

ANNUAL REPORT 2014 - 2015



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED



In pursuance of CSR - Contribution to Madras School of Economics towards Construction of Academic Blocks



Bank's 110th Foundation Day Celebrations at Chennai

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Statutory Central Auditors

M/s. P.Chandrasekar
Chartered Accountants
Bangalore

Share Transfer Agents

Karvy Computershare Private Limited
(Unit : **CITY UNION BANK LIMITED**)
Karvy Selenium Tower B
Plot No : 31 & 32
Financial District
Gachibowli
Hyderabad - 500 008
India
Phone: +91 40 67161509
email: einward.ris@karvy.com

Registered Office

149, T.S.R (Big) Street, Kumbakonam - 612 001.
Phone: 0435 - 2432322 Fax: 0435 - 2431746
e-mail: shares@cityunionbank.com Website: www.cityunionbank.com

Administrative Office

"Narayana", No. : 24-B, Gandhi Nagar, Kumbakonam - 612 001.
Phone: 0435 - 2402322, 2401622, 2402412 Fax: 0435 - 2431746
e-mail: shares@cityunionbank.com Website: 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



R.G. CHANDRAMOGAN



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



C.R. MURALIDHARAN
B.Sc., CAIIB



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



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



S. MAHALINGAM
B.Com (Hons.), F.C.A.



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



ABARNA BHASKAR
B.A., F.C.A.

SENIOR EXECUTIVES



S. SEKAR
Senior General Manager



S. SUNDAR
CFO & Senior General Manager



R. VENKATASUBRAMANIAN
Senior 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



K.R.S. VARADHAN



R. KRISHNAN



S. RAMESH



S. MOHAN

ASSISTANT GENERAL MANAGERS

A. RAGOTHAMAN
S. VENKATESAN
V. KRISHNAMOORTHY
M. MOUNISAMY
R. SUBRAMANIAN
R. RAJARAMAN
J. RAJASEKARAN
R. LAKSHMINARAYANAN
C. GANESAN
S.T. CHANDRASEKARAN
P. THIAGARAJAN

J. CHANDRASEKAR
V. GANESAN
S. RAJAM
V.V. KANNAN
V.S.S. KRISHNA PRASAD
P. RAVI
S. KRISHNAN
A. JAFFER ALI
J. SRIDHARAN
J. RAMASWAMY
G. SANKARAN

K. JAYARAMAN
V. RAMAKRISHNAN
P. RAJARAMAN
R. BALAJI
R. UMA
V. GOPALAKRISHNAN
S. VENKATESH
S. VENKATESAN
B. GANESH
K. ARUL
V. SEKAR

K. MURALIDHARAN
N. V. THIYAGARAJAN
V. K. SURESH
R. SUBBARAMAN
S. MOHAN
R. NARAYANAN
J. DURAI
V. RAVI
S. THOTA VENKATASARAVANAN
S. RAMAKRISHNAN
S. RAMESH KUMAR

COMPANY SECRETARY & DEPUTY GENERAL MANAGER

V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2014 - 2015

Your Board of Directors are pleased to present the Annual Report together with the audited accounts for the financial year ended 31st March 2015.

Financial Highlights

(₹ in crore)

Particulars	2014-2015	2013-2014	Growth (%)
Share Capital	60	54	11
Reserves & Surplus	2,636	1,971	34
Deposits	24,075	22,017	9
Advances (Gross)	18,089	16,224	12
Investments (Gross)	6,367	5,955	7
Total Assets / Liabilities	27,871	24,994	12
Net Interest Income	807	759	6
Operating profit	693	581	19
Net Profit	395	347	14

During the year, the Bank earned an operating profit of ₹ 693 crore representing an increase of 19.28% as compared to previous year figure of ₹ 581 crore. The net profit of the Bank for the current year is ₹ 395 crore as compared to ₹ 347 crore for the last year registering a growth of 13.83%. The deposits and advances figure for the current year stood at ₹ 24,075 crore and ₹ 18,089 crore respectively.

DEPOSITS

The total deposits of the Bank for the current year increased by ₹ 2,058 crore to ₹ 24,075 crore from ₹ 22,017 crore witnessing a growth of 9.35%. During the year under review, the CASA grew from ₹ 3,917 crore to ₹ 4,631 crore recording a growth of ₹ 714 crore. The cost of deposit of the Bank marginally decreased from 8.37% in the previous year to 8.15% in the current year.

