

# ANNUAL REPORT 2010 - 2011



**CUB**  
Trust and Excellence  
SINCE 1904

## CITY UNION BANK LIMITED

**Mr. S. Balasubramanian, Chairman  
of City Union Bank Ltd., receiving the Award from  
His Excellency Mr. Surjit Singh Barnala, Governor of Tamilnadu,  
on 16-08-2010 at Raj Bhavan, Chennai.**



**Annual General Meeting  
11-08-2010**



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**Statutory Central Auditors**

Jagannathan & Sarabeswaran  
Chartered Accountants  
Chennai

**Share Transfer Agents**

Karvy Computershare Private Limited  
Plot No : 17-24 Vithal 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  
[www.cityunionbank.com](http://www.cityunionbank.com)

## BOARD OF DIRECTORS

### CHAIRMAN



**P. VAIDYANATHAN**  
B.Com., F.C.A., A.I.C.W.A., A.C.S.  
Till 26.04.2011



**S. BALASUBRAMANIAN**  
M.Sc., CAIIB., PGDFM.  
From 06.05.2011



**Dr. N. KAMAKODI**  
B.Tech., MBA, CAIIB, Ph.D.  
From 01.05.2011

### DIRECTORS



**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.  
Till 26.04.2011



**R.G. CHANDRAMOGAN**



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



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



**C.R. MURALIDHARAN**  
B.Sc., CAIIB



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

**SENIOR EXECUTIVES**


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



**S. SEKAR**  
B.Sc., JAIIB  
Senior General Manager



**S. SUNDAR**  
B.Com., ACA, CAIIB  
Senior General Manager & CFO



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



**J. KUMAR**  
B.Sc.,  
General Manager



**R. VENKATASUBRAMANIAN**  
M.Com., CAIIB  
General Manager

**DEPUTY GENERAL MANAGERS**


**B. RAJAGOPAL**



**D. KANNAPPAN**



**R.K. VISWANATHAN**



**K. DEIVARAYAN**



**K.P. SRIDHAR**



**S. SWAMINATHAN**



**S. RAJAGOPALAN**



**S. BALASUBRAMANIAN**



**K. MAHARAJAN**

**ASSISTANT GENERAL MANAGERS**

R. KRISHNAN  
A. RAGOTHAMAN  
R. RENGARAJAN  
R. SAIRAM  
R. RAJARAMAN  
S. ARUMUGAM  
S.T. CHANDRASEKARAN  
S. RAJAM

V.S. SRINIVASAN  
S. VENKATESAN  
R. SUBRAMANIAN  
B. SUNDARARAMAN  
S. RAMESH  
DB.VN SARATH CHANDRA KUMAR  
P. THIAGARAJAN  
V.V. KANNAN

N. SANKARARAMAN  
V. KRISHNAMOORTHY  
V. SUGUNA  
R. SANKARAN  
J. RAJASEKARAN  
C. GANESAN  
J. CHANDRASEKAR

K. PANCHAPAKESAN  
M. MOUNISAMY  
R. SUBRAMANIAN  
S. MOHAN  
R. LAKSHMINARAYANAN  
P. VARADARAJAN  
V. GANESAN

**ASSISTANT GENERAL MANAGER & COMPANY SECRETARY**  
**V. RAMESH**

## DIRECTORS' REPORT FOR THE YEAR 2010-2011

Your Directors take immense pleasure in presenting their report on the financial results of the Bank along with the Audited Balance Sheet as on 31st March, 2011 and Profit and Loss account for the year ended 31st March, 2011.

### PERFORMANCE HIGHLIGHTS

The performance of the Bank in key financial areas during the year under review in comparison with those of the last year is as under:

(Rs. in Crore)

Particulars	2010-11	2009-10
Deposits	12914	10285
Advances	9255	6833
Investments	3616	3210
Net Interest Income	420	278
Operating Profit	361	256
Net Profit	215	153

You would be happy to observe that the performance on all areas has improved during the year and that the Bank has crossed yet another milestone of Rs.22000 crores of total business during the Financial Year 2010-11 as compared to Rs.17000 crores for the last year. The growth rate is healthy at 30%, as reflected by the enlarged Balance Sheet size of Rs.14592 crores.

### DEPOSITS

The total deposits of the Bank stood impressively at Rs.12914 crores as on 31-03-2011 having grown by Rs.2629 crores or 26% over the last year. A welcome feature of the growth is the concurrent increase of the low cost deposits comprising Current Account & Savings Account (CASA) by 12% to Rs.2528 crores. The cost of total deposits was also contained at 6.94% during the year when compared to 7.73% that prevailed in the last year. Considering the beneficial saving in costs and other cross selling revenues arising from CASA, the Bank has initiated a series of measures to reach a significant share of CASA in total deposits in the next year.

### ADVANCES

The robust GDP growth and the sustained drive of the Bank to tap business opportunities resulted in an impressive growth of 35% over the last year and the aggregate outstanding Gross Advance stood at Rs.9329 crores as on 31.03.2011. Despite the pressures of a stiff and competitive market as well as a lower interest rates scenario-particularly during the first half of the last year, the Bank could maintain the yield on advances at 12.47% though at a slightly lower level than the rate of 13.04% in the year before.

The quality of loan portfolio was always accorded prime focus, despite the fast growth witnessed in credit expansion. This coupled with the vigorous efforts to monitor the recovery of bad loans, yielded favourable results and the Bank maintained a healthy credit portfolio with a lower level of bad loans. As a result of relentless steps taken in recovery, the level of Gross Non-Performing Assets has been brought down to 1.21% from 1.36% of the Gross advances and the Net Non-Performing Assets got reduced to 0.52% from 0.58% to the Net advances. The Bank has also achieved a Provision Coverage Ratio of 76.69% well above the regulatory prescription of minimum 70%.

The Bank could comfortably cross the priority sector loan target of 40% by achieving 49%. Lending to agriculture sector constituted 17% of its adjusted net credit.

## INVESTMENTS/TREASURY OPERATIONS

During the year under review, the gross investments increased from Rs.3218 crores to Rs.3625 crores. The investment in Government Bonds moved higher from Rs.2577.49 crores to Rs.2892.27 crores to maintain statutory reserve requirements on enlarged resources. 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 on one hand and on the other by the tight liquidity conditions witnessed in the second half of the year. The bearish market conditions were not conducive to earn higher trading profits either from fixed income securities or equity shares.

## FOREX OPERATIONS

In comparison with the steep fall against US dollar witnessed last year, the Rupee staged some recovery in the year and the bank could convert the narrow currency movements both in spot and forwards into reasonable profits. For the year ended 31st March, 2011, your Bank's turnover in Foreign Exchange Business stood at Rs.2413.85 Cr.

## FINANCIAL RESULTS

Your Directors are pleased to give hereunder the highlights of the working results for the year ended 31st March 2011 vis-a-vis those of 2009-10.

(Rs. in crore)

Particulars	For the Current Year ended 31st March, 2011	For the Previous Year ended 31st March, 2010
Total Income	<b>1375.81</b>	1100.11
Total Expenses	<b>1014.78</b>	844.32
Operating Profit before Provisions & Contingencies	<b>361.03</b>	255.79
Provisions & Contingencies	<b>145.98</b>	103.03
<b>Net Profit</b>	<b>215.05</b>	<b>152.76</b>

Despite a fall of 57 basis points in the yield on advances, the bank's total income was higher by 25% at Rs.1375.81 crores thanks to a good quantum of growth in business. The escalating cost emanating from rise in wages and other operating expenses led to a 20% increase in total expenditure which to some extent was mitigated by 79 basis points reduction in the interest cost on deposits.

The Net Interest Income being the contribution arising directly from efficiency of core banking operations recorded a smart growth of 51% over the last year to reach Rs.420.03 crores. The cost to income ratio of the Bank lowered to 37% from 39% last year on the back of higher net interest income.

The fee based income of the Bank increased by 44% from Rs 69.04 crores to Rs.99.22 crores. The Bank continues to maintain its top position in the Southern Zone in its bancassurance partnership with the Life Insurance Corporation of India.

The Bank achieved an operating profit of Rs.361.03 crores against Rs.255.79 crores recorded in the previous year translating into a rise of 41%. The net profit too increased by 41% from Rs.152.76 crores to Rs 215.05 crores. The return on average assets for the year was also higher at 1.67% when compared to 1.52% last year reflecting better utilization of assets.

**APPROPRIATIONS:**

The summary of net profit appropriations is as follows:

(Rs. in crore)

Particulars	For the Current Year ended 31st March, 2011	For the Previous Year ended 31st March, 2010
<b>Net Profit</b>	<b>215.05</b>	<b>152.76</b>
Balance of Profit brought forward	5.56	5.01
<b>Amount available for appropriations</b>	<b>220.61</b>	<b>157.77</b>
Transfers to		
- Statutory Reserve	56.00	39.00
- Capital Reserve	0.00	5.73
- General Reserve	98.40	67.00
- Special Reserve under IT Act, 1961	20.50	5.50
- Proposed Dividend	34.43	30.00
- Corporate Dividend Tax and Surcharge	5.72	4.98
- Balance of profit carried forward	5.56	5.56
<b>Total</b>	<b>220.61</b>	<b>157.77</b>

**NETWORTH & CRAR**

The Bank's paid-up Capital was Rs.40.50 Cr as on 31st March, 2011 and the Net worth improved from Rs.825.64 Cr as on 31.03.2010 to cross a significant milestone and reach Rs.1006.62 Cr as on 31.03.2011. The Capital Adequacy Ratio as at 31st March, 2011 stood at 12.75% as per BASEL-II norms well above the regulatory norms of 9%.

**DIVIDEND**

The Bank has been pursuing a constant philosophy of rewarding shareholders through rich dividend payments. At the same time it becomes absolutely imperative to retain a reasonable portion of profit in order to have a comfortable Capital Adequacy Ratio when higher volume of business is expected in the current growth phase of the Bank. Striking a proper balance between these two factors, your Directors have immense pleasure to recommend a dividend of 85% on the equity shares for the financial year 2010-2011 as against 75% paid out last year.

**BRANCH EXPANSION**

During the year under review, your Bank has expanded its network by opening new branches at the various centres, thus taking our network to 246 branches as on 31.03.2011. During the current year 24 branches have been opened so far and 38 more new branches are proposed to be opened before the end of 2011.

**FINANCIAL INCLUSION PROGRAMME**

Financial inclusion programme is a Government of India's Mission to provide banking services in the un-banked regions of the country. Towards this mission, RBI directed banks to provide banking services to 73000 villages having more than 2000 population by March 2012 and simultaneously to cover villages having 1000 plus population.

As for 42 villages allotted to our bank in Tamil Nadu, we have completed coverage of 22 villages by March 2011 in the first phase and efforts are on to cover the remaining villages by December 2011 well before the deadline of March 2012. The Scheme has been successfully implemented in our Bank with technology support from Tata Consultancy Services and the NGOs, who act as BCs.



## EMPLOYEES STOCK OPTION SCHEME

The Shareholders of the Bank had approved the Employees Stock Option 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 on 06.12.2008. Out of the above, 50,31,003 shares were exercised by the employees during this year.

Further during the FY 2010-11, the bank had granted 3,46,000 options at Rs.32/- per option on 26.05.2010 and 28,00,000 options at Rs.47/- per option on 05.10.2010.

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

## HUMAN RESOURCE DEVELOPMENT

The human resource agenda of the Bank aims at employees empowerment and orienting them towards the realization of the Bank's vision. During the year, some of the key HR issues that were in focus related to learning & skill development, management of performance, ensuring a good working environment in the organization. The employee engagement initiatives focused on providing opportunities to staff to meet their aspirations through internal job postings and periodic job rotations. The more competitive compensation structure would help in streamlining the performance linked rewards and incentives thus sending a clear message of meritocracy.

Creation of a work force with a pool of best talent is a challenging task and more so maintaining the standard over a period of time. In tune with the future expansion, your bank is constantly upgrading and revisiting its manpower planning policy. In this endeavor we have recruited personnel taking into account the new business needs. The new recruits were given orientation programme which not only aimed at imparting knowledge to them but ensured their harmonious integration into the organization.

The bank has also built a good training infrastructure which seeks to upgrade the operational efficiency (functional/behavioral skill levels) across all grades through a combination of both in house and external programmes.

As on 31st March, 2011, your Bank has 2836 employees comprising of 38 executives, 847 officers, 1544 clerks and 407 sub-ordinate staff.

## AUTOMATION

As one of the key plans for business growth and customer acquisition, the bank continued to enlarge its distribution network. Widening geographical reach is critical for extending service delivery and for tapping growth opportunities in newer markets, especially in the areas of low cost CASA deposits, lending to borrowers in the retail segment, agriculture and cross selling of financial related products. The distribution network now covers 246 branches as on 31st March 2011. Of these 119 branches are in semi-urban and rural areas and 127 branches are in Metropolitan and Urban areas covering a total of 13 states in India. To enhance reach of customers and to ensure availability of banking services to customers at all times, the bank has been aggressively pursuing a policy of installing more off-site ATMs. As on 31.03.2011, the ATM network of bank is 231 of which, 183 are Onsite while the balance of 47 are Offsite ATMs. The Bank is determined to install more number of ATMs during the current financial year for operational convenience of the customer and to ensure availability of alternative channels for delivery of products.

## BOARD OF DIRECTORS

Shri. S. Balasubramanian has demitted his office of Managing Director & CEO of the Bank on 30.04.2011. Reserve Bank of India, on the recommendation of the Board of Directors conveyed its approval for the appointment of Shri. S. Balasubramanian as the Non Executive Part-time Chairman of the Bank for a period of three years effective from the date of assuming his office. He has assumed office of Non Executive Part-time Chairman of the Bank on 06.05.2011.

Further Reserve Bank of India, on the recommendation of the Board of Directors conveyed its approval for the appointment of Dr. N. Kamakodi as Managing Director and Chief Executive Officer of the Bank for a period of three years effective from 01.05.2011. He has assumed office of Managing Director and Chief Executive Officer of the Bank on 01.05.2011.

Prof. V. Kamakoti has been co-opted as additional director at the meeting of the Board of Directors held on 27.04.2011 pursuant to section 260 of the Companies Act, 1956. Your Bank has received notice from a member pursuant to section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Prof. V. Kamakoti as Director.

Shri. P. Vaidyanathan demitted his office of Non Executive Chairman of the Bank on 26.04.2011 and also tendered his resignation from the directorship of the Bank.

