2431746
Telegram : "SERVICE" E-mail : cubco_kmb@sancharnet.in
Website : <http://www.cityunionbank.net>
Website : <http://business.vsnl.com/cityunion>

SENIOR EXECUTIVES

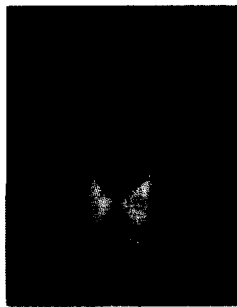
S. BALASUBRAMANIAN
Executive Director



S. SRIDHARAN
General Manager



G.K. BALASUBRAMANIAN
General Manager



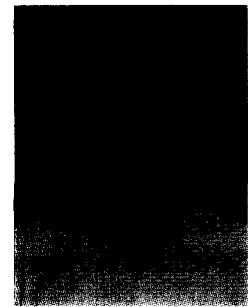
S. BALASUBRAMANIAN
Deputy General Manager



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



S. SUNDAR
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. Viswesha
S. Rajagopalan

J. Rajagopalan
R.K. Viswanathan
J. Kumar

COMPANY SECRETARY

N.S. Mohan

Performance Highlights - 2003-04

- a) **Operating Profit** - Operating Profit improved from Rs. 80.33 Crs to Rs. 117.80 Crs, registering a growth rate of 46.65%.
- b) **Net Profit** - Net Profit improved from Rs. 33.37 Crs to Rs. 57.04 Crs. recording an increase of 71%.
- c) **Deposits** - Total deposits rose by 22.84% from Rs. 2,317.37 Crs to Rs. 2,846.65 Crs and cost of Deposits declined to 6.96% from 7.89%.
- d) **Advances** - Advances grew by 27.63% from Rs. 1,212.05 Crs to Rs. 1,546.98 Crs. Yield on Advances stood at 11.36%.
- e) **Business** - Total business stood at Rs. 4393.63 Crs
- f) **Networth** - Owned capital funds have grown to Rs. 202.85 Crs from Rs. 164.77 Crs.
- g) **Earning per share** - Earning per share grew to Rs. 23.77 from Rs. 13.90.
- h) **Intrinsic value of Rs. 10/- per share** - Intrinsic value of Rs. 10/- per share rose from Rs. 68.65 to Rs. 84.52.
- i) **Return on Average Assets** - Return on Average Assets (ROA) rose to 1.86% from 1.33%
- j) **Net Interest Margin** - Net Interest margin (NIM) increased to 3.13% from 2.64%.
- k) **Capital Adequacy Ratio** - Capital Adequacy Ratio comfortably stands at 13.36%.
- l) **Staff Productivity** - Staff productivity increased to Rs. 286.80 lakhs from Rs. 230.05 lakhs.
- m) **Non-Performing Assets** - The percentage of Gross NPAs to Gross Advances declined to 10.36% from 13.46%. The percentage of net NPA to net advances declined steeply to 6.37% from 8.21%.
- n) **Computerisation** - The coverage of computerised branches in total business improved from 96% to 97.67%.



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 Thursday, the 29th July, 2004 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, 2004 and the Directors' Report and the Auditor's Report thereon.
2. To declare dividend for the year 2003-2004.
3. To appoint a Director in the place of Shri S. Rajaratnam, who retires by rotation and being eligible, seeks re-election.
4. To appoint a Director in the place of Shri T.S. Venkatasubban, who retires by rotation and being eligible, seeks re-election.
5. To appoint a Director in the place of Shri VR. Arunachalam, who retires by rotation and being eligible, seeks re-election.
6. To appoint a Director in the place of Dr. S. Kasinathan, who retires by rotation and being eligible, seeks re-election.
7. To appoint Auditors for the year 2004-2005 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:

8. 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 2004-05 in consultation with Bank's Statutory Central Auditors and fix their remuneration."

