

ANNUAL REPORT 2009 - 2010



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED

Inauguration of Coin & Soiled Note Exchange Mela
at Coimbatore on 26.03.2010 by Shri. K.R. Ananda, Regional Director
Reserve Bank of India, Chennai.



A moment of Pride - Grant of ESOS



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Statutory Central Auditors

Jagannathan & Sarabeswaran
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.
Phone : 28140801 to 28140803
Fax : 28142479
Website : www.iepindia.com

Registered Office

149, T.S.R. (Big) Street, Kumbakonam - 612 001.
Phone : 0435 - 2402322, 2401622, 2402412 Fax : 0435 - 2431746
www.cityunionbank.com

BOARD OF DIRECTORS



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



S. BALASUBRAMANIAN
M.Sc., CAIIB., PGDFM.
M.D & C.E.O



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



K.S. RAMAN
M.Sc.



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



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



N. SANKARAN
B.E., M.I.E.



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



R.G. CHANDRAMOGAN



T.K. RAMKUMAR
B.Com., B.L.



Justice S.R. SINGHARAVELU
B.Sc., B.L.



C.R. MURALIDHRAN
B.Sc., CAIIB

SENIOR EXECUTIVES



Dr. N. KAMAKODI
B.Tech., MBA, CAIIB, Ph.D.
Executive Director



R. MOHAN
B.Sc., MBA, CAIIB
General Manager



S. SUNDAR
B.Com., ACA, CAIIB
General Manager



S. SEKAR
B.Sc., JAIIB
General Manager



T.S. RAMANUJAM
B.Com., JAIIB
General Manager

DEPUTY GENERAL MANAGERS



J. KUMAR



B. RAJAGOPAL



D. KANNAPPAN



R. VENKATASUBRAMANIAN



K. DEIVARAYAN



K.P. SRIDHARAN

ASSISTANT GENERAL MANAGERS

R.K. VISWANATHAN
R. KRISHNAN
A. RAGOTHAMAN
R. RENGARAJAN
R. SAIRAM
R. RAJARAMAN

S. BALASUBRAMANIAN
K. PANCHAPAKESAN
S. VENKATESAN
R. SUBRAMANIAN
B. SUNDARARAMAN
S. RAMESH

S. RAJAGOPALAN
V.S. SRINIVASAN
V. KRISHNAMURTHY
V. SUGUNA
R. SANKARAN
J. RAJASEKARAN

K. MAHARAJAN
N. SANKARARAMAN
M. MOUNISSAMY
R. SUBRAMANIAN
S. MOHAN
R. LAKSHMINARAYANAN

ASSISTANT GENERAL MANAGER & COMPANY SECRETARY
V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2009-2010

Your Directors have great pleasure in presenting their report on the financial results of the Bank along with audited Balance Sheet as on 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010.

ECONOMY AND BANKING SCENARIO

The Indian economy exhibited clear momentum in recovery, and despite the impact of a deficient monsoon on agricultural production, the GDP growth for the year 2009-2010 has been estimated at 7.2%, up from 6.7% recorded in the previous year on the back of double digit expansion in the manufacturing sector and not so dismal show by the farm sector. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from contagion and then in ensuring that the economy recovered quickly.

The service sector, exhibited significant recovery in the second quarter of 2009-10, with growth in the output of the sub-groups viz., construction and trade, hotel, transport & communication, accelerating while growth in community, social & personal services slowed down and the growth in this sector would be 8.5%.

Aggregate Deposits of banks as on March 31, 2010 showed a year-on-year growth of 17%, compared to 19.90% in the previous year. Deposits of the banking system slowed down mainly due to the gradual decline in interest rates on time deposits in lagged response to the lower policy rates. With the increasing demand for credit from the banking system, deposit mobilisation gained strength, and deposit rates also moved up towards the end of the year. Even after the absorption of Rs.36,000 crore through the 75 basis points hike in CRR effected in February, 2010, liquidity conditions have remained comfortable, as evident from the reverse repo operations under the Liquidity Adjustment Facility (LAF).

PERFORMANCE OF YOUR BANK

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

(Rs. in crore)

Particulars	2009-10	2008-09
Deposits	10285	8207
Advances	6833	5645
Investments	3210	2397

Your Bank crossed yet another milestone of Rs.17,000 cr in total business during the Financial Year 2009-10 with all-round growth in various parameters above the industry benchmarks.