Shri. V. Jayaraman & Shri. M. Naganathan and Shri. N. Sankaran has tendered their resignation from the directorship of the Bank on 03.09.2010 and 26.04.2011 respectively on attaining the age ceiling in terms of Ganguly Committee recommendation.

The Board wishes to place on record its deep sense of appreciation for their invaluable and immeasurable contribution to the growth and development of the Bank during their association with the Bank.

Justice S.R. Singaravelu, Shri. C.R. Muralidharan and Shri. R.G. Chandramogan, directors retiring by rotation at the ensuing Annual General Meeting are eligible and offer themselves for re-appointment.

## **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. The Board of Directors place on record their appreciation of the professional services rendered by M/s. Jagannathan & Sarabeswaran as the Statutory Auditors of the Bank.

## **CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO**

All efforts are being made to reduce energy consumption to the maximum extent possible.

Being a Banking Company, the required technology is deployed keeping in view the nature of activities.

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 number of arrangements for remittances from abroad with Exchange Houses and Banks.

## **CORPORATE GOVERNANCE**

The Bank is committed to achieving the highest standards of corporate governance. The corporate governance practices followed by the Bank are enclosed as an annexure to this report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

In accordance with Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby declares and confirms that :-

- (i) The applicable accounting standards have been followed in the preparation of the annual accounts and proper explanations have been furnished, relating to material departures.

- (ii) Accounting policies have been selected, and applied consistently and reasonably, and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Bank and of the Profit and Loss of the Bank for the financial year ended 31st March 2011.
- (iii) Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies (Amendment) Act, 2000, for safeguarding the assets of the bank and for preventing and detecting fraud and other irregularities.
- (iv) The annual accounts have been prepared on a going concern basis.
- (v) The Bank has in place a system to ensure compliance of all laws applicable to the Bank.

### **ACKNOWLEDGEMENT**

The Board of Directors places 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, other government and regulatory authorities for their strong and continued support, guidance and co-operation.

The Board acknowledges the support of the shareholders and also places on record its sincere thanks to its valued clients and customers for their continued patronage. The Board also expresses its deep sense of appreciation to all employees of the Bank for their strong work ethic, excellent performance, professionalism, team work, commitment, and initiative which has enabled to make the Bank commendable progress during 2010-11 amidst stiff competition and challenges in the banking environment.

FOR AND ON BEHALF OF THE BOARD

Place : Chennai  
Date : 24.06.2011

**S . Balasubramanian**  
Chairman

**ANNEXURE-I**
**Statutory Disclosures regarding ESOS under Clause 12 of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999**

Particulars	ESOS 2008 Series I	ESOS 2010 Series II	ESOS 2010 Series III
Options Granted	20250000	346000	2800000
Additional options allocated pursuant to Rights Issue during the financial year	2531250	NIL	NIL
Pricing Formula	Rs.13 per share/for option	Rs.32 per share/for option	Rs.47 per share/for option
Options Vested	6834376	NIL	NIL
Options exercised	5031003	NIL	NIL
Total Number of shares arising as a result of exercise of options	5031003	NIL	NIL
Options Lapsed	750355	NIL	NIL
Variation of terms of Options	NIL	NIL	NIL
Money realised by exercise of Options	58359635	NIL	NIL
Total Number of Options in Force	16999892	346000	2800000
Employee wise details of Options granted to			
(i) Senior Management Personnel			
Shri. S. Balasubramanian	8,43,750		
Dr. N. Kamakodi	5,62,500		
Shri. R. Mohan	2,25,000	NIL	NIL
Shri. S. Sekar	2,25,000		
Shri. S. Sundar	2,25,000		
(ii) Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year	NIL	NIL	NIL
(iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL	NIL

The Bank follows the intrinsic method for valuing the stock options. The difference between Employee Compensation cost computed based on such intrinsic value and employee Compensation cost that shall have been recognised if fair value of options has been used is explained below:-

Sl. No.	Particulars	Amount (Rs.)
1	Employees compensation cost using Intrinsic Method of Accounting	NIL
2	Employees Compensation Cost using Fair Value Method of Accounting	NIL
3	Difference between (1) & (2)	NIL

#### Weighted Average Details

Sl. No.	Particulars	Series I	Series II	Series III
1	Exercise Price	Rs.13	Rs.32	Rs.47
2	Fair Value	Rs.11.42	Rs.2.41	Rs.4.09

The Bank has used Black Scholes Model to calculate a theoretical call price (ignoring the dividend paid during the life of the options) using six determinants of an options price; Stock Price, Strike Price, Volatility, time to expiration, expected dividend and short term(Risk Free) interest rate. Significant assumptions made to estimate the fair value of options are as under :-

Sl. No.	Particulars	Series I	Series II	Series III
1	Risk Free interest rate	7.20%	7.20%	7.20%
2	Expected Life (Excluding grant period of one year)	3 Years from each of the vesting	3 Years from each of the vesting	3 Years from each of the vesting
3	Expected volatility	280%	14%	20%
4	Expected dividend	3.85%	2.36%	2.365%
5	Price of the underlying share at the time of grant of options	Rs.11.60	Rs.32.00	Rs.47.00

**ANNEXURE-II**

**STATEMENT SHOWING THE INFORMATION REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT READ WITH COMPANIES(PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF THE DIRECTOR REPORT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

i) Employed throughout the year and were in receipt of remuneration not less than Rs.60,00,000 per annum										
Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
-----NIL-----										
ii) Employed throughout the year and were in receipt of remuneration for any part of the year in the aggregate not less than Rs.5,00,000 per month.										
Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
-----NIL-----										

## CORPORATE GOVERNANCE REPORT

Securities and Exchange Board of India (SEBI) had constituted a committee on Corporate Governance under the Chairmanship of Sri Kumaramangalam Birla in the Year 1999. In its report the Committee observed that "strong Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection".

SEBI, on the basis of recommendations of the Committee, had specified norms of Corporate Governance and introduced Clause 49 in the Listing agreement in the year 2000. These norms were further revised by SEBI in the year 2005 to be made effective from 01.01.2006.

### 1. Philosophy of Corporate Governance.

The Basic philosophy of Corporate Governance in the Bank is the application of the best management practices that provide stability and growth to the enterprise, transparency, accountability, disclosures and value creation. Your Bank believes that good governance practices ultimately secure the goal of turning the Bank into a value driven organization. Your Bank's philosophy of Corporate Governance has been aptly embedded in its Mission statement which reads as under :

"To be a technology savvy, customer centric progressive Bank with a national presence, driven by the highest standards of Corporate Governance and guided by sound ethical values".

### 2. Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 1956 and the Listing Agreement entered into by the bank with the Stock Exchanges. The Board consists of eminent persons with professional experience in the field of Banking, Accountancy, Agriculture, Law, Industry and Technology. The business of the Bank is vested with the Board of Directors. The strength of the Board as on 31.03.2011 is 10 directors comprising of Non Executive Chairman, Managing Director & CEO and 8 non executive directors.

Name of the Director	Sector Representation	Category as per the Listing Agreement	No. of other Directorships held	No. of shares
P. Vaidyanathan	Accountancy	Chairman	5	7787500
S. Balasubramanian	Banking	Managing Director & CEO	Nil	283838
K S Raman	Agriculture	Non-Executive Director	Nil	420000
S Bernard	Accountancy	Non-Executive Director	Nil	2105
N Kantha Kumar	Banking	Non-Executive Director	Nil	3000
N Sankaran	Agriculture	Non-Executive Director	Nil	38134
R G Chandramogan	Industrialist	Non-Executive Director	2	1250
T.K.Ramkumar	Law	Non-Executive Director	Nil	29816
C R Muralidharan	Banking	Non-Executive Director	2	1000
Justice S.R.Singharavelu	Law	Non-Executive Director	Nil	2500

The details of Directorship / Membership or Chairmanship of the committees for each director of the bank in other Companies as on 31st March, 2011 is furnished hereunder:

Sl.No	Name of the Director	Directorships in other Companies	Memberships and / or Chairperson of committees in other companies
1	P. Vaidyanathan	(i) Hatsun Agro Product Ltd  (ii) Economist Communications Ltd (iii) Suja Shoei Industries (P) Ltd (iv) Embassy Property Developments Ltd (v) Sabari Inn (P) Ltd	Investor Grievance Committee, Audit Committee, Remuneration Committee - (Chairman) Share Transfer Committee - (Member) NIL NIL NIL NIL
2	S. Balasubramanian	NIL	NIL
3	K.S. Raman	NIL	NIL
4	S. Bernard	NIL	NIL
5	N. Kantha Kumar	NIL	NIL
6	N. Sankaran	NIL	NIL
7	R.G. Chandramogan	(i) Hatsun Agro Products Ltd  (ii) Tonokya Food Pvt. Ltd	Share Transfer Committee and Core Committee - (Chairman) Sub committee - Member NIL
8	T K Ramkumar	NIL	NIL
9	C R Muralidharan	(i) PTC India Financial Services Ltd (ii) ICICI Prudential AMC Ltd	Audit Committee - Member NIL
10	Justice S R Singharavelu	NIL	NIL

### Change in Directorship

Reserve Bank of India, on the recommendation of the Board, vide their letter no. DBOD 16522/08.42.001/2010-11 dated 26.04.2011 conveyed its approval for the appointment of Dr. N. Kamakodi as Managing Director & Chief Executive Officer of the Bank for a period of three years with effect from 1<sup>st</sup> May, 2011. Dr. N. Kamakodi aged 36 years, B.Tech., MBA, CAIIB, Ph.D. joined the Bank as Deputy General Manager in the year 2003 and was elevated to the post of General Manager in 2005 and as Executive Director in 2006. His designation was changed to Executive President w.e.f. 01.01.2011. He has an excellent academic background and also acquired hands on experience on the overall operations of the Bank. He is holding 9,22,474 shares of the Bank.

Prof. V. Kamakoti has been co-opted by the Board at its meeting held on 27.04.2011. Prof. V. Kamakoti aged 42 years, B.E. M.S., Ph.D, is a professor in the Department of Computer Science and Engineering in Indian Institute of Technology, Chennai. He is an expert in Computer Science and Technology, his forte is Information Technology related secured systems engineering and security related software engineering. He is holding 1000 shares of the Bank.



### Reappointment of Directors

- I. Justice. S. R. Singharavelu, aged 63 years, B.Sc., BL., is a former Judge of High Court of Madras and High Court of Orissa. He has vast experience of 36 years in the Judiciary. After his retirement from Judiciary, he is now actively engaged in the Agricultural operations. He is holding 2500 shares of the Bank.
- II. Shri. C. R. Muralidharan, aged 63 years, B.Sc., CAIIB, was holding various positions in Reserve Bank of India. He retired as Chief General Manager, Reserve Bank of India. He has extensive experience in regulatory Banking. He was also a whole time member of Insurance Regulatory and Development Authority (IRDA). He is holding 1000 shares of the Bank.
- III. Shri. R G Chandramogan, aged 62 years, is a well known Industrialist in South India. He is the Chairman & Managing Director of Hatsun Agro Product Limited which is the largest procurer of milk in the country. He is a member in Screening Cum Implementation Group - Secondary Agriculture and Working Group on Animal Husbandary & Dairying, both constituted by Planning Commission, Government of India. CII has appointed him as a member in CII National Council on Agriculture. He is holding 1250 shares of the Bank.

### The pecuniary relationship of the non-executive directors with the Bank.

The Bank pays the non-executive directors sitting fees of Rs.10,000/- and Rs.5,000/- for attending Board meetings and the Board sub-committee meetings respectively.

The Bank has paid Rs. 16,58,292/- to Integrated Enterprises (India) Limited towards maintenance, processing, depository, registry services and for filling of e-TDS returns during the period 2010-2011. Shri. P. Vaidyanathan, the then Non executive chairman's relatives and associated entities are major share holders of the above Company (Clause 49(IV)(E)(i) of the listing agreement).

### Last AGM, Board and Committee Meetings

Name of the Director	Attendance in the last Annual General Meeting held on 11-08-2010	Attendance in 17 Board Meetings
Shri. S. Balasubramanian	Yes	17
Shri. V. Jayaraman (upto 03.09.2010)	Yes	7
Shri. P. Vaidyanathan	Yes	17
Shri. K.S. Raman	Yes	15
Shri. S Bernard	Yes	17
Shri. N Kantha Kumar	Yes	17
Shri. N Sankaran	Yes	15
Shri. M Naganathan (upto 03.09.2010)	Yes	4
Shri. R G Chandramogan	Yes	14
Shri. T.K.RamKumar	Yes	16
Shri C.R.Muralidharan	Yes	17
Justice S.R.Singharavelu	Yes	15

All the meetings were conducted with proper quorum and without any adjournments. The date and place of the meeting as well as the agenda papers are advised to all the directors well in advance. The Directors have access to all additional information on the agenda. Executives of the Bank are also invited to attend the Board meetings to provide necessary clarifications. During the year under review, the Board meetings were held 17 times as detailed below:

Dates of the Board Meeting held:

30.04.2010, 25.05.2010, 26.05.2010, 29.06.2010, 31.07.2010, 11.08.2010, 03.09.2010, 05.10.2010, 27.10.2010, 15.11.2010, 29.11.2010, 11.12.2010, 24.12.2010, 30.01.2011, 10.02.2011, 23.02.2011 and 22.03.2011.

### 3. Committees to the Board

In order to facilitate the decision making process, the Board has constituted certain committees and delegated specific powers to them. The minutes of each meeting are subsequently placed before the next meeting of the committee for confirmation and the minutes thus approved are placed before the following meeting of the board for their information.

#### I. Credit Committee

Credit Committee exercises all the lending powers (upto Rs.50 crs), sanction of one-time settlement & write-off and administrative powers.

Name of the Director	No. of Meetings	Attendance
Shri. S. Balasubramanian	10	10
Shri. P. Vaidyanathan	10	10
Shri. K.S. Raman	10	8
Shri. S. Bernard	10	10
Shri. N. Kantha Kumar	10	10
Shri. R.G. Chandramogan	10	8
Justice. S.R. Singharavelu	10	9

Dates of Meeting held : 30.04.2010, 25.05.2010, 29.06.2010, 31.07.2010, 03.09.2010, 05.10.2010, 29.11.2010, 24.12.2010, 23.02.2011 and 22.03.2011.

#### II. Audit Committee

Audit Committee of the Board provides direction and oversees the operation of total audit function in the Bank and such other matters as stipulated by RBI. It also reviews the Bank's internal control systems and functioning of its branches and central office departments. It also reviews the report of the Statutory audits and all the issues raised in the Long Form Audit Report (LFAR) and interact with external auditors before the finalization of the annual/quarterly financial statements and reports. Further it also reviews all the issues raised in the Inspection Reports of RBI.

