

ANNUAL REPORT 2013 - 2014



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CITY UNION BANK LIMITED



Inauguration of Administrative Office on 29th July, 2013 by
His Excellency the Governor of Tamilnadu Dr. K. Rosaiah



Section of the Invitees on the Inauguration function of Administrative Office

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Statutory Central Auditors

M/s. P.Chandrasekar
Chartered Accountants
Bangalore

Share Transfer Agents

Karvy Computershare Private Limited
Plot No : 17-24 Vittal Rao Nagar,
Madhapur,
Hyderabad - 500 081
Phone: 040 - 44655000
Fax: 040 - 23420814
E-Mail: einward.ris@karvy.com

Registered Office

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

Administrative Office

"Narayana", No. : 24-B, Gandhi Nagar, Kumbakonam - 612 001.
Phone : 0435 - 2402322, 2401622, 2402412 Fax : 0435 - 2431746
www.cityunionbank.com

BOARD OF DIRECTORS

CHAIRMAN



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

MD & CEO



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

DIRECTORS



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



R.G. CHANDRAMOGAN



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



Justice (Retd.) S.R. SINGHARAVELU
B.Sc., B.L.



C.R. MURALIDHARAN
B.Sc., CAIIB



Prof. V. KAMAKOTI
B.E., M.S., Ph.D



S. MAHALINGAM
B.Com., A.C.A.



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

SENIOR EXECUTIVES


S. SEKAR

Senior General Manager


S. SUNDAR

CFO & Senior General Manager


R. VENKATASUBRAMANIAN

Senior General Manager


J. KUMAR

General Manager


S. BALASUBRAMANIAN

General Manager


K.P. SRIDHAR

General Manager

DEPUTY GENERAL MANAGERS


S. RAJAGOPALAN

K. MAHARAJAN

R. SAIRAM

V.S. SRINIVASAN

V. RAMESH

V. SUGUNA

K.R.S. VARADHAN

R. KRISHNAN

S. RAMESH

S. MOHAN

ASSISTANT GENERAL MANAGERS

S. VENKATESAN
R. LAKSHMINARAYANAN
P. VARADHARAJAN
V. GANESAN
V. KRISHNAMOORTHY
R. RAJARAMAN
S. T. CHANDRASEKARAN
S. RAJAM
M. MOUNISAMY

R. SUBRAMANIAN
P. THIAGARAJAN
V.V. KANNAN
P. RAVI
A. RAGOTHAMAN
J. RAJASEKARAN
C. GANESAN
J. CHANDRASEKAR
V. S. S. KRISHNA PRASAD

K. JAYARAMAN
V. GOPALAKRISHNAN
G. SANKARAN
J. RAMASWAMY
R. UMA
R. BALAJI
J. SRIDHARAN
T. ETHIRAJULU
R. SUBRAMANIAN

A. JAFFER ALI
P. RAJARAMAN
S. KRISHNAN
V. RAMAKRISHNAN
S. VENKATESH
B. GANESH
S. VENKATESAN

COMPANY SECRETARY & DEPUTY GENERAL MANAGER

V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2013 - 2014

The Board of Directors take immense pleasure in presenting the Annual Report and Audited financial statements for the year ended 31st March, 2014.

Performance Highlights in key business areas :

(₹ in crore)

Particulars	2013-2014	2012-2013	Growth
Share Capital	54	47	14.89%
Reserves & Surplus	1971	1593	23.73%
Deposits	22017	20305	8.43%
Advances (Net)	16097	15246	5.58%
Investments (Net)	5954	5267	13.04%
Total Assets / Liabilities	24994	22977	8.78%
Net Interest Income	759	624	21.63%
Operating profit	581	523	11.09%
Net Profit	347	322	7.76%

During the year the growth of business was subdued due to the general slow-down in the economy. The deposit crossed ₹ 22,000 crore and the advances exceeded ₹ 16,000 crore. The net profit of the Bank increased from ₹ 322 crore to ₹ 347 crore registering a growth of 7.76% during the financial year 2013-14.