The Bank achieved an operating profit of Rs.255.79 cr against Rs.226.72 cr recorded in the previous year. The net profit increased by 25.08% from Rs.122.13 cr to Rs.152.76 cr. The Net Interest Income rose from Rs.242.57 cr to Rs. 278.14 cr registering a growth of 15%. The return on average assets worked out at 1.52% when compared to 1.50% last year.

DEPOSITS

During the year, the deposits increased to Rs.10285 cr as on 31-03-2010 from Rs.8207 cr as on 31-03-2009 growing at the rate of 25.32%. The cost of deposits decreased from 7.98% to 7.73%.

ADVANCES

The advances increased from Rs.5645 cr as on 31-03-2009 to Rs.6833 cr as on 31-03-2010 registering a growth rate of 21.05%. The yield on advances decreased from 13.46% to 13.04%. The priority sector advances aggregated to 44.26% of the bank's adjusted net credit.

NON-PERFORMING ASSETS

Your bank devotes highest attention to reduce non-performing assets and as a result of relentless efforts on recovery, the level of Gross Non-Performing Assets has been brought down to 1.36% from 1.80% and the Net Non-Performing Assets have been steeply reduced to 0.58% from 1.08%. The bank is taking continuous efforts to reduce the level of non-performing assets.

INVESTMENTS/TREASURY OPERATIONS

During the year under review gross investments increased from Rs.2405 cr to Rs.3218 cr to maintain statutory reserve requirements on enlarged resources. The total yield on investments worked out to 7.84%. While the yield on Govt. Bonds softened in the first half of the year, it moved up subsequently mainly driven by excess supply resulting from enhanced borrowings of the Government despite abundant liquidity available in the system. The Rupee staged some recovery in the year when compared to the steep fall against US dollar witnessed last year and the bank could convert the narrow currency movements both in spot and forward into reasonable profits.

FINANCIAL RESULTS

Your Directors are pleased to give hereunder the highlight of the working results for the year ended 31st March 2010.

(Rs. in crore)

Particulars	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
Gross Income	1100.11	928.08
Total Expenses	844.32	701.36
Profit before Provisions & Contingencies	255.79	226.72
Provisions & Contingencies	103.03	104.59
Net Profit	152.76	122.13

APPROPRIATIONS:

The summary of net profit appropriations is given hereunder:

(Rs. in crore)

Particulars	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
Net Profit	152.76	122.13
Balance b/f from previous year	5.01	4.88
Total	157.77	127.01
Appropriations - Transfer to		
- Statutory Reserve	39.00	31.25
- Capital Reserve	5.74	21.36
- General Reserve	67.00	37.00
- Investment Reserve Account	0.00	1.31
- Special Reserve Account under IT Act	5.50	3.00
- Proposed Dividend Account	30.00	24.00
- Dividend distribution tax including surcharge	4.98	4.08
- Balance carried forward	5.55	5.01
Total	157.77	127.01

NETWORTH & CRAR

The Bank's paid-up capital was Rs.39.96 cr as on 31st March, 2010 and the net worth improved from Rs.660.92 cr as on 31-03-2009 to Rs.825.64 cr as on 31-03-2010. The bank successfully completed its Rights Issue of 8,00,00,000 equity shares during the year offering one equity share for every four held at an issue price of Rs.6/- per share including the premium. The Capital Adequacy Ratio as at 31st March, 2010 stood at 12.09% (BASEL-I) and 13.46% (BASEL-II) well above the stipulated regulatory norms.

DIVIDEND

Your Directors have immense pleasure to recommend a dividend of 75% on the enlarged equity shares for the financial year 2009-2010 in pursuance of the constant philosophy of rewarding shareholders.

BRANCH EXPANSION

During the year under review, your Bank has expanded its network by opening new branches at the following centres, so far taking our network to 222 branches. Further the Bank has proposed to open 56 more branches before the end of the current financial year.