ADVANCES

The Bank has shown a growth of ₹ 1,865 crore in advances from ₹ 16,224 crore to ₹ 18,089 crore, posting a growth of 11.50%. The yield on advances declined marginally from 13.43% to 13.18% during the year under review.

The Gross and Net NPA for the current year stood at 1.86% and 1.30% respectively as compared to 1.81% and 1.23% in the previous year.

Priority sector advances during the year, has increased by ₹ 902.38 crore from ₹ 7,409.84 crore to ₹ 8,312.22 crore. Your Bank has achieved 49.80% of Adjusted Net Bank Credit (ANBC) against the regulatory prescription of 40% of ANBC on priority sector lending requirements. The total agricultural advances stood at ₹ 3,041.31 crore as at 31st March, 2015 forming 18.22% of ANBC against mandatory level of 18%. The advances to weaker section were ₹ 1,836.22 crore representing 11% of ANBC (mandatory level 10%).

TREASURY OPERATIONS

Domestic Treasury

The gross investments increased from ₹ 5,955 crore as on 31st March 2014 to ₹ 6,367 crore in 31st March 2015, out of this, the investments in Government Bonds alone amounted to ₹ 5,488 crore. The benchmark

yield softened during this year from a high of 8.80% to 7.74%. The Bank earned a profit of ₹ 60.32 crore as compared to ₹ 22.83 crore last year from the domestic treasury operations mainly on account of softening of yield and the total yield on investments increased from 7.71% in the previous year to 8.33% in the current fiscal year.

Forex Treasury

During the year Indian Rupee witnessed swings against major currencies. The INR against USD ranged from ₹ 58.33 to ₹ 63.89 and remained comparatively weaker against USD on account of global economic factors. The Bank earned an exchange profit of ₹ 68.89 crore compared to ₹ 32.67 crore last year, with integrated treasury operations contributing substantially.

OPERATING RESULTS HIGHLIGHTS

(₹ in crore)

Particulars	Year ended 31 st March, 2015	Year ended 31 st March, 2014
Total Income	3,103	*2,826
Total Expenses	2,410	*2,245
Operating Profit	693	581
Provisions & Contingencies	309	234
Exceptional Items **	11	0
Net Profit	395	347
Net Interest Income	807	759

* the figures of the previous year have been regrouped / reclassified wherever necessary.

** the method of depreciation on Fixed Assets has been changed to Straight Line Method determined on the basis of useful life as against WDV method w.e.f. 1st April, 2014, in accordance with Schedule II of Companies Act, 2013 being used hitherto. Consequent to the change, the Fixed Assets and Profit after Tax for the FY ended 31st March, 2015 are higher by ₹ 1,088.93 lakh.

The Bank has earned a total income of ₹ 3,103 crore as against ₹ 2,826 crore posting a growth of 9.80%. The total expenditure of the Bank increased to ₹ 2,410 crore as compared to previous year figure of ₹ 2,245 crore.

The Net Interest Income for the year under review increased by 6.32% from ₹ 759.39 crore to ₹ 807.37 crore. The non-interest income of the Bank increased from ₹ 279.86 crore to ₹ 404.10 crore registering a growth of 44.39%. The Bank has earned an income of ₹ 4.24 crore from Bancassurance business in tie up with Life Insurance Corporation of India.

The operating profit increased to ₹ 692.65 crore from ₹ 580.97 crore. The net profit increased from ₹ 347.07 crore to ₹ 395.02 crore recording a growth of 13.82%. The provision for tax for the year has increased from ₹ 66.50 crore to ₹ 126 crore. The provision for NPA stood at ₹ 165 crore vis-a-vis ₹ 148.50 crore last year. The total provisions increased by ₹ 74.62 crore from ₹ 233.90 crore to ₹ 308.52 crore.

