

ANNUAL REPORT 2015 - 2016



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED



Another land mark in CUB's history -
Opening of 500th Branch by his Holiness
Sri. Sri. Sankara Vijayendra Saraswathi Swamigal
at 'Chinthamani' on the auspicious day of
'MAHAMAHAM' ◀



Contents

Directors' Report	6
Corporate Governance Report	44
Management Discussion & Analysis Report	63
Auditor's Report	70
Balance Sheet	74
Profit & Loss Account	75
Schedules to Accounts	76
Cash Flow Statement	111
List of Branches	113
BASEL III Disclosures	116
Decade of Progress	144

Page No.

Statutory Central Auditors

M/s. P. Chandrasekar
Chartered Accountants
S-512, 514, Manipal Centre,
47, Dikenson Road,
Bengaluru - 560 042

Share Transfer Agents

Karvy Computershare Private Limited
(Unit : **CITY UNION BANK LIMITED**)
Karvy Selenium Tower B
Plot No : 31 & 32
Financial District
Gachibowli
Hyderabad - 500 032
India
Phone: +91 40 67161509
email: einward.ris@karvy.com

Debenture Trustees

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17R, Kamani Marg, Ballard Estate,
Mumbai - 400 001.

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

NON-EXECUTIVE PART-TIME CHAIRMAN



S. BALASUBRAMANIAN
M.Sc., CAIIB., PGDFM.
(till 3rd May 2016)



S. MAHALINGAM
B.Com (Hons.), F.C.A.
(w.e.f. 4th May 2016)

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.



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



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



M. NARAYANAN
B.Sc., Grad CWA, FCA, DISA

SENIOR EXECUTIVES



R. VENKATASUBRAMANIAN
Senior General Manager



K.P. SRIDHAR
General Manager



V. RAMESH
General Manager



K. MAHARAJAN
General Manager

DEPUTY GENERAL MANAGERS



K.R.S. VARADHAN



R. KRISHNAN



S. RAMESH



S. MOHAN



R. SUBRAMANIAN



S. RAJAM



S. KRISHNAN



J. SRIDHARAN



K. JAYARAMAN



V. GOPALAKRISHNAN



J. RAMASAMY



G. SANKARAN



C. GANESAN



S. VENKATESAN



R. RAJARAMAN



R. LAKSHMINARAYANAN

ASSISTANT GENERAL MANAGERS

A. RAGOTHAMAN
P. RAJARAMAN
A. JAFFER ALI
K. MURALIDHARAN
R. JOHN MARY ANTONY RAJ
V. GURUMURTHY
J. DURAI
J. CHANDRASEKAR
V. RAVI

V. GANESAN
N.V. THIYAGARAJAN
G. SUNDARARAMAN
V.K. SURESH
J. RAJASEKARAN
K. SWAMINATHAN
R. BALAJI
S. VENKATESH
R. UMA

R.M. KUMAR
B. VENKATESHWARAN
S. VENKATESAN
G. KANAGASUNDARAM
K.V. BALACHANDAR
R. SUBBARAMAN
J. GANESAN
K. VENKATAKRISHNAN
B. RAJA

S. THOTA VENKATASARAVANAN
S. MOHAN
V. SIVAKUMAR
R. NARAYANAN
P. MEENAKSHISUNDARAM
B. GANESH
P. RAVI
S. RAMESH KUMAR
T.V. SURESH

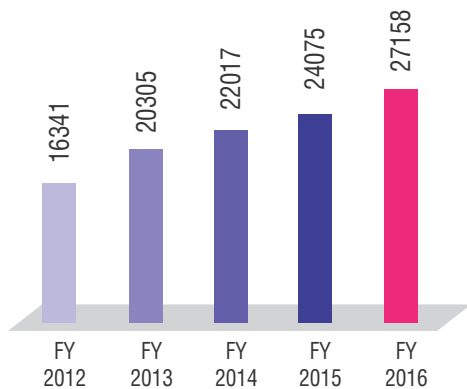
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