The Audit Committee focuses on follow up of

- Inter Branch Adjustment Accounts
- Unreconciled long outstanding entries in Inter Bank Accounts and Nostro Accounts
- Arrears in balancing of books at various branches
- Frauds and all other major areas of house keeping,

The Audit Committee consists of the following five non-executive directors. The committee meets regularly to perform its functions.

Name of the Director	No. of Meetings	Attendance
Shri P Vaidyanathan	14	14
Shri V Jayaraman (Upto 03.09.2010)	14	5
Shri S Bernard (Since 27.10.2010)	14	8
Shri N Sankaran	14	13
Shri M Naganathan (Upto 03.09.2010)	14	3
Shri T K Ramkumar	14	13
Shri C R Muralidharan (Since 29.04.2010)	14	14

Dates of Meeting held: 29.04.2010, 25.05.2010, 28.06.2010, 30.07.2010, 03.09.2010, 05.10.2010, 27.10.2010, 15.11.2010, 29.11.2010, 23.12.2010, 30.01.2011, 10.02.2011, 22.02.2011 and 22.03.2011.

### III. Committee to Review Irregular Advances

It reviews Irregular accounts, NPA, suit filed and decreed debts on quarterly basis.

Name of the Director	No. of Meetings	Attendance
Shri P Vaidyanathan	4	4
Shri. S Balasubramanian	4	4
Shri V Jayaraman (Upto 28.06.2010)	4	1
Shri M Naganathan (Upto 28.06.2010)	4	1
Shri.K.S.Raman	4	3
Shri.N.Kantha Kumar	4	4
Shri.T.K.Ramkumar	4	4
Justice S R Singharavelu (Since 28.06.2010)	4	4

Dates of Meeting held: 28.06.2010, 04.09.2010, 24.12.2010 and 21.03.2011.

### IV. Risk Management Committee

The Committee is empowered to review the Bank's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risks) investment policies & strategy and regulatory & compliance issues in relation thereto. The committee is also empowered to review risk return profile of the Bank, capital adequacy based on risk profile of the Bank's balance sheet, Basel - II implementation, business continuity plan and disaster recovery plan, key risk indicators and significant risk experience.

The Risk Management Committee consists of the following non-executive directors. The committee meets regularly to perform its functions.

Name of the Director	No. of Meetings	Attendance
Shri.S.Balasubramanian	4	4
Shri P Vaidyanathan	4	4
Shri V Jayaraman (Upto 03.09.2010)	4	1
Shri N Kantha Kumar	4	4
Shri M.Naganathan (Upto 03.09.2010)	4	1
Shri. T.K.Ramkumar	4	4
Shri C R Muralidharan (Since 28.06.2010)	4	4

Dates of Meeting held : 28.06.2010, 04.09.2010, 24.12.2010 and 21.03.2011

### V. Customer Service Committee

The customer service committee was constituted for achieving the following objective.

- i. Overseeing the functioning of the adhoc committee of the bank which would also include compliance with the recommendations of the committee on procedures and performance audit on public services (CPPAPS) constituted by RBI under the chairmanship of Dr. S S Tarapore, former Deputy Governor of RBI.
- ii. Strengthening the corporate governance structure in the Bank.
- iii. Bringing about on going improvements in the quality of customer service provided by the Bank and
- iv. Exploring innovative measures towards enhancing the quality of customer service and improving the level of customer satisfaction of all categories of the banks clientele.

The committee met once on 04.10.2010 during the year under report.

<b>Name of the Director</b>	<b>No. of Meetings</b>	<b>Attendance</b>
Shri. S. Balasubramanian	1	1
Shri. K.S. Raman	1	NIL
Shri S. Bernard	1	1
Shri. N. Sankaran	1	1
Shri C.R. Muralidharan	1	1

## VI. Nomination Committee

The committee undertakes the process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as Director on the Board, based on the specific criteria prescribed by Reserve Bank of India.

Meetings, dates and attendance during the year

<b>Name of the Director</b>	<b>No. of Meetings</b>	<b>Attendance</b>
Shri. S. Balasubramanian	3	3
Shri. K.S. Raman	3	3
Shri S. Bernard	3	3

Dates of Meeting held : 30.04.2010, 26.05.2010 and 11.12.2010.

## VII. Fraud Monitoring Committee

As per the directions of the Reserve Bank of India, the Board has constituted a special committee exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of Rs.1 crore and above. The terms of reference of the committee were as under

- a) Identify the systems lacunae if any, that facilitated perpetration of the fraud and put in place measures to plug the same.
- b) Identify the reasons for delay in deduction, if any, in reporting to top management of the Bank and RBI.
- c) Monitor progress of CBI/Police investigation, and recovery position.
- d) Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly with out loss of time.
- e) Review the efficacy of the remedial action taken to prevent recurrence of frauds such as strengthening internal controls.
- f) Put in place other measures as may be consider relevant to strengthen preventive measures against frauds.

The committee has been functioning under the Chairmanship of Shri. S. Bernard

Name of the Director	No. of Meetings	Attendance
Shri. S. Bernard	1	1
Shri P Vaidyanathan	1	1
Shri. S. Balasubramanian	1	1
Shri. N. Kantha Kumar	1	1
Shri. N. Sankaran	1	1
Shri. T.K. Ramkumar	1	1
Shri. C.R. Muralidharan	1	1

The committee met once in a year on 30.01.2011.

### VIII. Compensation Committee

The Compensation committee is headed by Shri. S. Balasubramanian and has been constituted to administer the Employee Stock Option Scheme in the Bank. The committee met during the year on 25.05.2010, 31.07.2010, 05.10.2010, 27.10.2010, 30.01.2011 and 22.03.2011.

Name of the Director	No. of Meetings	Attendance
Shri. S. Balasubramanian	6	6
Shri. V. Jayaraman (upto 31.07.2010)	6	2
Shri. K.S. Raman	6	6
Shri. N. Kantha Kumar	6	6

### IX Remuneration

As approved by the Reserve Bank of India a remuneration of Rs.6,00,000/- p.a. was paid to Shri P Vaidyanathan, Non-Executive Chairman during the period from 01.04.2010 to 31.03.2011. Besides the remuneration, sitting fees for attending Board and Committee Meetings has also been paid.

Remuneration (Gross) paid to the Managing Director & CEO Shri.S. Balasubramanian during the period from 01-04-2010 to 31-03-2011.

Designation	Period	Remuneration
Managing Director & CEO	01.04.2010 to 31-03-2011	Rs. 24,60,000/-

No remuneration is paid to the non-executive directors other than sitting fees and other expenses viz., travelling, boarding and lodging etc., incurred in attending the board and committee meetings of the Bank.

### X. Shareholders Grievance Committee

The shareholders grievance committee was constituted to look into the redressal of shareholders' complaints such as non-receipt of share certificate after transfer, dividend warrant, annual report and other related matters.

- Shri K.S.Raman, Chairman of the Committee, Non-Executive Director
- Compliance Officer- Shri V Ramesh, Asst. General Manager & Company Secretary
- No. of Shareholders complaints received so far -
 

Complaint	- 12
Information & Services	- 1199
- No. of complaints not solved to the satisfaction of shareholders - Nil
- No. of pending share transfers - Nil

Members	No. of meetings held	Attendance
Shri. K.S. Raman	1	1
Shri. S. Bernard	1	1
Shri. N. Sankaran	1	1

Date of Meeting held : 22.03.2011

#### 4. General Body Meetings

##### i) Location and time where last 3 AGMs were held

Sl.No	Date of AGM	Location	Time
1.	24.09.2008	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.30 a.m.
2.	31.08.2009	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	11.00 a.m.
3.	11.08.2010	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.

##### ii) Special Resolution Passed through AGM

Date	Special Resolution
24.09.2008	<ul style="list-style-type: none"> <li>(i) To appoint Shri S Balasubramanian as Chairman and Chief Executive Officer of the Bank and as Director not liable to retire by rotation.</li> <li>(ii) Alteration to the Article 31 in the Articles of Association u/s 31 of the Companies Act, 1956 for paying up any unpaid amount on any shares held by the members or paying up in full unissued shares of the Bank to be allotted and distributed, credited as fully paid up and applying share premium account in paying up of unissued shares.</li> <li>(iii) To decide on the timing and make an offer and issue equity shares of Re.1/- each at suitable premium on right basis, fractional entitlements disregarded, with right to renounce the entitlements.</li> </ul>
31.08.2009	<ul style="list-style-type: none"> <li>(i) To offer, issue and allot by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIB) through one or more placements to raise an amount not exceeding to Rs.300 crs by issue of equity shares of Re.1 each at such price or prices including premium on each share.</li> </ul>
11.08.2010	<ul style="list-style-type: none"> <li>(i) To incorporate a new Article no. 4 (vi) by amending the Articles of Association of the Bank as per applicable provisions of FEMA Act, 1999, the Companies Act, 1956, and other Laws, rules, guide-lines prescribed by concerned authorities, the registered FIIs, FDIs and NRIs can purchase or acquire the shares of the Bank subject to the condition that the individual holdings of the above entities shall not exceed 5% of the paid up capital of the Bank and the total holdings of the FIIs, FDIs and NRIs put together shall not exceed 30% of the paid up capital of the Bank within which the holdings of all NRIs shall not exceed 24% of the paid up capital of the Bank.</li> <li>(ii) To incorporate a new Article no. 27 (xix) by amending Articles of Association of the Bank to constitute a Nomination Committee or such other designated committee to be constituted by the board.</li> <li>(iii) To offer, issue and allot by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIB) through one or more placements to raise an amount not exceeding to Rs.300 crs by issue of equity shares of Re.1 each at such price or prices including premium on each share.</li> </ul>

**iii) Special Resolution Passed through EGM held on 26.04.2008**

- |   |
|---|
| <ul style="list-style-type: none"> <li>i) To offer, issue and allot by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIB) through one or more placement equity shares not exceeding 8,00,00,000 equity shares of Re.1/- each.</li> <li>ii) To create, issue, grant/allot upto 5,00,00,000 equity stock options to the eligible present and future employees including directors of the Bank in one or more tranches through Employees Stock Option Scheme (ESOS)</li> </ul> |
|---|

**iv) Special Resolution passed through Postal Ballot on 14.08.2009**

To consider and thought fit, under section 314(1B) of the Companies Act, 1956, for the continuance of Mr. N Kamakodi, as Executive Director and revision of his remuneration.
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**5. Disclosures**

- a. There were no significant "related party transactions" of any material, financial & commercial nature with the Bank by the directors and their relatives that would have potential conflict with the interest of the Bank at large.
- b. The Bank has complied with all the requirements regarding capital market related matters and has not been imposed any penalty or stricture by the stock exchanges or SEBI or any other statutory authority during last year.
- c. Mandatory and non-mandatory requirements:

The Bank has complied with all the applicable mandatory requirements as prescribed under Clause 49 of the Listing agreement entered into with the Stock Exchanges. A certificate to the effect from the Bank's Statutory Auditors M/s. Jagannathan & Sarabeswaran, Chartered Accountants is annexed.

The extent of implementation of non-mandatory requirements is furnished as under:

Whistle Blower Policy: The Bank may establish a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy and provide for adequate safeguards against victimization of employees.	The Bank has put in place a Whistle Blower policy
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**Code of Conduct**

In terms of Clause 49 of the Listing Agreement, a declaration signed by the Managing Director & CEO affirming compliance with the code of conduct by the Director and Senior Management of the Bank is as follows.

**Declaration of Compliance with the Code of Conduct.**

I confirm that all the Directors have affirmed compliance with the Bank's Code of Conduct for Directors. Also, the Senior Management Team has affirmed compliance with the Bank's Code of Conduct for Senior Management.

Place : Kumbakonam  
Date : 31.03.2011

S. Balasubramanian  
Managing Director & CEO

**6. Means of Communication**

Unaudited/Audited Financial results are normally published in "Dinamalar"/"Daily Thanthi", local Tamil newspapers and in "Business Line", a national English newspaper. The Bank has a Website with its address as <http://www.cityunionbank.com> where in such results are published.

**7. General Shareholder Information**

Date of AGM	27.08.2011
Time	10.35 a.m.
Venue	Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.
Financial Year	1st April, 2010 to 31st March, 2011.
Book Closure Date	17.08.2011 to 27.08.2011 (both days inclusive).
Dividend Payment Date	On or after 27.08.2011, but within the statutory time limit of 30 days.
Listing on Stock Exchange	The shares of the Bank have been listed at the three Stock Exchanges viz., Madras Stock Exchange Ltd., Chennai, National Stock Exchange of India Ltd., Mumbai, and Bombay Stock Exchange Ltd., Mumbai.
Stock Code	Madras Stock Exchange Ltd. - CUB National Stock Exchange of India Ltd. - CUB Bombay Stock Exchange Ltd. - 532210

**Market Price Data - Low/High during each month of the Financial Year 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011.**

( in Rs.)

Month	National Stock Exchange of India Limited (NSE)		Bombay Stock Exchange Limited (BSE)	
	Low	High	Low	High
Apr, 2010	28.40	35.10	28.35	35.20
May, 2010	28.75	38.00	31.00	36.20
Jun, 2010	33.10	36.70	33.25	37.00
Jul, 2010	35.45	40.65	35.60	40.65
Aug, 2010	39.50	49.35	39.45	49.35
Sep, 2010	43.95	48.90	44.00	48.75
Oct, 2010	44.90	52.40	44.90	52.40
Nov, 2010	45.10	52.20	45.00	52.20
Dec, 2010	43.10	53.40	43.65	54.05
Jan, 2011	40.60	50.80	40.50	50.70
Feb, 2011	34.85	46.50	36.30	47.00
Mar, 2011	42.85	46.40	42.70	48.10

There were no transactions in Madras Stock Exchange during the year.

**8. Share Transfer System**

M/s. Intergrated Enterprises (India) Limited, Chennai were the Registrar and Share Transfer Agents of the Bank for the period upto 30.04.2011.

M/s. Karvy Computershare Private Limited, Plot No : 17-24 Vithal Rao Nagar, Madhapur, Hyderabad - 500 081 has been appointed as Share Transfer Agents with effect from 01.05.2011. Shares sent for Physical transfer are generally registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.

Share transfer, transmission etc., are approved by the Share Transfer Committee comprising of executives of the Bank.



Name	Designation	No. of meetings held	Attendance
S. Balasubramanian	MD & CEO	6	6
N. Kamakodi	Executive President	6	6
V. Ramesh	AGM & Company Secretary	6	6

Dates of meeting held : 21.04.2010, 19.05.2010, 16.06.2010, 14.10.2010, 14.01.2011 and 14.03.2011.