DEPOSITS

The total deposits of the Bank increased by ₹ 1,712 crore to cross the 22,000 mark to end up at ₹ 22,017 crore registering a growth of 8.43% over the last year. Low cost deposit, CASA deposits increased by 15.06% on account of persistent efforts and measures initiated by the Bank. The cost of deposit of the bank decreased to 8.37% from 8.44% as compared to previous year.

ADVANCES

The gross advances portfolio of the bank increased by 5.74% from ₹ 15,343 crore to ₹ 16,224 crore. However the average advances during the year was higher by 15.95% as compared to previous year. There was a marginal fall in the yield on advances also from 13.49% to 13.43%. The prime focus of the Bank remained towards growth in advances without comprising on the quality.

The gross NPA of the bank increased from 1.13% to 1.81% on the back of the slow down in GDP growth affecting the profits and margins of various units in different sectors. The net NPA was at 1.23% as against 0.63% in the previous year. The priority sector advances comfortably stood at 46.72 % (including NABARD RIDF) as against the regulatory prescription of 40%.

The bank has continued its policy of lending to retail segments to achieve a better return with minimum credit risk.

TREASURY OPERATIONS

Forex Treasury

During the year Indian Rupee witnessed wild swing against major currencies and more particularly against USD. From a high of ₹ 53.66 it touched a low of ₹ 68.85 prompting RBI to step in to keep the volatility in check. Host of

measure by RBI like hike in mark up over LIBOR for FCNR B Deposits, swap facilities for FCNR B Deposits / Overseas Borrowings, separate USD window for oil companies, reduction in ODI limits etc., reduced the volatility in USD/INR and consequent to these measures Indian Rupee against USD gradually strengthened to ₹ 59.91 from ₹ 68.85. The high volatility in a way offered more opportunity for trading and the forex treasury made a profit of ₹ 32.67 crore which was 77.75% higher than the previous year.

Domestic Treasury

The gross investments increased from ₹ 5,268 crore at the end of last financial year to ₹ 5,955 crore. Out of these, the investments in Government Bonds alone amounted to ₹ 5,319 crore which were made to maintain statutory reserve requirements on enlarged resources. The G-sec market was also very volatile. The yield softened in the first quarter of the financial year. However in the second quarter yields shot up as a consequence to the steps taken by RBI to control Forex volatility and falling Rupee and the banks were faced with the huge depreciation. The RBI permitted the banks as a special case to transfer the securities from AFS to HTM category for the second time in a financial year and to provide for depreciation in a staggered manner during the year. Your bank treasury managed the situation in the best possible manner to record lowest depreciation and provided for the same in a single shot without availing itself of the benefit offered by RBI to stagger the same. The domestic treasury earned a profit of ₹ 22.83 crore which was higher by 33.88% compared to last year.

Operating results:

The highlights of operating results of your Bank for the current and previous financial year are at a glance as mentioned below:-

(₹ in crore)

Particulars	Current Year ended 31st March, 2014	Previous Year ended 31st March, 2013
Total Income	2847	2462
Total Expenses	2266	1939
Operating Profit	581	523
Provisions & Contingencies	234	201
Net Profit	347	322
Net Interest Income	759	624

The total income of the bank increased to ₹ 2,847 crore from ₹ 2,462 crore registering a growth of 15.64% reflecting the higher growth in average advances. The total yield on investments increased from 7.52% in the previous year to 7.71% in the current year. The total expenditure of the Bank increased by 16.88% as compared to previous year increase of 31.29%.

The operating profit increased from ₹ 523 crore to ₹ 581 crore. The net profit marginally increased from ₹ 322 crore to ₹ 347 crore due to higher provisioning for NPAs and taxation. The Net Interest Income increased from ₹ 624 crore to ₹ 759 crore by 21.63% as compared to previous year. The non-interest income of the bank increased from ₹ 274 crore to reach ₹ 301 crore. The Bank continues successively to maintain its top position in the Southern Zone in its bancassurance business in partnership with the Life Insurance Corporation of India.