V. RAMESH

FINANCIAL HIGHLIGHTS

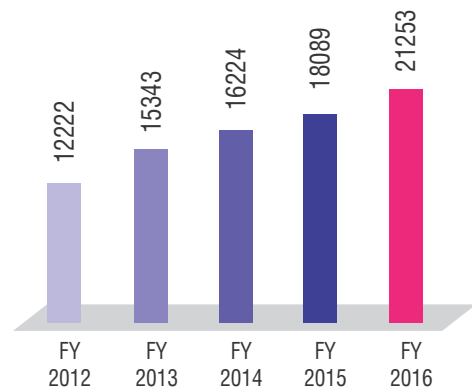
DEPOSITS

₹ in Cr



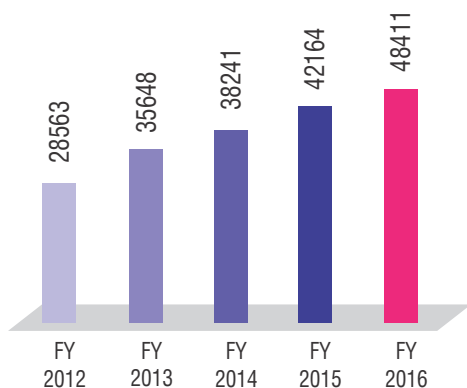
ADVANCES

₹ in Cr



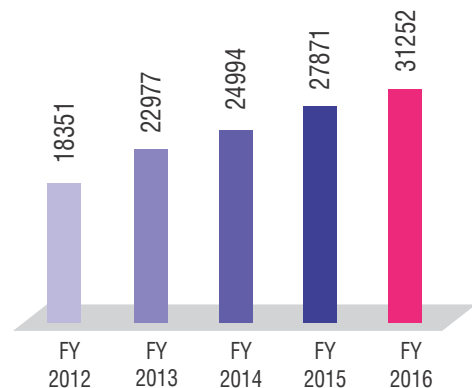
BUSINESS

₹ in Cr



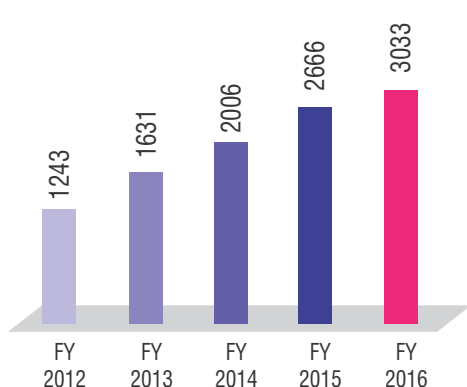
TOTAL ASSETS

₹ in Cr



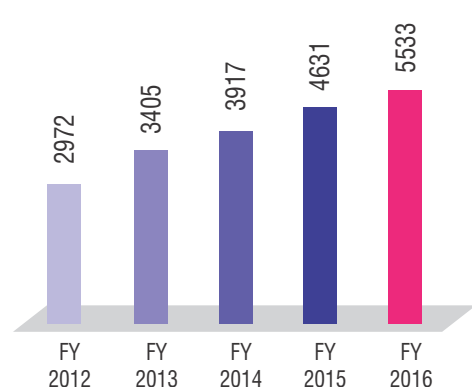
NET WORTH

₹ in Cr



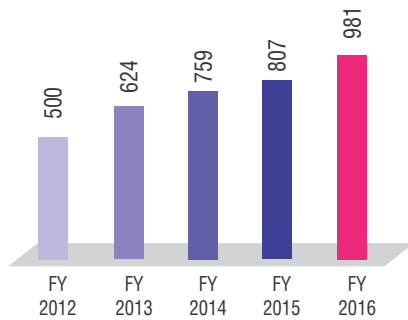
CASA

₹ in Cr

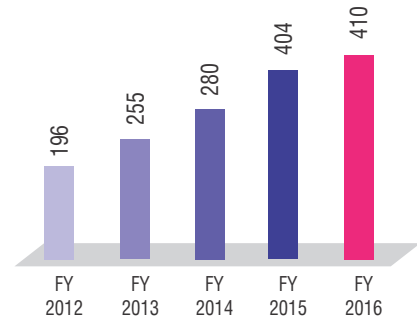


NET INTEREST INCOME

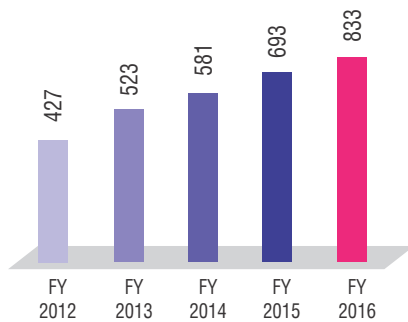
₹ in Cr


NON INTEREST INCOME

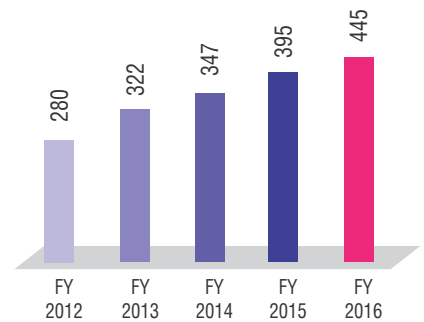