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

"Resolved that Shri P. Vaidyanathan 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
4th June, 2004

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 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.8 to 9 is annexed hereto.
3. The dividend on the Equity Shares as recommended by the Board will be paid on approval of the Reserve Bank of India and the members of the Bank to the eligible Equity Shareholders whose names appear in the Bank's Register of Members as on 29th July, 2004 and to the eligible beneficial owners whose names appear in the list provided by the Depositories, National Securities Depository Limited and Central Depository Services (India) Limited as on 19th July, 2004.
4. The Register of Members and Share Transfer Books will remain closed from 20th July , 2004 to 29th July, 2004 (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 **19th July, 2004**.

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 the 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.

Similarly, the Bank had already transferred Unclaimed Dividend for the financial year 1995-96 to the Investor Education & Protection Fund established by the Central Government, in terms of Section 205C of the Companies Act, 1956, and the members/beneficial owners can not make any claim for the dividend.

The dividend amounts which have remained unclaimed for a period of seven years, will be transferred to "Investor Education and Protection Fund" in terms of Section 205C of the Companies Act, 1956 and members/beneficial owners can not 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 1997 (pertaining to the year 1996-97), which has remained unclaimed will be transferred to "Investor Education and Protection Fund" established by the Central Government and members/beneficial owners can not make any claim for the dividend.**

Members who have not yet encashed the amount of Dividend Warrants issued to them in 1998, 1999, 2000, 2001, 2002 and 2003 (pertaining to the years 1997-98, 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03) 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. 8

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 responsible and competent officers of the Bank.

In view of this, it is proposed to apply to the Central Government for exemption of such branches from the audit of accounts for the year ending 31st March, 2005 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. 9

The Board, in its meeting held on 29-10-2003, co-opted Shri P. Vaidyanathan as an Additional Director of the Bank. As per Section 280 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. P.Vaidyanathan, B.Com., F.C.A., A.I.C.W.A., A.C.S. is a Financial Consultant. He is having wide experience in Accountancy, Tax Laws, Company Laws, etc. 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.

By Order of the Board
for CITY UNION BANK LTD

Kumbakonam
4th June, 2004

N.S. MOHAN
Company Secretary

DIRECTORS' REPORT FOR THE YEAR 2003-2004

The Board of Directors are extremely happy to inform that your Bank has reached the coveted milestone of 100 years, thereby becoming a proud Centenarian banker standing tall in the industry sustained by the ever increasing support of our stakeholders, loyal customers and inherent traditional strengths. On this most memorable and happy occasion, your directors have pleasure in presenting their report on the financial results of the Bank along with audited Balance Sheet as on 31-03-2004 and Profit and Loss Account for the year ended 31st March, 2004.

ECONOMY AND BANKING SCENARIO

In the financial year 2003-04, Indian economy has not only showed considerable resilience to shocks but also demonstrated good economic performance on the domestic and external fronts. On account of the buoyancy witnessed all around, the GDP growth rate of 8% is projected for the full fiscal against 4% recorded in the preceding year. Agricultural gross domestic product, which had grown 16.9% in the third quarter, had contributed to the growth upswing. Broad based acceleration was witnessed in the sectors of mining and quarrying, electricity, trade, communication, financing, insurance and business services. There were uncertainties over the movements of international oil prices in the aftermath of the Iraq war. Despite that RBI has assessed that the inflation rate would moderate.

As a result of globalisation, liberalisation, competition and reduction in interest rates, Indian banks are now lending more to the private sector. With large capital inflows and a positive monetary growth, there is more than enough capital to go around.

During the year, money supply increased by 16.4% as compared with 12.8% in the previous year. The growth in aggregate deposits of scheduled commercial banks at 17.3% was higher than that of 13.4% in the previous year.

Scheduled commercial banks' credit recorded an increase of 14.6% during 2003-04 as compared with 16.1% in the previous year.

Country's foreign exchange reserves increased by US \$37.6 billion from US \$75.4 billion as at end-march 2003 to US \$113 billion by end-March 2004.

During the year 2003-04 exports in US \$ terms increased by 17.1%. Imports showed an increase of 25.3%.