APPROPRIATIONS

The summary of net profit appropriations is as follows:

(₹ in crore)

Particulars	Year ended 31 st March, 2015	Year ended 31 st March, 2014
Net Profit	395.02	347.07
Balance of Profit brought forward	6.87	6.87
Amount available for appropriations	401.89	353.94
Transfers to		
Statutory Reserve	103.00	88.00
Capital Reserve	7.60	0.57
General Reserve	173.35	165.00

(₹ in crore)

Particulars	Year ended 31 st March, 2015	Year ended 31 st March, 2014
Special Reserve under IT Act, 1961	32.00	30.00
Proposed Dividend	65.62	54.27
Corporate Dividend Tax and Surcharge	13.36	9.23
Balance of Profit carried forward	6.96	6.87
Total	401.89	353.94

NET WORTH & CAPITAL ADEQUACY RATIO

The Net worth of the Bank improved to ₹ 2,666.39 crore as on 31st March, 2015 from ₹ 2,006.38 crore as of 31st March, 2014.

The paid up share capital of the Bank has increased from ₹ 54.27 crore to ₹ 59.66 crore as on 31st March, 2015. During the period the Bank allotted 4,66,35,576 equity shares to Qualified Institutional Buyers (QIB) through QIP (Qualified Institutions Placement) route and 71,91,961 equity shares to employees under CUB ESOS Scheme 2008, aggregating to 5,38,27,537 equity shares.

The BASEL II norm prescribes the minimum capital adequacy ratio to be maintained at 9% against which our Bank has attained 16.59%. The capital adequacy under BASEL III worked out to 16.52% for the year ended 31st March, 2015 as against 15.01% for the last year.

DIVIDEND

Your Bank has entered its 110th year and to commemorate this proud moment your Bank has recommended a dividend of 110% i.e., ₹ 1.10/- per equity share of face value of ₹ 1/- each. The diluted earning per share for 2014-15 is ₹ 6.63 as against ₹ 6.64 last year due to capital infusion.

BRANCH EXPANSION

Keeping in mind the business growth and wider customer participation, the Bank has expanded its branch network by opening 50 more branches and 121 ATMs across the country during the financial year ended 31st March 2015. The Bank has been successful in widening its presence pan India with 475 branches and 1,071 ATM's. The Bank is focusing to enlarge its presence by tapping potential markets in southern India by opening majority of branches in this region besides other states.

FINANCIAL INCLUSION

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. It is a process through which the weaker / low income groups are brought within the ambit of formal banking sector with a main focus to protect their financial wealth and other resources in exigent circumstances. Your Bank, as per RBI directions, in order to provide efficient and cost-effective banking services in the un-banked and remote villages of the country, have covered all the allotted 43 villages having population of over 2,000 by introducing ICT (Information, Communication & Technology) based services. Your Bank has also covered all the allotted 96 villages having population of over 1,000 and below 2,000 by introducing ICT based services paving way for the inclusive growth.

Further, during the year under review, Basic Savings Bank Deposits (BSBD) accounts numbering 93,856 were opened and 89,599 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.

PRADHAN MANTRI JAN-DHAN YOJANA (PMJDY)

'Pradhan Mantri Jan-Dhan Yojana' (PMJDY) is a flagship financial inclusion program of Govt. of India which was launched by our Hon'ble Prime Minister on 28th August, 2014 across the country. Under this program our Bank has been allotted 264 wards apart from 139 villages already allotted under the Rural Financial Inclusion scheme. Your Bank conducted survey of all 1,51,722 households in all these 264 wards and opened 76,707 Basic Savings Bank Deposit accounts and 59,331 Rupay Cards were issued under PMJDY scheme.

The Bank has opened 76,455 PMJDY accounts as on date through all our branches. As the overdraft facility is one of the features under PMJDY scheme, our Bank is considering the same based on the eligibility conditions fixed by IBA to the PMJDY account holders from ₹ 1,000 to ₹ 5,000.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

The Bank implemented an Employee Stock Option Scheme called 'CUB ESOS 2008' for the grant of stock options to eligible employees of the Bank. The shareholders of the Bank approved the scheme on 26th April, 2008 at Extra Ordinary General meeting of the Bank. The maximum aggregate number of options that may be granted under this scheme is 5,00,00,000. As per the scheme exercise price of the options shall be decided by the Compensation Committee at the time of issuing stock options. There is no lock-in period for shares issued under the scheme upon exercise of stock options. The details of employee stock option are annexed hereto as Annexure I.

HUMAN RESOURCE DEVELOPMENT

The Bank believes that, the Human Resource development is one of the key elements for ensuring qualitative business growth and profitability for any organization. The present global economy is highly competitive which necessitates efficient human resource management.