₹ in Cr


GROSS PROFIT

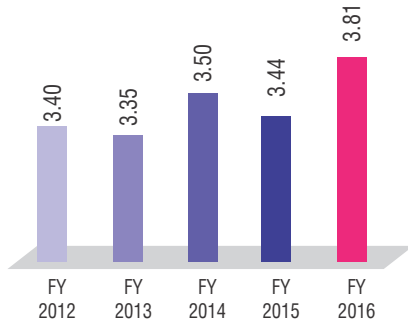
₹ in Cr


NET PROFIT

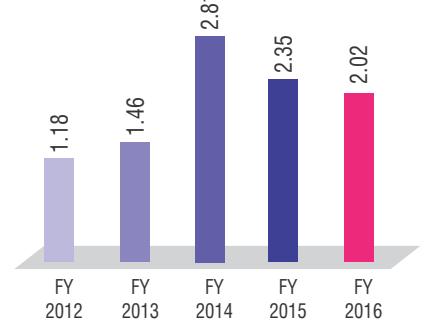
₹ in Cr


NET INTEREST MARGIN

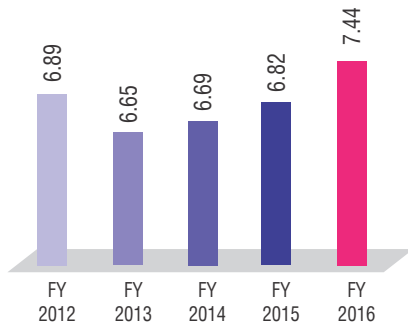
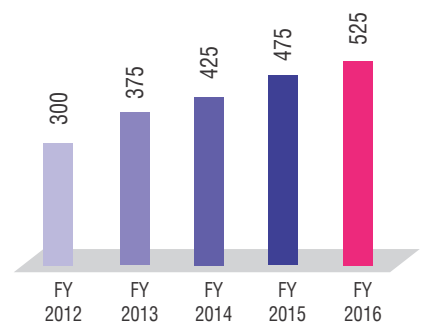
%


SLIPPAGE RATIO

%


BASIC EARNING PER SHARE

₹


NO. OF BRANCHES


DIRECTORS' REPORT FOR THE YEAR 2015 - 16

Your Board of Directors is pleased to present the Annual Report on business and operations of the Bank together with the Audited Financial Statements for the Financial Year ended 31st March 2016.