Total No. of shares transferred in physical form during the year 1st April, 2010 to 31st March, 2011.

No. of Transfers	No. of Shares
363	974733

All Complaints have been resolved to the satisfaction of the shareholders / investors.

Number of Complaints pending - NIL

### Distribution of Shareholding

#### (i) Share Distribution Schedule as on 31.03.2011

Sl. No	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Upto 500	57681	64.38	9404107	2.32
2.	501-1000	10811	12.07	9332489	2.30
3.	1001-2000	8517	9.51	12530308	3.09
4.	2001-3000	3034	3.39	7817942	1.93
5.	3001-4000	2133	2.38	7907408	1.95
6.	4001-5000	1279	1.43	6047021	1.49
7.	5001-10000	3109	3.47	22540501	5.57
8.	10001 & above	3026	3.37	329451227	81.35
TOTAL		89590	100.00	405031003	100.00

#### (ii) Shareholding Pattern as on 31.03.2011

Sl. No	Category	No. of Holders	Percentage of Holders	No. of Shares	Percentage to Share Capital
1.	Banks	5	0.0056	1478254	0.3650
2.	Bodies Corporate	863	0.9633	45422198	11.2145
3.	Clearing Members	225	0.2512	1088541	0.2688
4.	Directors	15	0.0167	8569143	2.1157
5.	F.I.I.'s	51	0.0569	70802696	17.4808
6.	Insurance companies	4	0.0045	23920779	5.9059
7.	Mutual Fund	7	0.0078	1677647	0.4142
8.	NRIs	903	1.0079	1902619	0.4697
9.	Resident Indians	87488	97.6538	189026150	46.6695
10.	Relatives of Directors	21	0.0234	31898276	7.8755
11.	Trusts	6	0.0067	69700	0.0172
12.	Corporate Body-Foreign	2	0.0022	29175000	7.2032
TOTAL		89590	100.0000	405031003	100.0000

**Dematerialisation of shares**

35,16,31,566 shares (86.81 % of paid-up share capital) of the Bank were dematerialized as on 31-03-2011.

**Address for Correspondence****Shares Department**

**CITY UNION BANK LIMITED**  
Central Office,  
149, T.S.R. (Big) Street,  
Kumbakonam - 612 001, Tamil Nadu.

Ph: 0435-2402322  
Fax: 0435 - 2431746  
E-Mail: shares@cityunionbank.com

**Share Transfer Agents**

M/s. Karvy Computershare Private Limited  
Unit : **CITY UNION BANK LIMITED**  
17-24 Vithal Rao Nagar  
Madhapur  
Hyderabad - 500 081

Ph: 040-44655000  
Fax: 040-23420814  
E-Mail: einward.ris@karvy.com

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**Auditor's Certificate on Corporate Governance**

To the members of **CITY UNION BANK LIMITED**, Kumbakonam

We have examined the compliance of conditions of Corporate Governance by **CITY UNION BANK LIMITED**, Kumbakonam for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Bank with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **Jagannathan & Sarabeswaran**  
Chartered Accountants  
(Firm No. 001204 S)

Place: Chennai  
Date : 27<sup>th</sup> May, 2011

**P.S. Narasimhan**  
Partner  
M.No. : 020936

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### A. ECONOMIC SCENARIO

#### GLOBAL ECONOMY

The economy in the developed countries which was not active in the first half of the year 2010 showed discernible signs of improvement and recovery in the later half of 2010 as also in the first quarter of 2011. However in the current year there are challenges to sustain such growth prospects, which are clearly visible since March 2011. In the US, mortgage market continues to remain weak with falling house prices. Manufacturing sector also is at its low ebb thereby stalling creation of employment opportunities. The European sovereign debt burden continues to remain high on investors mind. China is actively working to slow down the pace of its economic growth, as also are the central banks of many large emerging markets. Japan's economic trajectory, shattered very badly by natural calamities still remains unpredictable and uncertain. High inflation notably in food, energy and other commodity prices, fiscal stress, current account deficits and low employment generation are the major concerns that are likely to persist and will have an impact with varying intensity to be felt here during the current financial year 2011-12.

#### INDIAN ECONOMY

The Indian economy exhibited clear momentum in recovery, and the GDP growth for the year 2010-11 has been estimated at 8.50%, up from 7.20% recorded in the previous year despite persistent global uncertainty. Agricultural sector performed well following a good monsoon. The Index of Industrial Production (IIP) grew higher at 10.40% in the first half of the year however receded subsequently to end at 7.84% for the whole year. The capital goods sector was the main contributor for the deceleration. The services sector, which accounts for 55% of our country's output engaging about one third of the labour force continued with its growth momentum. However due to high inflation and monetary tightening by RBI, some moderation was observed in factory data and consequently on the growth process as well.

The country's biggest challenge and macro economic concern throughout the year centered on inflation control without derailing economic growth. In the beginning months of the year 2010-11, the Whole sale Price Index (WPI) raised by 3.50% largely driven by food items, power and fuel group. However during the later part of the year, the inflationary pressures became generalised and was mainly driven by fuel and power group and non-food manufactured products. Hence the economy could experience a broad convergence of WPI and Consumer Price Index(CPI) with the former remaining at elevated levels while the latter reflecting moderation. Another important observation in the whole process was that the money supply growth showed respite and was not a contributory to inflation.

During the year 2010-11, the rupee dollar exchange rate moved in the range between Rs. 44.03 and Rs. 47.58 per US dollar and the real effective exchange rate representing six major currencies appreciated by 12.70% on an average basis. Though the current account deficit (CAD) in the first 9 months of the year 2010-11 widened by 50% over the corresponding period of the previous year, the surge in exports and deceleration in imports in the fourth quarter helped moderate CAD to around 2.50% for the whole year as against 2.90%.

In the last two years, the Government resorted to higher spending to counter the effects of financial crisis, which led to large fiscal deficits and higher Government borrowings exerting heavy pressure on liquidity and interest rates. However during the year 2010-11 the Government could contain the deficit at 5.10 and the revenue deficit to GDP was also lower at 3.40%.

Overall the year 2010-11 proved to be another good year for the country with a high GDP ratio of 8.50% despite the challenges emanating from high inflation and rising interest rates.

### B. BANKING SCENARIO

Aggregate deposits of all scheduled commercial banks grew by 15.80% during the year 2010-11 to a level of Rs.52.04 lakh crore while credit flow achieved a growth of 21.40% during the same period, to reach a level of Rs.39.38 lakh crore. The liquidity in the system was quite abundant and industry was able to meet its funds requirements without resorting much to the market borrowings. However after the spectrum auctions and

Government's decision to hold large cash balances adversely affected the liquidity conditions. The tightness in the money market accentuated further with the payment of advance tax dues and continuance of Government's borrowing programme.

Non food bank credit grew by 21.20 % during 2010-11 marginally higher than RBI's indicative projection of 20.00% and as against 16.80 % recorded during 2009-10. Credit growth to agriculture decelerated to 10.60 % during 2010-11 from 22.90 % in the previous year. Credit to industry, led by infrastructure, metals, food processing, rubber, plastic and their products and engineering grew by 23.60 % in 2010-11 as compared with 24.40 % in the previous year. Credit to the services sector led by NBFC's, professional services, transport operators and tourism, commercial real estates, hotels and restaurants grew by 23.90 % during 2010-11 as compared with 12.50 % in the previous year. Personal loans grew significantly by 17.00 % during 2010-11 as compared with 4.10% during the previous year with all its components barring credit card outstanding exhibiting high growth.

In the early part of the year 2010-11 RBI has taken initiative to contain inflation and temper inflationary expectations with gradual and calibrated monetary policy tightening without hurting growth momentum. The focus of monetary policy moved from accommodative phase into normalisation, thereafter changed into a tightening phase with confidence about growth impulses remaining robust and concerns about high inflation. As a sequel to increased cost of funds caused mainly by tight liquidity conditions and persistent high inflation, Banks effectively put on the rate hike transmission process to increase their Base Rates and Benchmark Prime Lending Rates upto 300 basis points. The increased rates offered for deposits and charged for lending by Banks have started yielding the desired results with growth rate of deposits witnessing an increase while incremental non food credit showing signs of moderation during the current year.

The stance of monetary policy of the Reserve Bank of India will be to

- maintain an interest rate environment that moderates inflation and anchors inflation expectations.
- foster an environment of price stability that is conducive to sustaining growth in the medium term coupled with financial stability.
- manage liquidity to ensure that it remains broadly in balance with neither a large surplus diluting monetary transmission nor a large deficit chocking off fund flows.

However, the inflationary measures are likely to persist though moderate, and the monetary policy tightening is likely to continue till the end of first half of the current financial year the impact of which will be increasingly visible through rising borrowing costs in fiscal 2012.

Some of the major policy measures were initiated by RBI during the financial year 2010-11:

- Increase in CRR by 25 basis points from 5.75 % to 6.00 %
- Decrease in SLR by 1% to 24.00 %
- Hiked repo and reverse repo rates by a cumulative of 175 basis points and 225 basis points to 6.75% and 5.75% respectively.
- Introduction of Repo in corporate bonds

Subsequently in the annual monetary policy and mid quarter review during the current year, RBI has further tightened the repo rate to 7.50%. In the place of Special Liquidity Adjustment Facility, RBI has introduced Marginal Standing Facility equivalent to 1% of NDTL with a spread of 100 basis points over repo rate. RBI has formalised a fixed corridor of 200 basis points with reverse repo rate being 100 basis points less than repo rates while MSF rates kept 100 basis points above the repo rate.

RBI has also increased the Savings Bank deposit interest rate to 4.00% from 3.50% pending a final decision on the deregulation of Savings Bank deposit interest rate.

RBI has also advised that bank loans to Micro Finance Institutions will not be classified under priority sector advances unless certain conditions are fulfilled and that bank loans to NBFCs for their onward lending to Agri or

Transport operators will no longer be reckoned as priority sector advances. RBI has proposed to appoint a committee to re-examine existing guidelines for classification of loans under priority sector and to suggest revised guidelines.

In order to increase penetration of financial services in unbanked rural centres, commercial banks have been mandated to open 25% of new branches in such centres.

### C. OPPORTUNITIES AHEAD:

Ours is one of the fast growing economies in the world witnessing a higher GDP growth in the last few years and the momentum will continue in the current year too though moderated to some extent. The share of services sector is more than 50% of the output and hence is expected to generate more employment and income in our country which is the second largest populated economy in the world. As financial services play a vital role in transforming the income generated into wealth creation, Banks have a leading role to play in the process. Your Bank known for its efficient customer services will be able to convert all the opportunities into sound and profitable business proposition

Your Bank has on its agenda for opening of more branches besides adding more ATMs to reach out large number of customers. The bank has increased the number of branches by 66 in the last 3 years and has sizably increased the volume of business and profits. Your Bank has proposed to open 34 new branches & 90 ATMs during this financial year increasing the total network of branches & ATMs to 280 and 321 respectively from 246 and 231 as on 31.03.2011.

As our country has been bestowed with a large proportion of young people, your bank has been operating very successfully a few tailor made savings bank deposit scheme to fulfil their requirements and aspirations. The efforts of the bank will be successful in enlarging customer base, improving CASA and increasing fee based income through a process of cross selling third party products.

Your bank has been effectively leveraging on the technology not only to undertake higher volume of business but also in pursuit of excellence in customer service and provision of technology oriented services. Anywhere banking has been made possible and customers can have access to their accounts and transact from any of our branches as all the branches of the bank are connected to Core Banking Solution. Internet Banking facilities are provided to both Corporates and Individuals thereby enabling them to make a hassle free intra and inter bank funds transfer, tax payments, utility payments such as TNEB, Telephone Bills and property tax etc through net. Online FD opening has been newly introduced to facilitate customers who can invest in Term Deposits through Net Banking.

VISA debit cards issued by the Bank enables customers to access more than 1 million ATMs and millions of merchant establishments in any part of the world. In order to enhance fee based income, CASA and customer acquisition, Point of Sale Terminals are being installed in a large way.

Your Bank in association with Geojit BNP Paribas Securities Ltd has offered the Online share trading facility to its customers. This electronic platform enables the customers to avail Value added services like ASBA, investment in Mutual Funds, etc.

### D. SEGMENTWISE PERFORMANCE

#### I. Deposits of the Bank comprise of the following

Sl. No.	Particulars	Amount (Rs. in cr)	Percentage to total
1.	Demand Deposit	1087.62	8.42
2.	Savings Deposit	1440.73	11.16
3.	Term Deposit	10385.94	80.42
<b>Total</b>		<b>12914.29</b>	<b>100.00</b>

**II. Investments of the Bank consist of the following**

Sl. No.	Particulars	Amount (Rs. in cr)	Percentage to total
1.	Govt Securities	2884.75	79.78
2.	Other approved securities	0.50	0.01
3.	Shares, Debentures/Bonds, NABARD RIDF and Mutual funds	730.98	20.21
<b>Total</b>		<b>3616.23</b>	<b>100.00</b>

**III. Performance of various Business Segments**

The Bank operates under four business segments namely Corporate/Wholesale Banking, Retail Banking, Treasury and Other Banking Operations.

Segments	Gross Profit ( Rs. in cr)	Percentage to total
Treasury	79.90	22.13
Corporate Banking	113.25	31.37
Retail Banking	156.28	43.29
Other Banking Operations	11.60	3.21
<b>Total</b>	<b>361.03</b>	<b>100.00</b>

**E. RISK MANAGEMENT**

Risk of various types is integral to the banking business. Sound risk management and balancing risk - reward trade offs are critical to a bank's success. Business and revenue growth have to be weighed in the context of the risks implicit in the Bank's business strategy.

Your Bank has created a well founded Risk Management Architecture with well trained and experienced officers forming the Risk Management Department and is supervised by risk management committee of executives to ensure the policy guidelines approved by the Board are implemented and adhered to. The Bank is BASEL II compliant w.e.f 31.03.2009. Risk is managed through a framework of policies and principles approved by the Risk Management Committee of the Board of Directors ensuring that the Bank operates within its risk appetite. The Bank continues to focus on refining and improving its risk measurement systems. The bank presently adopts standardised approach for credit and market risks and Basic Indicator Approach for operational risks. Necessary initiatives have been taken for moving over to advanced approaches under BASEL II as per the time lines indicated by RBI.