APPROPRIATIONS:

The summary of net profit appropriations is as follows:

(₹ in crore)

Particulars	Current Year ended 31st March, 2014	Previous Year ended 31st March, 2013
Net Profit	347.07	322.02
Balance of Profit brought forward	6.87	6.60
Amount available for appropriations	353.94	328.62
Transfers to		
- Statutory Reserve	88.00	82.00
- Capital Reserve	0.57	1.90
- General Reserve	165.00	142.00
- Investment Reserve	0.00	0.34
- Special Reserve under IT Act, 1961	30.00	40.00
- Proposed Dividend	54.27	0.00
- Interim Dividend	0.00	47.45
- Corporate Dividend Tax and Surcharge	9.23	8.06
- Balance of profit carried forward	6.87	6.87
Total	353.94	328.62

Net worth & Capital Adequacy Ratio

The Net worth of the Bank improved to ₹ 2006.38 crore as on 31st March, 2014 from ₹ 1631.37 crore as on 31st March, 2013.

The paid up capital of the bank increased to ₹ 54.27 crore from ₹ 47.44 crore on receipt of balance of call money of ₹ 10/- from the Rights Issue of 12,89,87,972 Equity Shares in the ratio of one share for every four shares held of face value ₹ 1 each at an issue price of ₹ 20 per share (including a premium of ₹ 19 per share) in the last year.

During the financial year 37,70,366 equity shares of ₹1/- each at a premium of ₹ 10.60 per share under CUB ESOS - 2008 Series I and 30,039 equity shares of ₹ 1/- each at a premium of ₹ 28.60 per share under CUB ESOS - 2008 Series II was issued to the employees of the Bank.

The total paid up face value of equity share capital of the Bank after the Rights Issue went up to ₹ 53,89,39,858 and after issue of shares under ESOS to ₹ 54,27,40,263 as on 31st March, 2014.

The Capital Adequacy Ratio as at 31st March 2014 stood at 15.11% as per BASEL - II norms well above the prescribed regulatory norm of 9% and the same worked out to 15.01% as per BASEL - III.

DIVIDEND

The bank has been consistently rewarding the shareholders through regular & higher dividend payments. The diluted earning per share for 2013-14 has risen from ₹ 6.59 to ₹ 6.64. The Profit after Tax for the year 2013-14 was ₹ 347.07 crore as against ₹ 322.02 crore last year. Considering the overall performance and growth of the bank and the necessity of retaining profits for future growth, the Board of Directors has recommended a dividend of 100% i.e. ₹ 1 per equity share of face value ₹ 1, the same as paid during the last year. The dividend is subject to payment of Dividend Distribution tax to be paid by the bank.

BRANCH EXPANSION

Keeping in mind the future business growth and customer acquisition, the Bank has expanded its branch banking network by opening 50 more branches across the country to reach a total of 425 branches at the end of financial year 2013-14. 14 out of 50 branches were opened in Urban & Metro areas which have resulted in achieving a continuous growth in low cost CASA Deposits and higher fee income by cross selling of financial related products. The Bank proposes to open 75 more branches in the current year to take the tally to 500.

FINANCIAL INCLUSION

As informed in our last year's report your Bank has complied with RBI directive on financial inclusion by covering all the 43 villages having population of over 2000 by introducing ICT (Information, Communication & Technology) based services within the stipulated time.

Your Bank has also covered all the 96 villages having population of over 1000 and below 2000 by introducing ICT based services as on 31st March, 2014.

During the financial year ended 31st March, 2014, Basic Savings Bank Deposits accounts numbering 86224 were opened and 75868 biometric smart cards were issued to the beneficiaries. SB linked overdraft facility, micro insurance products, Electronic Benefit Fund Transfer (EBT) payments have been extended to such account holders.

EMPLOYEES STOCK OPTION SCHEME

Statutory disclosures regarding ESOS under Clause 12 of the SEBI guidelines are provided in Annexure - 1 attached to this report.

HUMAN RESOURCE DEVELOPMENT

Human Resource Development is a key element of your Bank's overall strategy for ensuring qualitative business growth and profitability. Meritocracy assumes great significance in the era of competition and therefore the Bank is dedicated to empower its employees with knowledge, adequate skill-set and right attitude.