Financial Highlights

(₹ in crore)

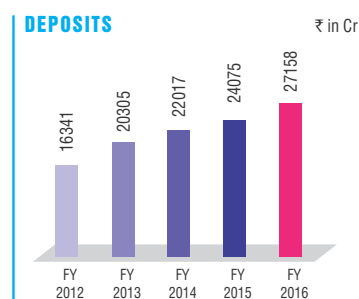
Particulars	2015-16	2014-15	Growth (%)
Share Capital	60	60	--
Reserves & Surplus	2,992	2,636	14%
Deposits	27,158	24,075	13%
Advances (Gross)	21,253	18,089	17%
Investments (Gross)*	6,326	5,872	8%
Total Assets / Liabilities	31,252	27,871	12%
Net Interest Income	981	807	22%
Operating profit	833	693	20%
Net Profit	445	395	13%

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

During the year the Bank earned an operating profit of ₹ 833 crore registering an increase of 20% as compared to previous year's operating profit of ₹ 693 crore. The net profit of the Bank for the current year was ₹ 445 crore compared to ₹ 395 crore for the last year registering a growth of 13%. The deposits and advances for the current year stood at ₹ 27,158 crore and ₹ 21,253 crore respectively. The total business stood at ₹ 48,411 crore as compared to ₹ 42,164 crore for the previous year registering a growth of 15%.

DEPOSITS

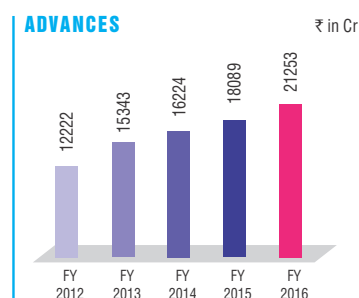
The total Deposits of the Bank for the current year increased by ₹ 3,083 crore to ₹ 27,158 crore from ₹ 24,075 crore registering a growth of 13%. During the year under review CASA increased by ₹ 902 crore to ₹ 5,533 crore from ₹ 4,631 crore recording a growth of 19%. The cost of deposit of the Bank decreased from 8.15% in the previous year to 7.62% in the current year.



ADVANCES

The gross Advances of the Bank increased by ₹ 3,164 crore to ₹ 21,253 crore from ₹ 18,089 crore, posting a growth of 17%. The yield on advances declined marginally from 13.18% to 12.83% during the year under review.

The Gross and Net NPA for the current year stood at 2.41% and 1.53% respectively as compared to 1.86% and 1.30% in the previous year.



Priority Sector advances during the year increased by ₹ 1,960 crore from ₹ 8,312 crore to ₹ 10,272 crore. Your Bank has achieved 55.27% 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 ₹ 3,391 crore as at 31st March 2016 forming 18.24% of ANBC as against the mandatory requirement of 18%.

TREASURY OPERATIONS

Domestic Treasury

The gross investments increased by ₹ 454 crore to ₹ 6,326 crore as on 31st March 2016 from ₹ 5,872 crore as on 31st March 2015 registering a growth of 8% and out of this, the investments in Government Bonds alone amounted to ₹ 5,905 crore.

The 10 year GOI benchmark yield softened during the year from a high of 7.89% to 7.46% as GOI securities saw good buying interest from Banks on account of rate cut by RBI.

It is noteworthy to mention that during the year the Bank earned a profit of ₹ 45 crore from treasury operations due to decline in yield on Govt. Securities by 0.43% as compared to ₹ 60 crore last year when the yield went down by 1.06%. The average yield on investments declined from 8.57% in the previous year to 8.08% in the current financial year.

Forex Treasury

During the year Indian Rupee witnessed swings against major currencies. The INR against USD ranged from ₹ 62.03 to ₹ 66.25 and remained comparatively weaker against USD on the back of rate hike in US. The Bank earned an exchange profit of ₹ 81 crore compared to ₹ 69 crore last year including profit from integrated treasury operations.