An independent Risk Management Department is functioning for effective Risk Management enterprise wide. Risk is managed through three committees viz.,

- i) Credit Risk Management Committee (CRMC)
- ii) Asset and Liabilities Management Committee (ALCO)
- iii) Operational Risk Management Committee (ORMC)

An apex committee viz., Risk Management Committee of Executives oversees the entire risk management functions of the Bank and reviews the risk exposures vis-a-vis the limits on a monthly basis.

The Bank has put in place policies to manage various types of Risks. To analyse the Risk enterprise wide and with the objective of integrating all the risks of the Bank an Integrated Risk Management Policy is in place.

The important risk policies comprise Credit Risk Management Policy, Asset and Liability Management Policy, Operational Risk Management Policy, Stress Testing Policy and Pillar 3 Disclosure Policy. The Bank prepares a Board approved detailed Internal Capital Adequacy Assessment Process document as required under Pillar 2 of the Basel II norms which clearly spells the Bank's planning process in all areas of operation in micro terms and assesses the capital requirement to support the envisaged business growth and its plans to meet the same. The Bank is fully compliant of the market discipline and disclosure requirements under Pillar 3 of Basel II norms.

The Risk Management Systems are in place to identify, measure and analyse the risks at the early stage, set and maintain prudential limits and manage them to face the changing risk environment. Credit Risk Rating Mechanism is in place to assess the rating of borrowers to ensure credit quality. Loan Review Mechanism initiates timely action to prevent slippage of standard assets to non performing assets. The disclosures on Quarterly/Half Yearly/Annual Basis as per the Disclosure Policy are reported/incorporated in the Bank's website/Annual Report.

## F. INTERNAL CONTROLS

Your bank recognises that growth and profitability should be properly monitored and accordingly has a well laid internal control and systems to ensure authority, safety and accountability of its operations. The system ensures that business units while achieving their targeted business and profitability parameters strictly comply with all internal regulations and regulatory guidelines. The Bank's inspection department is not only in charge of ensuring the adherence to laid down systems and procedures by branches but also ensures compliance of KYC & AML Act and the system of regular KYC inspection is being introduced in all the branches to ensure effective control in account opening process and monitoring and reporting unusual and high value suspicious transactions. Adequate steps also have been undertaken to report such transactions to Financial Intelligence Unit - India. The system of regular inspection, credit inspection and concurrent audit form part of the internal control mechanism. The Audit Committee of the Board reviews the internal inspection and concurrent audit report of the branches on a monthly basis and also reviews the performance and status of the compliance with regard to regulatory / internal guidelines. Your bank has an effective credit monitoring system which includes offsite monitoring of operations on a real time basis, stock audit of large borrowal accounts by an external audit agency and credit audit to ensure fulfilment of sanctioned terms and conditions. Customer confidentiality, proper record maintenance, strong vigilance and alert system, zero tolerance policy of fraud, corruption and financial irregularities are other significant aspects which receive focussed attention of the top management as per the bank's internal control policy.

Risk based internal audit system has been introduced in all the branches as per Reserve Bank of India guidelines and the periodicity of inspection is as per the risk category of the respective branches. The Computer Systems Department is also subjected to System Audit to mitigate risk under computerised environment and is done by external agencies. Key branches including the treasury and forex divisions are under concurrent audit which covers more than 70 % of the Bank's business.

Your bank is having an exclusive Compliance Department headed by a compliance officer to ensure implementation and compliance of all directives issued by the regulators, the bank's Board of Directors and those contained in the Bank's internal control policy.

## G. HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

The Bank strongly believes that fundamental values governing the attitude and self-respect of employees across all cadres must be respected and nurtured. Providing congenial working atmosphere, extending mutual trust, recognising talents, rewarding the sincere and hard working, addressing all their problems and motivating them to achieve the goals of the organisation are some of the policies actively pursued by the bank over a period of time. The Bank recognises that its success is inseparable from the success of its human resources. The bank continued to strengthen its HR processes in line with its objective of creating an inspired workforce. All the employees of the Bank periodically undergo training programmes in house or in reputed institutions for developing their functional and behavioural skills as also to align with the fast changing business needs. They are also sponsored for various workshops and seminars to sharpen their operational functions. As a part of succession planning, recruitment and promotion including lateral entries are undertaken periodically. As in the past the Bank has maintained a cordial and healthy industrial relationship with the employees.

The number of employees on roll of the Bank as on 31st March, 2011 was 2836.

## H. DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Bank's financial performance with respect to operational performance can be enumerated as per the following parameters;

(Rs. in crore)

Particulars	Current Year	Previous Year
Deposits rose by	Rs. 2629.70	Rs. 2077.97
Cost of deposits	6.94%	7.73%
Gross advances rose by	Rs. 2432.25	Rs. 1188.21
Yield on Advances	12.47%	13.04%
Yield on Investments	6.83%	7.85%
Net Interest Income rose by	Rs. 141.89	Rs. 35.57
Net worth of the Bank rose by	Rs. 180.98	Rs. 164.72
Number of branches increased to	246	222
Staff productivity increased to	Rs. 7.81	Rs. 6.51

## I. OUTLOOK

Growth at around 8.00% is expected for the Indian Economy during the current financial year 2011-12 which will contribute to some easing of demand side inflationary pressures in the second half of this fiscal when the full impact of monetary tightening is realised. The Reserve Bank of India's policy focuses on inflation control and price stability. At the same time sufficient liquidity is ensured that it remains broadly in balance with neither a large surplus diluting monetary transmission nor a large deficit choking off fund flows. In order to reduce the pressure on liquidity and to leave sufficient funds for private sector investment, the government has also projected a fiscal deficit of 4.60% of GDP for the year 2011-12 with the revenue deficit to GDP estimated unchanged at 3.40%. However the threat to growth in our country arising from slow down in advanced economies persists. The impact of high oil and other commodity prices and continuance of sovereign debt problems in Euro areas poses threat to growth. To counter the threat, the Government is focussing on infrastructure development as the key driver of growth and nurtures the services sector to supplement governmental efforts in alleviating poverty, rising levels of income across various sections of society leading to enhanced consumption which will in turn spur the growth process. Financial Inclusion an ambitious programme pursued by the Government to provide entire range of financial services needed by rural population gives enormous scope for growth in rural areas. Your bank with its fast expanding branch net work assisted by state of art technology and dedicated service to customers will be able to seize all the opportunities and convert them into profitable ventures.

## COMPLIANCE WITH CLAUSE 32 OF THE LISTING AGREEMENT

- I. **Name and address of Stock Exchanges where equity shares of CITY UNION BANK LIMITED are listed.**
  1. **Madras Stock Exchange Limited**  
Exchange Building, 11, Second Line Beach Road, Post Box No. 183, Chennai - 600 001.
  2. **Bombay Stock Exchange Limited**  
Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 023.
  3. **National Stock Exchange of India Limited**  
Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
- II. **The Bank confirms that the Annual Listing Fee has been paid to all the above three exchanges.**



## Auditor's Report to the Members of CITY UNION BANK LIMITED

We have audited the attached Balance Sheet of CITY UNION BANK LIMITED, Kumbakonam as at 31st March, 2011, the Profit and Loss Account and Cash Flow Statement of the Bank for the year ended on that date annexed thereto, in which are incorporated returns of 6 branches and Central Office, audited by us and 242 branches / offices audited by the Branch Auditors. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 in form 'A' & 'B' respectively of Third Schedule to the Banking Regulation Act, 1949. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of our audit and having regard to the report on the accounts of branches/offices audited by the other auditors, which have been considered by us, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
- b) In our opinion, the Bank has maintained proper books of accounts as required by law in so far as it appears from our examination of those books.
- c) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.
- d) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the branch returns.
- e) The transactions of the Bank, which have come to our notice, have been, in our opinion, within the powers of the Bank.
- f) In our opinion, the accompanying financial statements dealt with by this report comply with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
- g) The reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- h) As per the information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956.
- i) According to the information and explanations given to us and on the basis of the written representations, received from the Directors of the Bank and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and

- (j) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement together with the notes thereon give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 1956, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) in case of Balance Sheet, of the state of affairs of the Bank as at 31st March, 2011.
  - (ii) in case of the Profit and Loss account, of the profit of the Bank for the year ended 31st March, 2011 and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended 31st March, 2011.

For **Jagannathan & Sarabeswaran**  
Chartered Accountants  
(Firm No. 001204 S)

**P.S. Narasimhan**  
Partner  
M.No. : 020936

Place: Chennai  
Date : 27<sup>th</sup> May, 2011

**BALANCE SHEET AS ON 31.03.2011**

(Rs. in thousands)

	Sch.No	As on 31.03.2011	As on 31.03.2010
<b>CAPITAL AND LIABILITIES</b>			
Share Capital	1	40,50,31	39,95,96
Reserves and Surplus	2	966,11,98	785,67,64
Deposits	3	12914,28,51	10284,58,95
Borrowings	4	186,15,48	40,06,32
Other Liabilities & Provisions	5	484,45,60	409,15,12
<b>Total</b>		<b>14591,51,88</b>	<b>11559,43,99</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	1052,23,80	868,53,08
Balances with Banks & Money at Call and Short Notice	7	234,08,09	231,66,63
Investments	8	3616,22,75	3210,42,98
Advances	9	9255,46,03	6833,45,95
Fixed Assets	10	68,53,26	63,03,94
Other Assets	11	364,97,95	352,31,41
<b>Total</b>		<b>14591,51,88</b>	<b>11559,43,99</b>
Contingent Liabilities	12	4162,21,99	2428,55,42
Bills for Collection		289,67,70	431,09,22

**S. BALASUBRAMANIAN**  
Chairman

**Dr. N. KAMAKODI**  
MD & CEO

**S. SUNDAR**  
General Manager & CFO

**V. RAMESH**  
AGM & Company Secretary

**K.S. RAMAN**
**S. BERNARD**
**N. KANTHA KUMAR**
**R.G. CHANDRAMOGAN**
**T. K. RAMKUMAR**
**Justice S.R. SINGHARAVELU**
**C.R. MURALIDHARAN**
**Prof. V. KAMAKOTI**
**Directors**

 For **Jagannathan & Sarabeswaran**  
Chartered Accountants  
(Firm No. 001204 S)

**P.S. Narasimhan**  
Partner  
M.No. 020936

 Chennai  
27.05.2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2011**

(Rs. in thousands)

	Sch.No	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
<b>I INCOME</b>			
Interest Earned	13	1218,40,76	956,60,80
Other Income	14	157,40,36	143,49,97
<b>Total</b>		<b>1375,81,12</b>	<b>1100,10,77</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	798,37,92	678,46,58
Operating Expenses	16	216,40,08	165,85,11
Provisions and Contingencies		145,97,70	103,02,60
<b>Total</b>		<b>1160,75,70</b>	<b>947,34,29</b>
<b>III PROFIT / LOSS</b>			
Net Profit		215,05,42	152,76,48
Profit brought forward		5,55,47	5,00,78
<b>Total</b>		<b>220,60,89</b>	<b>157,77,26</b>
<b>IV APPROPRIATIONS</b>			
- Statutory Reserves		56,00,00	39,00,00
- Capital Reserve		20	5,73,49
- General Reserve		98,40,00	67,00,00
- Special Reserve under IT Act, 1961		20,50,00	5,50,00
- Proposed Dividend		34,42,76	30,00,00
- Dividend Tax thereon		5,71,80	4,98,30
- Balance carried over to Balance Sheet		5,56,13	5,55,47
<b>Total</b>		<b>220,60,89</b>	<b>157,77,26</b>

**S. BALASUBRAMANIAN**  
Chairman

**K.S. RAMAN**
**T. K. RAMKUMAR**
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**Directors**

 For **Jagannathan & Sarabeswaran**  
Chartered Accountants  
(Firm No. 001204 S)

 Chennai  
27.05.2011

**P.S. Narasimhan**  
Partner  
M.No. 020936

**SCHEDULES FORMING PART OF THE ACCOUNTS**
**(Rs. in thousands)**

		<b>AS ON 31.03.2011</b>	<b>AS ON 31.03.2010</b>
<b>SCHEDULE - 1 CAPITAL</b>			
Authorised Capital (100,00,00,000 Equity Shares of Re.1/- each)		<u><u>100,00,00</u></u>	<u><u>100,00,00</u></u>
Issued Capital (40,50,31,003 / 40,00,00,000 equity shares of Re.1/- each)		<u>40,50,31</u>	40,00,00
Subscribed and Paid-up Capital (40,50,31,003 / 40,00,00,000 equity shares of Re.1/- each)	<u>40,50,31</u>		40,00,00
Less: Calls unpaid	<u>0</u>	<u>40,50,31</u>	404 39,95,96
<b>Total</b>		<u><u>40,50,31</u></u>	<u><u>39,95,96</u></u>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>			
I Statutory Reserves			
Opening Balance	<u>291,00,00</u>		252,00,00
Additions during the year	<u>56,00,00</u>	<u>347,00,00</u>	<u>39,00,00</u> 291,00,00
II Capital Reserves			
Opening Balance	<u>43,87,29</u>		38,13,80
Additions during the year	<u>20</u>	<u>43,87,49</u>	<u>5,73,49</u> 43,87,29
III Share Premium			
Opening Balance	<u>194,43,63</u>		155,45,95
Additions during the year	<u>5,53,48</u>	<u>199,97,11</u>	<u>38,97,68</u> 194,43,63
IV Revenue and Other Reserves			
i) General Reserve			
Opening Balance	<u>241,00,00</u>		174,00,00
Additions during the year	<u>98,40,00</u>	<u>339,40,00</u>	<u>67,00,00</u> 241,00,00
ii) Investment Reserve Account			
Opening Balance	<u>1,31,25</u>		1,31,25
Additions during the year	<u>0</u>	<u>1,31,25</u>	<u>0</u> 1,31,25
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961			
Opening Balance	<u>8,50,00</u>		3,00,00
Additions during the year	<u>20,50,00</u>	<u>29,00,00</u>	<u>5,50,00</u> 8,50,00
V Balance in Profit and Loss Account		<u>5,56,13</u>	5,55,47
<b>Total</b>		<u><u>966,11,98</u></u>	<u><u>785,67,64</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**
**(Rs. in thousands)**