The human resource policy is very flexible and aims to motivate employees through training, rewards and performance linked bonus. Career growth prospects are high as the bank is in high growth path. The Bank provides optimum opportunities to its employees to rise up in their career and shoulder higher responsibilities. "Fast Track Promotion" process has been institutionalized in the bank to meet the aspiration level of its employees, simultaneously catering to the manpower requirements of the Bank by identifying future potential leaders for taking up new challenges and business prospects. Bank is constantly imparting orientation programme for knowledge, soft skill development and on the job training to the new recruits.

The bank has a full fledged training college with experienced faculty and good training infrastructure supported by external specialists to impart and train employees at various levels for maximization of the potentiality of the staff and to sharpen their skills.

As on 31st March 2014, your Bank has 4215 employees, comprising of 54 Executives, 1465 Officers, 2335 clerks and 361 sub-ordinate staff.

AUTOMATION

In today's Banking scenario Technology plays a vital role in meeting the growing demands of the customers. The bank has upgraded the software from Quartz to Bancs with the help of TCS to offer services on par with the industry standards. To enhance reach of customers and to offer more banking services the Bank has been pursuing a policy of installing more ATM's with new features ensuring availability of banking services to customers on 24/7 basis. As on 31st March, 2014 the ATM network of bank is 950 of which, 390 are onsite while the balance of 560 is offsite ATM's. The Bank has provided Xpress desks in 69 branches facilitating customers to do transactions without waiting in queues. Kiosks were just 5 in number last year increased to 29 in the year 2013-14. "Any Counter Any Transaction" implemented in 425 branches received high applause from customers as most of the transactions are done at single point interaction. Point of Sale (POS) Terminals have been installed in several merchant establishments for the benefit of the customers to do shopping with our VISA Debit Card without any hassle. The Bank has installed during the financial year 22 cash deposit machines to accept cash from customers for directly crediting to their own account or to third party account at select branches. Interactive Voice Response System (IVRS) with captive Contact Centre at Abhiramapuram, Chennai has been introduced to promote customer support on multi-languages on 24/7 basis.

BOARD OF DIRECTORS

Shri. S. Balasubramanian, was appointed as Non Executive (Part-time) Chairman of the Bank, with the prior approval of the Reserve Bank of India, for an initial period of three years with effect from 6th May, 2011. Now, he is re-appointed as Non Executive (Part-time) Chairman of the Bank for a further period from 6th May, 2014 to 3rd May, 2016 vide RBI approval letter No. DBOD.18032/08.42.001/2013-14 dated 5th May, 2014. Approval of members is sought for the re-appointment of Shri. S. Balasubramanian, as Non Executive (Part-time) Chairman of the Bank at the ensuing Annual General Meeting as per details provided in the Notice.

Dr. N. Kamakodi, was appointed as the Bank's Managing Director & CEO for a period of three years from 1st May, 2011 to 30th April, 2014, with the prior approval of Reserve Bank of India. Now, he is re-appointed as the Managing Director & CEO of the Bank for a period of three years commencing 1st May, 2014 and ending on 30th April, 2017. RBI has vide its letter no. DBOD.16916/08.42.001/2013-14 dated 7th April, 2014, accorded its approval for the re-appointment as recommended by the Board of the Bank. Approval of members is sought for the re-appointment of Dr. N. Kamakodi, as Managing Director & CEO of the Bank at the ensuing Annual General Meeting as per details provided in the Notice.

Pursuant to Section 149 and 152 of the Companies Act, 2013, Section 10A and other applicable provisions of the Banking Regulation Act 1949, approval of the shareholders have been sought for the appointment of Shri. R. Mohan as Non Independent Non Executive Director of the Bank, liable to retire by rotation.

Pursuant to Section 149 and 152 of the Companies Act, 2013, Section 10A and other applicable provisions of the Banking Regulation Act 1949, approval of the shareholders have been sought for the appointment of following persons as Independent Non Executive Director(s) of the Bank, not liable to retire by rotation for the number of tenure specified against their respective names.

a.	Shri. R. G. Chandramogan	-	2 years
b.	Shri. T.K.Ramkumar	-	3 years
c.	Justice (Retd.) S.R.Singharavelu	-	4 years
d.	Shri. C.R.Muralidharan	-	4 years
e.	Prof.V.Kamakoti	-	5 years
f.	Shri. S.Mahalingam	-	5 years