OPERATING RESULTS HIGHLIGHTS

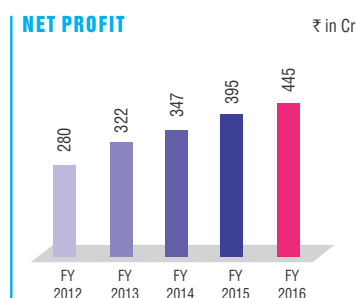
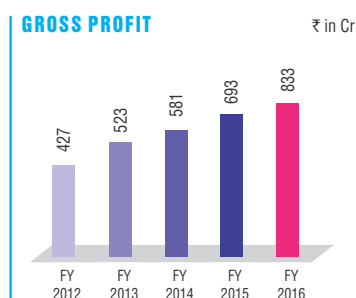
(₹ in crore)

Particulars	Year ended 31 st March, 2016	Year ended 31 st March, 2015
Total Income	3354	3103
Total Expenses	2521	2410
Operating Profit	833	693
Provisions & Contingencies	388	309
Exceptional Items *	0	11*
Net Profit	445	395
Net Interest Income	981	807

* the method of depreciation on fixed assets was 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. Consequent to the change the fixed assets and profit after tax for the FY ended 31st March 2015 were higher by ₹ 10.89 cr.

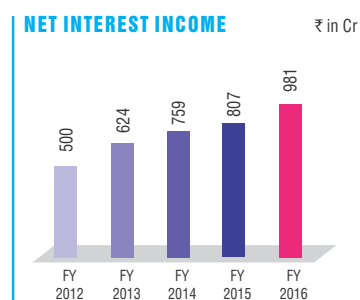
The Bank earned a total income of ₹ 3,354 crore as against ₹ 3,103 crore posting a growth of 8%. The total expenditure of the Bank increased by 5% to record ₹ 2,521 crore as compared to previous year total expenditure of ₹ 2,410 crore.

The operating profit increased by ₹ 140 crore to ₹ 833 crore from ₹ 693 crore thereby recording a growth of 20%. The net profit increased to ₹ 445 crore from ₹ 395 crore registering a growth of 13%.



The Net Interest Income for the year under review increased by ₹ 174 crore from ₹ 807 crore to ₹ 981 crore. The non-interest income of the Bank increased from ₹ 404 crore to ₹ 410 crore.

The provision for tax for the year increased from ₹ 126 crore to ₹ 158 crore. The provision for NPA stood at ₹ 205 crore vis-a-vis ₹ 165 crore last year. The total provisions increased by ₹ 79 crore from ₹ 309 crore to ₹ 388 crore.



APPROPRIATIONS

The appropriations from net profit were made as under:

(₹ in crore)

Particulars	Year ended 31 st March, 2016	Year ended 31 st March, 2015
Net Profit	444.69	395.02
Balance of Profit brought forward	6.96	6.87
Amount available for appropriations	451.65	401.89
Transfers to		
- Statutory Reserve	115.00	103.00
- Capital Reserve	8.71	7.60
- General Reserve	188.00	173.35
- Special Reserve under IT Act, 1961	40.00	32.00
- Dividend & Dividend Tax	92.49	78.98
Balance of Profit carried forward	7.45	6.96
Total	451.65	401.89

NET WORTH & CAPITAL ADEQUACY RATIO

The paid up Share Capital of the Bank increased from ₹ 59.66 crore as on 31st March 2015 to ₹ 59.82 crore as on 31st March 2016. During the period the Bank allotted 16,23,479 equity shares to employees of the Bank pursuant to CUB ESOS Scheme.

The Net Worth of the Bank improved to ₹ 3,033 crore as on 31st March 2016 from ₹ 2,666 crore as of 31st March 2015.

Capital Adequacy Ratio:

	BASEL II	BASEL III
Minimum Prescribed CRAR	9%	9.625% (9%)
Our Bank CRAR	15.80% (16.59%)	15.58% (16.52%)

The concept of Capital Conservation Buffer (CCB) has been newly introduced under BASEL III norms wherein Bank is required to maintain CCB of 2.50% at the end of March 2019 in phased manner beginning from 31st March 2016 @ 0.625% in each year up to 31st March 2019.