	<b>AS ON 31.03.2011</b>	<b>AS ON 31.03.2010</b>
<b>SCHEDULE - 3 DEPOSITS</b>		
A I. Demand Deposits		
i) From Banks	9,31,62	2,70,50
ii) From Others	<u>1078,29,98</u>	<u>1094,32,87</u>
II. Savings Deposits	<u>1440,72,92</u>	<u>1151,20,71</u>
III. Term Deposits		
i) From Banks	72,87,42	71,28,05
ii) From Others	<u>10313,06,57</u>	<u>7965,06,82</u>
<b>Total</b>	<u><b>12914,28,51</b></u>	<u><b>10284,58,95</b></u>
B i) Deposits of Branches in India	<u>12914,28,51</u>	10284,58,95
ii) Deposits of Branches outside India	<u>Nil</u>	<u>Nil</u>
<b>Total</b>	<u><b>12914,28,51</b></u>	<u><b>10284,58,95</b></u>
<b>SCHEDULE - 4 BORROWINGS</b>		
I. Borrowings in India		
i) Reserve Bank of India	Nil	Nil
ii) Other Banks	4,36	4,19
iii) Other institutions and agencies	146,11,12	2,13
iv) Subordinated debt	<u>40,00,00</u>	<u>40,00,00</u>
II. Borrowings from outside India	<u>Nil</u>	<u>Nil</u>
<b>Total</b>	<u><b>186,15,48</b></u>	<u><b>40,06,32</b></u>
III. Secured borrowings included in I	<u>Nil</u>	<u>Nil</u>
<b>SCHEDULE - 5 OTHER LIABILITIES &amp; PROVISIONS</b>		
I. Bills Payable	111,94,38	120,44,87
II. Inter-Office Adjustments (net)	Nil	Nil
III. Interest Accrued	53,79,58	37,81,26
IV. Others (including Provisions)	<u>318,71,64</u>	<u>250,88,99</u>
<b>Total</b>	<u><b>484,45,60</b></u>	<u><b>409,15,12</b></u>
<b>SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
I. Cash in Hand (including foreign currency notes)	211,61,31	134,36,60
II. Balances with Reserve Bank of India		
i) In Current Accounts	840,62,49	734,16,48
ii) In Other Accounts	<u>Nil</u>	<u>Nil</u>
<b>Total</b>	<u><b>1052,23,80</b></u>	<u><b>868,53,08</b></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**
**(Rs. in thousands)**

	<b>AS ON 31.03.2011</b>	<b>AS ON 31.03.2010</b>
<b>SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
<b>I In India</b>		
i) Balances with Banks		
a) In Current Accounts	170,83,30	80,83,33
b) In Other Deposit Accounts	37,35,00	141,10,00
	<u>208,18,30</u>	<u>221,93,33</u>
ii) Money at Call and Short notice		
a) With Banks	Nil	Nil
b) With Other Institutions	Nil	Nil
<b>Total</b>	<u>208,18,30</u>	<u>221,93,33</u>
<b>II Outside India</b>		
In Current Accounts	25,89,79	9,73,30
In Deposit Accounts	Nil	Nil
<b>Total</b>	<u>25,89,79</u>	<u>9,73,30</u>
<b>Grand Total</b>	<u>234,08,09</u>	<u>231,66,63</u>
<b>SCHEDULE - 8 INVESTMENTS</b>		
<b>I In India</b>		
i) Government Securities	2884,74,71	2570,65,44
ii) Other Approved Securities	49,89	1,29,54
iii) Shares	30,55,66	16,63,81
iv) Debentures and Bonds	35,58,07	51,26,25
v) Subsidiaries / Joint Ventures	Nil	Nil
vi) Others	664,84,42	570,57,94
<b>Total</b>	<u>3616,22,75</u>	<u>3210,42,98</u>
<b>Gross Investments in India</b>	3625,11,75	3218,46,13
LESS : Provision for Invt. Depn	8,89,00	8,03,15
<b>Net Investments in India</b>	3616,22,75	3210,42,98
<b>II Outside India</b>	Nil	Nil
<b>Grand Total</b>	<u>3616,22,75</u>	<u>3210,42,98</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**
**(Rs. in thousands)**

	AS ON 31.03.2011	AS ON 31.03.2010
<b>SCHEDULE - 9 ADVANCES</b>		
A i) Bills Purchased and Discounted	184,54,53	165,24,40
ii) Cash Credits, Overdrafts and Loans repayable on Demand	5315,57,02	3808,09,44
iii) Term Loans	3755,34,48	2860,12,11
<b>Total</b>	<b>9255,46,03</b>	<b>6833,45,95</b>
B i) Secured by tangible assets (includes advances against book debts)	8906,54,13	6578,68,05
ii) Covered by Bank/Govt. Guarantees	61,03,79	67,61,70
iii) Unsecured	287,88,11	187,16,20
<b>Total</b>	<b>9255,46,03</b>	<b>6833,45,95</b>
C I) Advances in India		
i) Priority Sector	3420,77,00	2516,83,83
ii) Public Sector	59,99,75	62,22,03
iii) Others	5774,69,28	4254,40,09
<b>Total</b>	<b>9255,46,03</b>	<b>6833,45,95</b>
II) Advances outside India	Nil	Nil
<b>Grand Total</b>	<b>9255,46,03</b>	<b>6833,45,95</b>
<b>SCHEDULE - 10 FIXED ASSETS</b>		
I Premises		
i) At Cost as at 31st March of the preceding year	33,92,81	17,06,10
ii) Additions during the year	1,25,57	16,86,71
iii) Sales / adjustments during the year	Nil	20,49
<b>Total</b>	<b>35,18,38</b>	<b>33,72,32</b>
iv) Depreciation to date	7,32,21	6,61,85
<b>Total</b>	<b>27,86,17</b>	<b>27,10,47</b>



**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**
**(Rs. in thousands)**

	AS ON 31.03.2011	AS ON 31.03.2010
II Other Fixed Assets ( including Furniture and Fixtures)		
i) At Cost as at 31st March of the preceding year	112,83,67	94,17,01
ii) Additions during the year	22,27,96	21,13,05
<b>Total</b>	<b>135,11,63</b>	<b>115,30,06</b>
iii) Deductions / adjustments during the year	1,21,53	2,46,39
<b>Total</b>	<b>133,90,10</b>	<b>112,83,67</b>
iv) Depreciation to date	93,23,01	76,90,20
<b>Total</b>	<b>40,67,09</b>	<b>35,93,47</b>
<b>Grand Total</b>	<b>68,53,26</b>	<b>63,03,94</b>

**SCHEDULE - 11 OTHER ASSETS**

I Inter office Adjustments	68,89	8,34,74
II Interest accrued	69,77,52	56,96,59
III Tax paid in Advance / Tax deducted at source	245,10,37	242,43,22
IV Stationery and stamps	35,88	53,59
V Others	49,05,29	44,03,27
<b>Total</b>	<b>364,97,95</b>	<b>352,31,41</b>

**SCHEDULE - 12 CONTINGENT LIABILITIES**

I Claims against Bank not acknowledged as debts	1,17,92	49,56
II Liability for partly paid Investments	1,99,08	Nil
III Liability on account of outstanding Forward Exchange Contracts	3356,24,43	1774,42,13
IV Guarantees given on behalf of constituents - In India	492,75,93	383,93,76
- Outside India	Nil	Nil
V Acceptances, endorsements and other obligations	310,04,63	269,69,97
VI Other items for which the Bank is contingently liable	Nil	Nil
<b>Total</b>	<b>4162,21,99</b>	<b>2428,55,42</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**
**(Rs. in thousands)**

	<b>YEAR ENDED 31.03.2011</b>	<b>YEAR ENDED 31.03.2010</b>
<b>SCHEDULE - 13 INTEREST EARNED</b>		
I Interest / discount on Advances / Bills	<b>965,43,41</b>	755,82,71
II Income on Investments	<b>245,10,85</b>	193,66,92
III Interest on balances with Reserve Bank of India and other Inter-Bank funds	<b>7,79,03</b>	7,11,17
IV Others	<b>7,47</b>	Nil
<b>Total</b>	<b>1218,40,76</b>	<b>956,60,80</b>
<b>SCHEDULE - 14 OTHER INCOME</b>		
I Commission, Exchange and Brokerage	<b>30,32,72</b>	25,92,93
II Profit/Loss on sale of Investments (net)	<b>6,60,83</b>	39,40,60
III Profit/Loss on revaluation (Amortization)	<b>Nil</b>	Nil
IV Profit on sale of Land,Bldgs and other assets	<b>22,74</b>	52,01
V Profit on Exchange transactions (net)	<b>10,55,27</b>	6,36,99
VI Miscellaneous Income	<b>109,68,80</b>	71,27,44
<b>Total</b>	<b>157,40,36</b>	<b>143,49,97</b>
<b>SCHEDULE - 15 INTEREST EXPENDED</b>		
I Interest on Deposits	<b>780,18,69</b>	673,09,51
II Interest on RBI/Inter-Bank Borrowings	<b>9,48,08</b>	1,69,43
III Others	<b>8,71,15</b>	3,67,64
<b>Total</b>	<b>798,37,92</b>	<b>678,46,58</b>
<b>SCHEDULE - 16 OPERATING EXPENSES</b>		
I Payments to and provision for employees	<b>101,61,69</b>	80,12,40
II Rent, taxes and lighting	<b>25,32,72</b>	19,20,15
III Printing and Stationery	<b>4,59,66</b>	3,41,76
IV Advertisement and publicity	<b>11,44,25</b>	6,19,69
V Depreciation on Bank's property	<b>16,82,67</b>	13,58,24
VI Directors' fees, allowances and expenses	<b>29,90</b>	26,15
VII Auditors' fees and expenses	<b>81,57</b>	64,71
VIII Law charges	<b>13,30</b>	7,74
IX Postage, Telegrams, Telephone, etc.	<b>5,59,88</b>	3,99,11
X Repairs and Maintenance	<b>12,15,06</b>	8,59,55
XI Insurance	<b>11,49,13</b>	9,11,78
XII Other expenditure	<b>26,10,25</b>	20,63,83
<b>Total</b>	<b>216,40,08</b>	<b>165,85,11</b>

**NOTES ON ACCOUNTS**
**1. CAPITAL ADEQUACY RATIO**

Particulars	31 March 2011		31 March 2010	
	Basel I	Basel II	Basel I	Basel II
i) CRAR (%)	11.09%	12.75%	12.09%	13.46%
ii) CRAR - Tier I Capital (%)	10.30%	11.84%	11.15%	12.41%
iii) CRAR - Tier II Capital (%)	0.79%	0.91%	0.94%	1.05%
iv) Percentage of the shareholding of the Government of India in Nationalised Banks	Nil	Nil	Nil	Nil
v) Amount raised by issue of IPDI	Nil	Nil	Nil	Nil
vi) Amount raised by issue of Upper Tier II instruments	Nil	Nil	Nil	Nil

**2. INVESTMENTS**
**2.1. Movement in Investments**

(Rs. in crore)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	3625.12	3218.46
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	8.89	8.03
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	3616.23	3210.43
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	8.03	7.23
(ii) Add: Provisions made during the year	0.86	0.80
(iii) Less: Write-off/write-back of excess provisions during the year	Nil	Nil
(iv) Closing Balance	8.89	8.03

**2.2. Repo Transactions (in face value terms)**

(Rs. in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31.03.2011
Securities sold under Repos				
i) Government Securities	Nil	420.00	73.33	420.00
ii) Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i) Government Securities	Nil	210.00	2.89	Nil
ii) Corporate debt securities	Nil	Nil	Nil	Nil

**2.3 Non-SLR investment portfolio**
**i) Issuer-wise composition of Non-SLR Investments**

(Rs. in crore)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of below "investment grade" securities	Extent of "unrated" securities	Extent of "unlisted" securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	16.95	Nil	Nil	Nil	2.00
2	Financial Institutions	11.23	Nil	Nil	Nil	Nil
3	Banks	20.94	8.00	Nil	Nil	Nil
4	Private Corporates	15.29	4.70	Nil	Nil	4.70
5	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6	Others	* 667.94	1.39	Nil	1.39	1.51
	<b>Total (1 - 6)</b>	<b>732.35</b>	<b>14.09</b>	<b>Nil</b>	<b>1.39</b>	<b>8.21</b>
7	Provision held towards depreciation	1.37	Nil	Nil	Nil	Nil
	<b>TOTAL</b>	<b>730.98</b>	<b>14.09</b>	<b>Nil</b>	<b>1.39</b>	<b>8.21</b>

\* includes deposits with NABARD (RIDF), SIDBI, NHB of Rs.660.32 cr.

**ii) Non Performing non SLR Investments**

(Rs. in crore)

Particulars	Amount
Opening Balance	Nil
Additions during the year	Nil
Reductions during the year	Nil
Closing Balance	Nil
Total provisions held	Nil

**3. DERIVATIVES**
**3.1 Forward Rate Agreement / Interest Rate Swap:**

(Rs. in crore)

Items	Year ended 31 March 2011	Year ended 31 March 2010
i) The notional principal of swap agreements	-	-
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
iii) Collateral required by the bank upon entering into swaps	-	-
iv) Concentration of credit risk arising from the swaps	-	-
v) The fair value of the swap book	-	-

**3.2 Exchange Traded Interest Rate Derivatives**

(Rs. in crore)

Sl. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2011 (instrument-wise)	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	-

**3.3 Disclosures on risk exposure in derivatives:**
**3.3.1 - Qualitative Disclosure:**

The Bank undertakes foreign exchange forward contracts for its customers and hedges them with other banks. The bank also deals with other banks in proprietary trading duly adhering to risk limits permitted by RBI, set in the policy and is monitored by mid office. The Marked to Market values are monitored on monthly basis for foreign exchange forward contracts. The credit equivalent is computed under current exposure method. The Bank's treasury department operates under three functional areas namely Front Office, Mid Office and Back Office. The operations are conducted in terms of the policy guidelines issued by Reserve Bank of India from time to time and as approved by the Board of the Bank.

**3.3.2 - Quantitative Disclosure:**

(Rs. in crore)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) for hedging	61.63	-
	b) for trading	3294.62	-
(ii)	Marked to Market Positions (1)		
	a) Assets (+)	60.77	-
	b) Liability (-)	59.12	-
(iii)	Credit Exposure (2) @	127.89	-
(iv)	Likely impact of one percentage change in interest rate (100 * PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
(v)	Maximum and Minimum of 100 * PV01 observed during the year		
	a) on hedging	-	-
	b) on trading	-	-

@ → Out of the total credit exposure of Rs.127.89 cr, exposure to the tune of Rs.80.65 cr is out of Inter Bank deals accepted for guaranteed settlement by Clearing Corporation of India Limited (CCIL) and exposure to the tune of Rs.45.44 cr is out of other Inter-Bank deals. The Balance Rs.1.80 cr represents exposure to customers.