The Reserve Bank of India has announced the launch of Real Time Gross Settlement System (RTGS) in a phased manner, which facilitates a quicker and safer settlement system.

During the year under review, financial markets have remained generally stable and interest rates have softened further with ample liquidity in the system. Considerable progress has been made in developing Indian banking sector into a vibrant, sound and well functioning system. The financial sector as a whole has acquired greater strength, efficiency and stability by the combined effect of competition, regulatory measures, policy environment and motivation among the banks.

PERFORMANCE OF YOUR BANK

Your Bank has performed impressively during the year under review, which is absolutely due to the overwhelming support and patronage of our customers, employees and shareholders. Generally on the fronts of core business and profitability, the Bank has recorded growth levels, which are comfortably above the industry's average. Such performance levels augur well for your Bank whose centenary year's commencement coincided with the year under review.

DEPOSITS

During the year, deposits have increased to Rs.2,846.65 Cr as on 31-03-2004 from Rs. 2,317.37 Cr as on 31-03-2003 recording a satisfactory growth rate of 22.84 %. The cost of deposits fell to 6.96% from 7.89%.

ADVANCES

The Advances have increased to Rs.1,546.98 Cr as on 31-03-2004 from Rs. 1,212.05 Cr as on 31-03-2003 resulting in an impressive growth rate of 27.63%. The yield on advances stood at 11.36%. Gross non-performing assets accounted for 10.36% of gross advances. Net non-performing assets form 6.37% of net advances. The Bank is taking continuous efforts to reduce the level of non-performing assets. The priority sector advances and export credit reached a level of 40.42% and 9.69% of Bank's net credit respectively.

INVESTMENTS/TREASURY OPERATIONS

Your Bank has recorded healthy growth levels in the sphere of domestic treasury operations. The investments have increased to Rs.1279.00 Cr from Rs.1099.20 Cr. Yield on investments worked out to 9.27 %.

ASSET LIABILITY MANAGEMENT (ALM)

Amidst all the structural changes that are taking place in the banking sector, the most important and noticeable one is their growing risk exposure. As ALM is strategic balance sheet management of risks caused by changes in interest rates and liquidity position of the bank, to manage these risks, banks will have to develop suitable system based on its product profile and operational style. Giving a serious thought for the risk control methods, your Bank has put in place a well-defined ALM system.

The present ALM practices would further be fine-tuned and improved significantly with the implementation of sophisticated software "ALMITY" developed by TCS along with core banking solution.

RISK MANAGEMENT

Risk management provides strategies, techniques and an approach to recognising and confronting any threat faced by an organisation in its mission. Credit risk management department and credit approval grid that are in operation at the apex level act in close co-ordination with branches that have larger assets base. Carefully designed credit rating system also adds to the effective implementation of risk management policy. A high level risk management committee comprising of directors was also constituted during the year under review.

FINANCIAL RESULTS

Your Directors are pleased to furnish below the financial results for the year ended 31st March 2004.

(Rs. in Lakhs)

Particulars	For the Current Year ended 31st March, 2004	For the Previous Year ended 31st March, 2003
Gross Income	34268.22	28736.71
Total Expenses	22488.18	20703.67
Profit before Provisions & Contingencies	11780.04	8033.04
Provisions & Contingencies	6076.00	4696.66
Net Profit	5704.04	3337.38

APPROPRIATIONS:

The summary of appropriations is given hereunder:

(Rs. in Lakhs)

Particulars	For the Current Year ended 31st March, 2004	For the Previous Year ended 31st March, 2003
Net Profit	5704.04	3337.38
Balance of Profit brought forward	1.92	1.15
Amount available for appropriations	5705.96	3338.53
Transfer to Statutory Reserve	2275.00	993.00
Capital Reserve	32.07	10.60
Inv't Fluctuation Reserve	1500.00	1250.00
Proposed Dividend	1680.00	960.00
Proposed Corporate Dividend Tax and Surcharge	215.25	123.00
Balance of profit carried forward	3.64	1.93