





Annual General Meeting
18.08.2006

Remittance Tie-up with
Doha Bank 04.05.2007



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Statutory Central Auditors

Abarna & Ananthan
Chartered Accountants
Bangalore

Share Transfer Agents

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

Registered Office

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

BOARD OF DIRECTORS



S. BALASUBRAMANIAN, M.Sc., CAIIB., PGDFM.
Chairman



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.



K.S. RAMAN
M.Sc.



S. BERNARD
B.Com., F.C.A.



N. KANTHA KUMAR
B.Com., L.L.B., CAIIB

SENIOR EXECUTIVES



N. KAMAKODI
Executive Director



G.K. BALASUBRAMANIAN
Senior General Manager



S. SRIDHARAN
Senior General Manager



R. MOHAN
General Manager



S. SUNDAR
General Manager



S. SEKAR
General Manager



S. BALASUBRAMANIAN



S. SRIDHARAN



T.S. RAMANUJAM



V. SUNDAR



K. GANESAN



J. RAJAGOPALAN



J. KUMAR



N. VIJAYANARASIMHAN



S. VISWESAN

ASSISTANT GENERAL MANAGERS

R. CHANDRASEKARAN
B. RAJAGOPAL
M. RADHAKRISHNAN

B. SEKAR
D. KANNAPPAN
K. MAHARAJAN

S. RAMAN
S. BALASUBRAMANIAN
RAMESH SUBRAMANIAM

R.K. VISWANATHAN
S. RAJAGOPALAN
N. PARAMESWARA IYER

COMPANY SECRETARY

V. RAMESH



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of CITY UNION BANK LIMITED, will be held on Wednesday, the 25th July 2007, at 10.00 a.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 and Profit & Loss Account for the year ended 31st March, 2007, the Directors' Report and the Auditor's Report thereon.
2. To declare dividend for the year 2006-2007.
3. To appoint a Director in the place of Shri. K. V. Raman, who retires by rotation and being eligible, seeks re-election.
4. To appoint a Director in the place of Shri V. Jayaraman, who retires by rotation and being eligible, seeks re-election
5. To appoint a Director in the place of Shri T. S. Venkatasubban, who retires by rotation and being eligible, seeks re-election
6. To appoint a Director in the place of Shri K. S. Raman, who retires by rotation and being eligible, seeks re-election
7. To appoint Auditors for the year 2007-2008 and fix their remuneration.
The retiring Auditors, M/s. Abarna & Ananthan, Chartered Accountants, Bangalore are eligible for reappointment. The bank is awaiting the approval of 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 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 2007-08 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 N Kanthakumar 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 with or without modification the following resolution as an Ordinary Resolution
"Resolved that pursuant to Sections 16,94 and other applicable provisions, if any, of the Companies Act, 1956 the existing Authorised Capital of the Company i.e. Rs.100 Crores (Rupees One hundred Crores) divided into 10,00,00,000 Equity Shares of Rs.10/- each be subdivided into Rs.100 Crores (Rupees one hundred Crores) divided into 100, 00, 00,000 Equity Shares of Re. 1 each and consequently the existing Clause 5 of the Memorandum of Association of the Company relating to Share Capital be and is hereby altered to read as follows.
The Authorised Capital of the Company is Rs.100,00,00,000/- (Rupees One hundred Crores only) divided into 100,00,00,000 Equity Shares of Re.1/- each with a power to increase or reduce the capital of the Company in accordance with the provisions of the Act."
11. To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution
"Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Article 4 (i) of the Articles of Association relating to Capital be and is hereby altered to read as follows.
The Authorised Capital of the Company is Rs.100,00,00,000/- (Rupees One hundred Crores only) divided into 100,00,00,000 Equity Shares of Re.1/- each with a power to increase or reduce the capital of the Company in accordance with the provisions of the Act."

Kumbakonam
22-06-2007

By Order of the Board
For City Union Bank Limited
V. RAMESH
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 at least 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&9 is annexed hereto.
3. The dividend on the Equity Shares as recommended by the Board will be paid on the approval of the members of the bank to the eligible Equity Shareholders whose names appear in the Bank's Register of Members as on 25th July, 2007 and to the eligible beneficial owners whose names appear in the list provided by the Depositories, National Securities Depositories Limited and Central Depository Services (India) Limited as on 12th July, 2007
4. The Register of Members and Share Transfer Books will remain closed from 13th July, 2007 to 25th July, 2007 (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 12th July, 2007.