**4. ASSET QUALITY**
**4.1. Non-Performing Assets**

(Rs. in crore)

Sl. No.	Particulars	As at 31 March 2011	As at 31 March 2010
(i)	Net NPAs to Net Advances (%)	0.52%	0.58%
(ii)	Movement of Gross NPAs		
	Opening balance	88.23	102.08
	Additions during the year	120.66	107.52
	Reductions during the year	96.41	116.10
	Closing balance	112.48	* 93.50
(iii)	Movement of Net NPAs		
	Opening balance	39.67	61.11
	Additions during the year	90.78	86.02
	Reductions during the year	82.03	107.46
	Closing balance	48.02	39.67
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	48.60	37.76
	Provisions made during the year	67.25	51.50
	Write-off of provisions	52.50	40.66
	Closing balance	63.35	48.60

(\* includes Rs.5.27 cr of Interest Reserve)

- a) Non Performing Loan Provisioning Coverage Ratio is 76.69% (Previous Year 70.27%).
- b) The Bank has made provisions for Non Performing Assets at enhanced rates as advised in Reserve Bank of India's Circular DBOD.No.BP.BC 94/21.04.048/2011-12 dated 18.05.2011.

**4.2 Particulars of Accounts Restructured**

(Rs. in crore)

Particulars	CDR	MSME Debt Restructuring	Others
<b>Standard Advances Restructured</b>			
No. of Borrowers	Nil	1	2
Amount Outstanding	Nil	1.10	13.63
Sacrifice (diminution in the fair value)	Nil	0.01	0.12
<b>Substandard Advances Restructured</b>			
No. of Borrowers	Nil	Nil	Nil
Amount Outstanding	Nil	Nil	Nil
Sacrifice (diminution in the fair value)	Nil	Nil	Nil
<b>Doubtful Advances Restructured</b>			
No. of Borrowers	Nil	Nil	Nil
Amount Outstanding	Nil	Nil	Nil
Sacrifice (diminution in the fair value)	Nil	Nil	Nil
<b>Total</b>			
No. of Borrowers	Nil	1	2
Amount Outstanding	Nil	1.10	13.63
Sacrifice (diminution in the fair value)	Nil	0.01	0.12

**4.3 Details of financial assets sold to Securitisation / Reconstruction company for Asset Reconstruction:**

The bank has not sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction and hence no disclosure is given. (Previous year - Nil).

**4.4 Details of Non-performing financial assets purchased / sold:**

The bank has not purchased/sold any financial assets from/to Banks (Previous Year - NIL).

**4.5 Provisions on Standard Assets**

(Rs. in crore)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision towards Standard Assets	34.04	26.54

**5. BUSINESS RATIOS**

Particulars	31 March 2011	31 March 2010
Interest Income as percentage to Average Working Funds	9.43%	9.49%
Non-Interest Income as percentage to Average Working Funds	1.22%	1.42%
Operating Profit as percentage to Average Working Funds	2.80%	2.54%
Return on Assets	1.67%	1.52%
Business per employee (Rs. in Crore)	7.81	6.51
Profit per employee (Rs. in Crore)	0.08	0.06

**6. ASSET LIABILITY MANAGEMENT**
**Maturity Pattern of certain items of assets and liabilities**

(Rs. in crore)

Maturity Period	Deposits	Advances	Investments	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	29.96	25.50	4.31	0.04	38.32	32.90
2-7 days	86.11	121.07	23.86	0.00	26.45	64.90
8-14 days	195.34	399.23	0.00	0.00	6.14	0.61
15 to 28 days	130.89	134.15	126.50	0.00	26.96	5.83
29 days to 3 months	852.95	70.58	565.09	0.00	553.08	535.18
Over 3 months & upto 6 months	565.46	112.55	423.66	101.22	591.46	547.14
Over 6 months & upto 1 year	1419.08	259.78	629.52	41.22	536.62	596.63
Over 1 year & upto 3 years	9245.45	6456.57	1407.77	3.66	0.00	1.97
Over 3 years & upto 5 years	358.06	781.81	48.46	0.00	0.00	0.77
Over 5 years	30.99	894.22	387.06	40.00	4.50	0.00
<b>Total</b>	<b>12914.29</b>	<b>9255.46</b>	<b>3616.23</b>	<b>186.16</b>	<b>1783.53</b>	<b>1785.93</b>

The above classification has been made on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

**7. EXPOSURES**
**7.1 Exposure to Real Estate Sector**

(Rs. in crore)

Category	31 March 2011	31 March 2010
a) Direct exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; *	315.54	220.80
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, Multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.).	543.70	268.87
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	-	-
b. Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	9.99	78.96
<b>Total Exposure to Real Estate Sector</b>	<b>869.23</b>	<b>568.63</b>

\* includes Individual housing loans eligible for inclusion in priority sector advances amounting to Rs.214.53 cr for the year ended 31.03.2011 and Rs.218.96 cr for the previous year 31.03.2010.



**7.2 Exposure to Capital Market**

(Rs. in crore)

Sl. No.	Category	31 March 2011	31 March 2010
	<b><u>Advances to Capital Market Sector</u></b>		
1.	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	34.26	18.99
2.	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds	-	-
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units or equity oriented mutual funds are taken as primary security.	9.56	0.98
4.	Advances for any other purposes to the extent secured by the collateral security of the shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	-	-
5.	Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	90.43	7.79
6.	Loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
7.	Bridge loans to companies against expected equity flows / issues.	-	-
8.	Underwriting commitment taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9.	Financing to stock brokers for margin trading	-	-
10.	All exposures to venture capital funds (both registered and unregistered)	-	-
	<b>Total Exposure to Capital Market</b>	<b>134.25</b>	<b>27.76</b>

**7.3 Risk Category wise Country Exposure**

(Rs. in crore)

Risk Category	Exposure (net) as at March 2011	* Provision held as at March 2011	Exposure (net) as at March 2010	Provision held as at March 2010
Insignificant	79.48	Nil	86.45	Nil
Low	64.09	Nil	21.43	Nil
Moderate	4.01	Nil	0.52	Nil
High	Nil	Nil	Nil	Nil
Very High	0.17	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
<b>Total</b>	<b>147.75</b>	<b>Nil</b>	<b>108.40</b>	<b>Nil</b>

\* The net funded exposure of the bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required in terms of RBI guidelines.

**7.4 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank**

Single Borrower Limit / Group Borrower Limit has not been exceeded during the year.

**7.5 Unsecured Advances** - Advances secured by intangible securities such as Rights, licences authorisations, etc. - NIL

**8. MISCELLANEOUS**
**8.1 Provision made for Income-Tax during the year**

(Rs. in crore)

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Provision for Income Tax	67.00	42.50

**8.2 Penalties imposed by RBI**

No penalty was imposed on the bank by the Reserve Bank of India during the year.

**9. DISCLOSURES AS PER ACCOUNTING STANDARDS**

The bank has complied with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India and the following disclosures are made in accordance with RBI's guidelines.

**i) Prior Period Items - AS 5**

There are no material prior period items of income / expenditure during the year requiring disclosure.

**ii) Revenue Recognition - AS 9**

Income / Expenditure of certain items recognised on cash basis (AS 9) are not considered to be material.

**iii) Employee benefits - AS 15**

The liability towards Gratuity is met through annual premium payments determined on actuarial valuation by Life Insurance Corporation of India under their Group Gratuity Life Assurance Scheme.

The Bank along with its employees contributes a defined sum to City Union Bank Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India to meet the post retirement annuity payments of its employees.

Leave encashment benefits of employees are provided on an actuarial basis but not funded.

- a) The summarized position of the employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) is as under:

**i) Changes in the present value of the obligations:**

(Rs. in crore)

Particulars	Leave Encashment
Present value of obligation as at the beginning of the year	10.80
Interest cost	0.79
Current service cost	1.20
Past service cost - (non vested benefits)	0.00
Past service cost - (vested benefits)	0.00
Benefits paid	(1.89)
Actuarial (gain)/loss on obligation	2.74
<b>Present value of obligation at year end</b>	<b>13.64</b>

**ii) Amount recognized in Balance Sheet :**

(Rs. in crore)

Particulars	Leave Encashment
Closing present value obligation	13.64
Fair value of Plan Assets	0.00
Difference	13.64
Unrecognised transitional liability	0.00
Unrecognised past service cost - non vested benefits	0.00
<b>Liability recognized in the balance sheet</b>	<b>13.64</b>

**iii) Expenses recognized in Profit & Loss account :**

(Rs. in crore)

Particulars	Leave Encashment
Current Service cost	1.20
Interest cost	0.79
Expected return on plan assets	0.00
Net Actuarial (gain)/loss recognised in the year	2.74
<b>Total expenses recognized in the Profit &amp; Loss Account</b>	<b>4.73</b>

**iv) Principal actuarial assumption at the Balance Sheet Date:**

(Rs. in crore)

Particulars	Leave Encashment
Discount factor	8.00%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on plan assets	0.00%

**v) Segmental reporting - AS 17**

Summary of the operating segments of the bank as follows:

(Rs. in crore)

Particulars	Quarter ended		Year ended	
	31.03.2011 Audited	31.03.2010 Audited	31.03.2011 Audited	31.03.2010 Audited
<b>1. Segment Revenue</b>				
a) Treasury	72.06	55.24	270.06	246.56
b) Corporate / wholesale banking	111.90	67.05	399.69	238.56
c) Retail Banking	206.00	158.44	693.18	611.68
d) Other Banking Operations	1.13	1.58	12.88	3.31
<b>Total</b>	<b>391.09</b>	<b>282.31</b>	<b>1375.81</b>	<b>1100.11</b>
<b>2. Segment Results</b>				
a) Treasury	24.22	22.87	79.90	66.52
b) Corporate / wholesale banking	21.40	22.32	113.25	75.00
c) Retail Banking	51.04	27.07	156.28	111.97
d) Other Banking Operations	0.76	1.32	11.60	2.30
<b>Total</b>	<b>97.42</b>	<b>73.58</b>	<b>361.03</b>	<b>255.79</b>
<b>Operating Profit</b>	<b>97.42</b>	<b>73.58</b>	<b>361.03</b>	<b>255.79</b>
Other Provisions & Contingencies	36.02	35.52	78.98	60.53
<b>Profit Before Tax</b>	<b>61.40</b>	<b>38.06</b>	<b>282.05</b>	<b>195.26</b>
Taxes including Deferred Tax	10.00	3.25	67.00	42.50
<b>Net Profit</b>	<b>51.40</b>	<b>34.81</b>	<b>215.05</b>	<b>152.76</b>
<b>3. Segment Assets</b>				
a) Treasury	4223.60	3786.56	4223.60	3786.56
b) Corporate / wholesale banking	3765.87	1994.74	3765.87	1994.74
c) Retail Banking	6248.85	5432.25	6248.85	5432.25
d) Unallocated	353.20	345.86	353.20	345.86
<b>Total</b>	<b>14591.52</b>	<b>11559.41</b>	<b>14591.52</b>	<b>11559.41</b>

**v) Segmental reporting - AS 17 (Contd.)**

Summary of the operating segments of the bank as follows:

(Rs. in crore)

Particulars	Quarter ended		Year ended	
	31.03.2011 Audited	31.03.2010 Audited	31.03.2011 Audited	31.03.2010 Audited
<b>4. Segment Liabilities</b>				
a) Treasury	4016.99	3512.90	4016.99	3512.90
b) Corporate / wholesale banking	3478.00	1872.00	3478.00	1872.00
c) Retail Banking	5771.19	5097.98	5771.19	5097.98
d) Unallocated	318.72	250.89	318.72	250.89
<b>Total</b>	<b>13584.90</b>	<b>10733.77</b>	<b>13584.90</b>	<b>10733.77</b>
<b>5. Capital Employed Segment Assets - Segment Liabilities</b>				
a) Treasury	206.61	273.66	206.61	273.66
b) Corporate / wholesale banking	287.87	122.74	287.87	122.74
c) Retail Banking	477.66	334.27	477.66	334.27
d) Unallocated	34.48	94.97	34.48	94.97
<b>Total</b>	<b>1006.62</b>	<b>825.64</b>	<b>1006.62</b>	<b>825.64</b>

**vi) Related Party disclosures - AS 18**

(i) Related Parties:

Parent / Subsidiaries / Associates/JV - NIL

Key Management Personnel - Sri S. Balasubramanian, MD &amp; CEO

(ii) Related Party Transactions:

Remuneration (cost to the bank) - Rs.27,00,000/-

**vii) Earning Per share - AS 20**

The details of EPS computation is set out below:

Particulars	As at 31 March 2011	As at 31 March 2010
Earnings for the year (Rs. in thousands)	215,05,42	152,76,48
Basic weighted average number of shares (Nos)	40,19,19,038	37,90,34,638
Basic EPS (Rs)	5.35	4.03
Dilutive effect of stock options (Nos)	41,58,100	41,58,100
Diluted weighted average number of shares (Nos)	40,60,77,138	38,31,92,738
Diluted EPS (Rs)	5.30	3.99
Nominal value of shares (Rs)	1	1

**viii) Consolidated Financial Statements (CFS) - AS 21**

The bank has no subsidiaries.

**ix) Accounting for Taxes on Income - AS 22**

The Bank has complied with the provisions of Accounting Standard 22 on accounting for taxes on income issued by the Institute of Chartered Accountants of India.

The major components of the Deferred Tax Asset and Liabilities as at 31 March 2011 are as follows:

(Rs. in crore)

Components	As at 31 March 2011	As at 31 March 2010
<b>Deferred Tax Liability:</b>		
Depreciation on Fixed Assets	0.00	1.03
Accrued Interest on Investments	7.97	4.69
<b>Total Deferred Tax Liability (A)</b>	<b>7.97</b>	<b>5.72</b>
<b>Deferred Tax Asset:</b>		
Provision for Advances	10.75	11.26
Leave encashment	5.29	4.21
Depreciation on Fixed Assets	0.87	0.00
<b>Total Deferred Tax Asset (B)</b>	<b>16.91</b>	<b>15.47</b>
<b>Net Deferred Tax Liability / (Asset) - (A-B)</b>	<b>(8.94)</b>	<b>(9.75)</b>

**x) Accounting for Investments in Associates in CFS - AS 23**

The bank has no Associates.

**xi) Discontinuing Operations - AS 24**

The bank has not discontinued any operations.

**xii) Intangible Assets - AS 26**

The Bank has followed AS 26 - "Intangible Asset" issued by ICAI and the guidelines issued by RBI and has been consistent with the compliance.

**xiii) Impairment of Assets - AS 28**

In the opinion of the management there is no impairment to the assets to which AS 28 - "Impairment of Assets" applies.

**xiv) Provisions & Contingencies - AS 29**

The details of the provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and depreciation on investments which are considered material are disclosed elsewhere under the appropriate headings as per RBI guidelines.