Sl. No.	Name of the Branch	State	Date of Opening
1	SRIPERUMBUDUR	TAMIL NADU	10.07.2009
2	AURANGABAD	MAHARASTRA	03.08.2009
3	RAMANATHAPURAM - COIMBATORE	TAMIL NADU	03.08.2009
4	KINATHUKADAVU	TAMILNADU	03.08.2009
5	KOLHAPUR	MAHARASTRA	03.08.2009
6	THONDAMUTHUR	TAMIL NADU	03.08.2009
7	VALASARAVAKKAM - CHENNAI	TAMIL NADU	03.08.2009
8	LUDHIANA	PUNJAB	07.08.2009
9	INDORE	MADHYA PRADESH	10.08.2009
10	JAIPUR	RAJASTAN	17.08.2009
11	BILWARA	RAJASTAN	19.08.2009
12	DOMBIVILI - MUMBAI	MAHARASTRA	24.08.2009
13	BHAVANAGAR	GUJARAT	26.08.2009
14	SURAT II	GUJARAT	26.08.2009

EMPLOYEES STOCK OPTION SCHEME

The Shareholders of the Bank had approved the Employees Stock Options Scheme at the Extraordinary General Meeting held on 26.04.2008 to grant upto 5,00,00,000 stock options to the eligible employees both present and future. Of this, 2,02,50,000 options were granted to 1275 eligible employees at an exercise price of Rs.13/- per share. Consequent upon the Rights Issue, the exercise price got reduced from Rs.13/- to Rs.11.60 per option and accordingly the number of options was increased to 2,27,81,250. The Exercise period in respect of 15% of the stock options granted in 2008 commenced on 06.12.2009 and shall be open for 3 years there from. The process of exercising the vested options by the employees has started.

Statutory disclosures regarding ESOS under Clause 12 of the SEBI guidelines are provided in Annexure - I attached to this Report.

HUMAN RESOURCE DEVELOPMENT

The bank has been periodically recruiting qualified and experienced personnel to meet the requirements arising from branch expansion and retirement of existing staff. Considering the significant role played by staff in converting the corporate goals to achievements, your bank has been sponsoring them to various training programmes, workshops and seminars conducted in house and by other agencies as well. As the service industry calls for better interpersonal skills, these programmes are oriented towards sharpening and improving their functional behaviour skills. As on 31st March, 2010, your Bank has 2628 employees comprising of 31 executives, 771 officers, 1437 clerks and 389 sub-ordinate staff.

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 attached to this report as Annexure-II

AUTOMATION

In response to meeting the growing demand of customers for technology based services, your bank has installed 30 onsite ATMs thus taking the total to 152. Your Bank has plans to install more ATMs both onsite & off site at different centres. The integration of bank branches has led to enhanced customer service and has paved the way for enlarging the customer base.

INTERNATIONAL BANKING

As at 31st March, 2010, your Bank's turnover in Foreign Exchange Business stood at Rs. 2187.42 cr. The non-resident deposits as on 31st March, 2010 stood at Rs.148.86 cr.

BOARD OF DIRECTORS

Shri C.R. Muralidharan and Justice S.R. Singharavelu have been co-opted as Additional Directors in the meeting of the Board of Directors held on 25.02.2010 pursuant to section 260 of the Companies Act. They will hold office upto the date of ensuing Annual General Meeting. Your Bank has received notices from some of the members pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Shri C.R. Muralidharan and Justice S.R. Singharavelu as Directors.

AUDITORS

M/s. Jagannathan & Sarabeswaran, Chartered Accountants, Chennai, the present 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.

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 by active consideration of need based credit limits of exporters and extending all facilities and services to NRIs and remitters of foreign exchange to our country. The bank has operationalised arrangements for remittances from abroad with Exchange Houses and Banks.

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,

- (i) the Directors of the Bank hereby state that in the preparation of the annual accounts for the financial year ended 31st March, 2010, 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 2009-10 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, 2010 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 unstinted support extended to the Bank and looks forward to their continued patronage in the years to come.

The Board also takes on record its sincere appreciation and gratitude to RBI, NABARD, NHB, IDBI, SIDBI, EXIMBANK, ECGC, DICGC, SEBI, Stock Exchanges, Depositories, the Share Transfer Agents, Life Insurance Corporation of India, National Insurance Company Limited, Tata Consultancy Services, CCIL, CIBIL, Correspondent Banks, Exchange Houses 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, devotion to duty and their exemplary involvement in all the developmental activities.

FOR AND ON BEHALF OF THE BOARD

Chennai
29th June, 2010

P. Vaidyanathan
Chairman