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. Pursuant to Section 205A of the Companies Act, 1956, the dividend amounts which have remained unclaimed for a period of seven years, will be transferred to "Investor Education and Protection Fund" Fund established by the Central Government, in terms of Section 205C of the Companies Act, 1956, 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 the year 2000 (pertaining to the year 1999-00), which have 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.**

The Bank had already transferred Unclaimed Dividend for the financial years 1996-97, 1997-98 and 1998-99 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 cannot make any claim for the dividend.



Members who have not yet encashed the amount of Dividend Warrants issued to them in 2001, 2002, 2003, 2004, 2005 and 2006 (pertaining to the years 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06) 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 to make 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, 2008 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 30.09.2006, co-opted Shri N Kanthakumar 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 N Kanthakumar, B.Com, L.L.B, CAIIB, is a retired Chairman & CEO of Syndicate Bank. He joined Canara Bank as officer in 1967 and was elevated to the level of Executive Director after which he joined Syndicate Bank as Chairman & Managing Director. 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 Director of the Bank except the co-opted Director is interested in the resolution.

Item No.10

In order to provide more liquidity and invite retail investors' participation, the Bank had decided to split the existing equity shares of face value of Rs.10 into 10 equity shares of Re.1/- per share. Further when the prices of shares is low, it will be easier to access market to rise capital in future.

The proposed subdivision of Authorised Capital necessarily involved consequential change by way of amendment to Clause 5 of the Memorandum of Association of the Bank. Accordingly amendment to the Memorandum of Association is proposed and placed before the shareholders for approval.

None of the Directors is interested in this resolution

Item No.11

In tune with the subdivision of Authorised Capital of the Bank, an amendment is also needed to the Article 4(i) of Articles of Association of the Bank. Accordingly the Article is amended to subdivide the Authorised Capital to Rs.100 Crores divided into 100,00,00,000 Equity Shares of Re 1 each.

None of the Directors is interested in this resolution

By Order of the Board
for City Union Bank Ltd

Kumbakonam
22-06-2007

V. RAMESH
Company Secretary

DIRECTORS' REPORT FOR THE YEAR 2006-2007

Your directors have immense pleasure in presenting their report on the financial results of the Bank along with audited Balance Sheet as on 31st March, 2007 and Profit & Loss Account for the year ended 31st March, 2007.

ECONOMY AND BANKING SCENARIO

The Indian economy witnessed a robust growth during 2006-07, for the fourth year in succession, driven by the continued momentum in the services and manufacturing sectors. According to the advance estimates of the Central Statistical Organisation (CSO), real GDP growth accelerated from 9% in 2005-06 to 9.4% in 2006-07.

Scheduled commercial banks' time deposits grew at 22.80 % for the FY 2006-07 compared to 15.30% for the FY 2005-06. Credit growth remained strong for the third successive year registering a growth of 28% for the FY 2006-07.

The annual inflation rate, on an average basis, increased to 5.40% during 2006-07 from 4.40% in the previous year. Prices of primary food articles and manufactured products exerted upward pressures on inflation during the year 2006-07. Measures of consumer price inflation remained above the WPI inflation throughout the year, mainly reflecting the impact of higher food prices. The Reserve Bank continued with the policy of gradual withdrawal of monetary accommodation, using various instruments at its disposal flexibly to stabilise inflation. The Government also took fiscal and supply-side measures to contain inflation.

The weighted average yield on government securities increased by 66 basis points on the benchmark 10-year Govt. securities from 7.12% to 7.78% in FY 2007. The weighted average call money rates ranged between 5.60 % and 7.22%. Interest rates in various segments increased during the year. Both the deposit and lending rates of scheduled commercial banks (SCBs) increased during 2006-07. The call money rate edged up during the year in tandem with movements in policy rates. Interest rates in the collateralised segment of the overnight money market also hardened, but remained below the call rate during the year. In the foreign exchange market, the Indian rupee exhibited two-way movements with a strengthening bias since mid-July 2006. The overall monetary and liquidity conditions however remained comfortable during 2006-07.