The Bank aims at optimum utilization of resources through deploying effective management tools viz. motivation, training, enhancing leadership qualities and succession planning. The Bank offers ESOPs to the employees so as to create a sense of ownership among them as the Bank believes that the very success of the Bank depends upon its employees only.

The Bank has a full fledged training college with experienced faculty and good training infrastructure supported by external specialists apart from in-house certified trainers to train the employees at various levels for maximizing the staff potential and to sharpen their skills. The Bank also deutes its employees to various training institutions like SIBSTC, NIBM, CAB, CAFRAL etc. There exists a cordial relationship between the management and the employees.

As on 31st March, 2015, your Bank has 4,365 employees, comprising of 48 Executives, 1,600 Officers, 2,380 Clerks and 337 Subordinate staff as compared to 4,215 employees in the previous year.

AUTOMATION

In today's Banking scenario, 'Technology' plays a vital role in managing and fulfilling the growing customer demands.

During the year under review, the Bank has widened the ATMs reach to 1,071 locations including 618 off-site ATMs. The Bank has also introduced Cash Accepting ATMs (Bulk Note Acceptor - BNA) numbering 122 and has proposed to install it in other branches, which would enable the customer to remit cash directly to the credit of their account.

The Bank has introduced CUB Mobile Banking, M Passbook (Mobile Passbook), IMPS in Internet Banking and Mobile Banking for speedy funds transfer across the Banks and Digital Signature authentication for Corporates as second factor authentication for safe and secure Internet Banking. Apart from 569 Xpress desk (Green Channel Counter) across the Bank branches, the Bank has installed 57 Kiosk in selective branches and planning to expand the same. This Kiosk acts as Self Service Machine, which can be used for funds transfer within own accounts, within CUB accounts and across the Banks, open deposit, etc. The Bank has obtained ISO/IEC 27001:2013 Certification from QSCert on IT Infrastructure & Operations Support, Maintaining and Monitoring of IT Outsourced Process.

A customer friendly Captive Contact Centre (Call Centre) with Interactive Voice Response System (IVRS), is in place to promote customer support on multi-languages 24x7 basis.

Your Bank has participated in the 'National Payments Excellence Awards 2014' by NPCI and has been awarded as Runner up in recognition for excellent performance in National Automated Clearing House (NACH), under the category 'Small Banks' on 3rd December, 2014.

AWARDS & ACCOLADES

- Your Bank has been adjudged as the Best Old Private Sector Bank for the financial year 2014 by the Financial Express / Ernst & Young Survey on 30th March, 2015.
weblink: (<http://epaper.financialexpress.com/469135/fe-Indias-Best-Banks/March-2015#page/4/2>).
- Your Bank has been ranked the "Third Best Bank of the year 2014" by First Post e-Magazine on 31st December, 2014.
weblink: (<http://www.firstpost.com/business/best-banks-2014-axis-citibank-surprise-city-union-bank-2024773.html>).

BOARD OF DIRECTORS

Shri. N. Kantha Kumar, retired from Directorship on the Board of the Bank on 29th September, 2014, on completion of his tenure. The Board places on record its warm appreciation for the valuable services rendered by Shri. N. Kantha Kumar during his tenure as Director of the Bank.

In accordance with the provision of Section 161 of the Companies Act, 2013, Smt. CA. Abarna Bhaskar was co-opted as an Additional Director by the Board of Directors at its meeting held on 25th October, 2014. The Bank has received a notice in writing from a member pursuant to Section 160 of the Companies Act, 2013, signifying his intention to propose the candidature of Smt. CA. Abarna Bhaskar as Director.

In line with the provisions of Companies Act, 2013 read with the amended Clause 49 of the listing agreement, the position of Justice (Retd.) S.R. Singharavelu as an Independent Director on the Board of the Bank has been changed to Non-Executive Non-Independent Director, liable to retire by rotation. He retires at this Annual General Meeting and stands for re-election. The Board recommends his re-election as Non-Executive Non-Independent Director, liable to retire by rotation.

All Independent Directors have given declarations that they meet the criteria of Independence as laid down under Section 149 (6) of the Companies Act, 2013 and Clause 49 of the listing agreement.