During 2006-07, India's exports continued to maintain the robust growth for the fifth year in succession in an environment of favourable global demand and economic conditions and growing competitiveness of the domestic industrial sector. Capital flows during 2006-07 were substantially higher than a year ago, led by foreign direct investment (FDI) flows, on the back of strong growth prospects and buoyant investment demand. Outward direct investment from India also exhibited a significant rise due to some large overseas acquisitions by Indian corporates. India's foreign exchange reserves were US \$ 199.2 billion as on March 31, 2007, higher by US \$ 47.6 billion over end-March 2006 mainly due to increase in foreign currency assets.

Bank credit continued to grow at a strong pace for the third successive year and Industrial production continued its growth momentum during the year. The robust performance of the manufacturing sector was largely led by 'machinery and equipments', 'basic metal and alloy industries' and 'chemical and chemical products'. Financing, insurance, real estate and business services registered double digit growth rates, software and services sectors continued to outperform the market expectations.

Although the International crude oil prices reached record highs, there was a large intra-year volatility during the year 2006-07. Non-fuel commodity prices firmed up during the year 2006-07 led by metals and food prices. Gold prices recorded sharp increases during 2006-07. International gold prices have risen sharply since mid-2006 and domestic gold prices increased by about 10 per cent during 2006-07, broadly mirroring movements in international prices. Metals prices remained firm during 2006-07 on the back of robust demand and supply constraints amidst speculative investor interest.

Domestic equity and bullion markets recorded further gains during 2006-07, with intermittent corrections during May-June 2006, December 2006 and February/March 2007. Domestic equity prices fell during May and early June 2006 in line with international equity markets on concerns that monetary tightening might slow prospects for global growth. Equity prices recovered thereafter and the BSE Sensex touched a peak of 14652 on February 8, 2007.

PERFORMANCE OF YOUR BANK

The Performance Highlights for the financial year in the key financial areas are as under :

(Rs. in Crore)

Particulars	2006-07	2005-06
Deposits	4699	3518
Advances	3329	2550
Investments	1307	1057
Total Income	454	371
Operating Profit	131	109
Net Profit	72	56

Your Bank crossed another flag post of Rs.8000 crore mark in total business during the Financial Year 2006-07. Your Bank continues to perform creditably to maintain its growth level above the industry benchmarks.

The Bank achieved an operating profit of Rs.131.48 crs against Rs.109.15 crs recorded in the previous year. The net profit increased by 27% from Rs 56.37 crs to Rs 71.81 crs. The Net Interest Income rose from Rs.139.78 crs to Rs.167.50 crs thereby registering a growth of 19.83%. The return on average assets was higher at 1.57% when compared to 1.46% last year.

DEPOSITS

During the year, deposits have increased to Rs. 4699 crs as on 31-03-2007 from Rs. 3518 crs as on 31-03-2006 recording a growth rate of 33.59%. The cost of deposits increased marginally to 5.95% from 5.75%.

ADVANCES

The Advances have increased from Rs.2550 crs as on 31-03-2006 to Rs.3329 crs as on 31-03-2007 translating into an impressive growth rate of 30.55 %. The yield on advances increased from 10.85% to 11.32%. The priority sector advances aggregated to 40 % of Bank's net credit.

NON PERFORMING ASSETS

Your Bank has given greater thrust on minimizing the quantum of non-performing assets and as a result of persistent efforts on recovery, the level of Gross Non-Performing Assets have been brought down to 2.58% from 4.32% and the Net Non-Performing Assets have been reduced to 1.09% from 1.95%. The Bank is taking continuous efforts to reduce the level of non-performing assets.

INVESTMENTS/TREASURY OPERATIONS

During year under review gross investments have increased from Rs.1064 crs to Rs.1313 crs to maintain reserve requirements on the back of higher resources mobilised. Yield on investments worked out to 7.33%. On account of upward movement in interest rate with no softening anticipated in the near future, the bank has trodden cautiously in the security trading operations. The movements in interest rates vastly enabled the bank to profitably leverage its integrated treasury operations.

RISK MANAGEMENT

Risk management enables banks to identify, assess and manage their Credit, Market and Operational risks proactively. In light of the fast changing, dynamic and competitive banking scenario, it is important that banks develop robust risk management policies and procedures which are very clear and responsive to these changes.

In your bank, a high level Risk Management Committee comprising of Directors oversees the functioning of three key bodies - Asset Liability Management Committee, Credit Risk Management Department and Task Force for Risk Based Internal Audit which act in coordination with the large branches of the bank to mitigate the overall risks faced by the bank. The bank is gearing itself to move over to Basel II requirements within the time frame set by Reserve Bank of India.