**10. OTHER DISCLOSURES**
**10.1 Break up of Provisions and Contingencies**

(Rs. in crore)

Particulars	31st March 2011	31st March 2010
Provision for Depreciation on Investments (net)	7.60	4.06
Provision towards NPA	67.25	51.50
Provision towards Standard Assets	7.50	0.00
Provision made towards Income Tax	67.00	42.50
Provision for Restructured Accounts	-0.19	2.80
Provision for Debt Relief	0.13	0.17
Other Provisions	-3.31	2.00
<b>Total</b>	<b>145.98</b>	<b>103.03</b>

**10.2 a) Movement in Floating Provisions for NPA**

(Rs. in crore)

SI.No.	Particulars	31st March 2011
a)	Opening Balance	19.30
b)	Additions during the year	Nil
c)	Transferred to "Countercyclical Provisioning Buffer"	19.30
d)	Closing Balance	Nil

**10.2 b) Movement in Countercyclical Provisioning Buffer for NPA**

(Rs. in crore)

SI.No.	Particulars	31st March 2011
a)	Opening Balance	Nil
b)	Transferred from Floating Provisions for NPA	19.30
c)	Deductions during the year	Nil
d)	Closing Balance	19.30

**10.3 Drawdown from Reserves**

The Bank has not drawn any amount from Reserves during the year.

**10.4 Customer Complaints**
**General:**

SI.No.	Particulars	
a)	No. of complaints pending at the beginning of the year	2
b)	No. of complaints received during the year	64
c)	No. of complaints redressed during the year	65
d)	No. of complaints pending at the end of the year	1

**ATM Complaints:**

SI.No.	Particulars	
a)	No. of complaints pending at the beginning of the year	38
b)	No. of complaints received during the year	5861
c)	No. of complaints redressed during the year	5810
d)	No. of complaints pending at the end of the year	89

**10.5 Awards Passed by the Banking Ombudsman**

SI.No.	Particulars	
a)	No. of unimplemented Awards at the beginning of the year	Nil
b)	No. of Awards passed by Banking Ombudsman during the Year	Nil
c)	No. of Awards implemented during the year	Nil
d)	No. of unimplemented Awards pending at the end of the year	Nil

**10.6 Letters of Comfort issued in respect of Subsidiaries during financial year 2010-11 - NIL**  
 (Disclosure as per RBI's Mail Box instruction dated 11-Feb-2009)

**10.7 Provision Coverage Ratio (PCR)**

The Provision Coverage Ratio (PCR) of the bank as on 31.03.2011 is 76.69%.

**10.8 Bancassurance Business**

(Rs. in crore)

SI.No.	Particulars	March 2011
1	For selling life insurance policies	1.87
2	For selling non life insurance policies	1.13
3	For selling mutual fund products	Nil
4	Others	Nil

**10.9 Concentration of Deposits, Advances, Exposures and NPAs**
**10.9.1 Concentration of Deposits**

(Rs. in crore)

Total Deposits of twenty largest depositors	2153.59
Percentage of Deposits of twenty largest depositors to total Deposits of the bank	16.68%

**10.9.2 Concentration of Advances**

(Rs. in crore)

Total Advances to twenty largest borrowers	826.94
Percentage of Advances to twenty largest borrowers to total Advances of the bank	8.87%

**10.9.3 Concentration of Exposures**

(Rs. in crore)

Total Exposure to twenty largest borrowers/customers	1584.80
Percentage of Exposures to twenty largest borrowers/customers to total Exposure of the bank on borrowers/customers	16.99%

**10.9.4 Concentration of NPAs**

(Rs. in crore)

Total Exposure to top four NPA accounts	26.13
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**10.10 Sector-wise NPAs**

(Rs. in crore)

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	26.39
2	Industry (Micro & Small, Medium and Large)	8.85
3	Services	17.70
4	Personal Loans	3.79

**10.11 Movement of NPAs**

(Rs. in crore)

Particulars	Amount
Gross NPAs as on 1st April 2010	* 88.23
Additions (Fresh NPAs) during the year	120.66
Sub-total (A)	208.89
Less:-	
(i) Upgradations	11.40
(ii) Recoveries (excluding recoveries made from upgraded accounts)	32.51
(iii) Write-offs	52.50
Sub-total (B)	96.41
Gross NPAs as on 31st March 2011(A-B)	112.48

(\* net of Interest Reserve)

**10.12 Overseas Assets, NPAs and Revenue**

No SPV either Domestic or Overseas has been sponsored by the bank.

**10.13 Off-Balance Sheet SPVs sponsored**

The Bank has not sponsored any SPVs.

**10.14 Income Tax**

Provision for income tax in the current year has been arrived at consistent with earlier years after considering various judicial decisions on certain disputed issues.

Of the disputed income tax of earlier years amounting to Rs.174.05 cr the bank has appellate orders in its favour for Rs.122.60 cr. No provision is considered for the entire disputed taxes based on the orders received by the bank and similar decisions at various stages of the Tribunal and Higher judicial Forums.

**10.15 Inter Branch Reconciliation**

Reconciliation of Central Office accounts maintained by branches has been completed upto 31.03.2011. Adjustment of outstanding entries in Inter Branch Reimbursement account, Clearing Difference Receivable, Funds in Transit and other similar accounts is in progress. In the opinion of the management, there is no consequential material impact.

**10.16 Employees Stock Option**

The bank has allotted 50,31,003 shares during the year to its eligible employees who have exercised their options granted under ESOS of the Bank.

**10.17** In the absence of notification under Sec 441 A of the Companies Act, 1956 on the cess leviable for the purpose of rehabilitation / revival / protection of assets of Sick Industrial Company, no provision has been made for the same during the year.

**10.18** Previous year's figures have been regrouped wherever necessary to conform to the current year classification.

**STATEMENT OF ACCOUNTING POLICIES****1. General**

The financial statements have been prepared on historical cost convention and on accrual basis of accounting, except where stated otherwise and conform to the statutory provisions and practices prevailing within the banking industry in India.

**2. Foreign Exchange Transactions**

- 2.1 Assets and Liabilities denominated in Foreign Currencies are translated at the rates notified by FEDAI at the close of the year. Profit or Loss accruing from such transactions is recognised in the Profit and Loss Account.
- 2.2 Income and Expenditure items have been translated at the exchange rates ruling on the date of the transactions.
- 2.3 The Bank does not have a branch in any Foreign Country.
- 2.4 Outstanding Forward Exchange contracts are revalued at the exchange rates notified by FEDAI and the resultant net gain or loss is recognised in the Profit and Loss Account.
- 2.5 Foreign Currency Guarantees, Acceptances, Endorsements and other obligations are accounted at the exchange rates prevailing on the date of the transactions.

**3. Investments**

3.1 As per RBI guidelines, the investments of the bank are classified as under at the time of acquisition.

- Held to Maturity
- Available for Sale
- Held for Trading

They are further sub classified and shown in Balance Sheet under the following six categories:

- i) Government Securities
  - ii) Other Approved Securities
  - iii) Shares
  - iv) Debentures and Bonds
  - v) Subsidiaries /Joint Ventures and vi) Others
- a) Securities classified under "Held to Maturity" category are valued at acquisition cost. Where the acquisition cost is higher than the face value, such excess of acquisition cost over the face value is amortised over the remaining period to maturity.
  - b) Securities held in "Available for Sale" Category are valued scrip wise as under:
    - i) Government of India Securities are valued at market price as per quotation put out by Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India & Bloomberg.
    - ii) State Government loans, Trustee Securities, Securities guaranteed by Central/State Governments and PSU Bonds are valued on appropriate Yield to Maturity (YTM) basis as per Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India guidelines.
    - iii) Treasury Bills/ Certificate of Deposits/ Commercial Papers are valued at carrying cost.
    - iv) Equity Shares are valued at market rate if quoted, otherwise at Break up Value as per the latest Balance Sheet if available or Re. 1/- per Company.
    - v) Preference shares are valued at market price if quoted or at appropriate YTM basis as per Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India guidelines.

- vi) Debentures are valued at market price, if quoted, otherwise on an appropriate YTM basis.
- vii) Mutual Funds are valued at market price if quoted or at NAV or Market Price/ Repurchase Price.
- viii) Security Receipts are valued at NAV as declared by Securitisation companies.
- c) Securities under "Held for Trading" category are valued at Market Price based on quotations of Government Securities put out by Fixed Income Money Market and Derivatives Association of India.

- 3.2 Investments in Available for Sale / Held for Trading are valued scrip wise, category wise and net depreciation if any in each category is charged to Profit & Loss Account, while net appreciation if any, is ignored.
- 3.3 Shifting of securities from one category to another category is carried out lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any on such transfer is fully provided for.
- 3.4 Profit/Loss on sale of Investments in any category is taken to the Profit & Loss Account. However, in case of sale of investment in "Held to Maturity" category, the profit is first credited to Profit and Loss Account and thereafter an amount equivalent to profit net of statutory reserve and taxes is appropriated to the Capital Reserve Account.
- 3.5 Commission, brokerage, broken period interest etc. on securities incurred on acquisition are debited to Profit and Loss account. Commission, incentives, brokerage received on subscription are deducted from the Cost of the securities.
- 3.6 The Investments shown in the Balance Sheet are net of Depreciation, if any.
- 3.7 The Non Performing Investments are identified and provided for as per RBI guidelines.

#### 4. **Advances**

- 4.1 Advances have been classified as per the Asset Classification norms laid down by the Reserve Bank of India. The required provisioning for Standard Assets and for Non Performing Assets have been made as per the Regulatory Norms.
- 4.2 Advances shown in the Balance Sheet are net of provisions and interest reserve on NPA accounts, ECGC/DICGC claims received and provisions for Restructured accounts.

#### 5. **Fixed Assets**

- 5.1 Premises and other Fixed Assets are accounted at acquisition cost less depreciation.
- 5.2 Depreciation has been provided on the composite value for premises acquired with land and building, where cost of the land is not separately identifiable.
- 5.3 Depreciation in respect of fixed assets is charged on the written down value of the assets from the date of purchase on pro-rata basis at the rates specified under Schedule XIV of the Companies Act, 1956; except in the case of computers, which are depreciated @ 33.33 % on straight line method as per RBI guidelines.

#### 6. **Staff Benefits**

- 6.1 Provision towards leave encashment is accounted on actuarial basis in accordance with the guidelines contained in Accounting Standard 15 (revised 2005) issued by ICAI.
- 6.2 Liability of Gratuity to staff is contributed to the Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

- 6.3 Payments to defined contribution schemes such as Provident Fund and Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India are charged as expenses as they fall due.

## **7. Employees Stock Option Scheme**

The Employee Stock Option Scheme provides for grant of equity stock options to employees that vest in a graded manner. The Bank follows the intrinsic value method to account for its employee compensation costs arising from grant of such options. The excess of fair market price over the exercise price shall be accounted as employee compensation cost in the year of vesting. The fair market price is the latest closing price of the shares on the stock exchanges in which shares of the Bank are largely traded immediately prior to the date of meeting of the compensation committee in which the options are granted.

## **8. Earning Per share**

Basic earning per share is calculated by dividing the net profit of the year by the weighted average number of equity shares.

Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares.

## **9. Income Recognition**

Interest Income on all advances / performing assets is recognised on accrual basis. In respect of Non-Performing Assets / Non-Performing Investments, interest income is recognised on receipt basis. Commission earned, Locker rent, Dividends on equity shares & Mutual Funds are recognised on receipt basis.

## **10. Income Tax**

Income Tax comprises current tax and Deferred Tax for the year. The deferred tax assets/liability is recognised in accordance with Accounting Standard-22 issued by the Institute of Chartered Accountants of India.

## **11. Net Profit**

The Net Profit disclosed in the Profit and Loss Account is after considering

- 11.1 Provision for taxes on income in accordance with statutory requirements.
- 11.2 Provision for bad and doubtful advances and investments.
- 11.3 Contingent Provision for Standard Assets.
- 11.4 Other usual and necessary provisions.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

(Rs in thousands)

	2010-2011	2009-2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit as per P&amp;L account</b>	<b>215,05,42</b>	152,76,48
Adjustments for		
Depreciation	16,82,67	13,58,24
Provisions & Contingencies - Tax	66,18,65	40,13,43
Provisions & Contingencies - Others	79,79,05	62,89,17
Profit on sale of Investments	-6,60,83	-39,40,60
Profit on sale of Assets	-22,74	-52,01
Foreign exchange fluctuations	-10,55,27	-6,36,99
<b>Operating Profit before working capital changes</b>	<b>360,46,95</b>	223,07,72
Adjustments for		
Funds advanced to Customers	-2489,19,30	-1242,67,66
Other Operating Assets	1,99,29	-9,10,75
Deposits from Customers	2629,69,56	2077,96,80
Borrowings from Banks	146,09,16	-8,67
Other operating liabilities	-2,87,79	13,08,42
Purchase and sale of investments (Net)	-406,78,42	-777,61,58
<b>Cash generated from Operations</b>	<b>239,39,45</b>	284,64,28
Taxation - Income Tax and FBT	-2,67,15	-53,95,64
<b>Net cash flow from Operating activities - A</b>	<b>236,72,30</b>	230,68,64
Cash flow from Investing Activities		
Purchase of Fixed Assets	-23,53,53	-37,99,76
Sale of Fixed Assets	1,44,28	3,18,88
<b>Net cash used in Investing Activities - B</b>	<b>-22,09,25</b>	-34,80,88
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	54,35	7,95,96
Proceeds from share premium	5,53,48	38,97,68
Dividend Paid	-29,60,39	-23,62,37
Tax on distributed profits	-4,98,30	-4,07,88
<b>Net cash flow from Financing Activities - C</b>	<b>-28,50,86</b>	19,23,39
Net increase in Cash and Cash equivalents A+B+C	186,12,19	215,11,15
Cash and Cash equivalents at 31.03.2010	1100,19,70	885,08,55
<b>Cash and Cash equivalents at 31.03.2011</b>	<b>1286,31,89</b>	1100,19,70

 Chennai  
27.05.2011

For and on behalf of the Board

**Dr. N. KAMAKODI**  
MD & CEO

As per our separate report of even date

 For **Jagannathan & Sarabeswaran**  
Chartered Accountants  
(Firm No. 001204 S)

 Chennai  
27.05.2011

**P.S. Narasimhan**  
Partner  
M.No. 020936

**Details of Nostro Accounts**

Sl. No.	Bank Name	Place	Currency
1	HSBC Bank	New York	USD
2	Wells Fargo Bank	New York	USD
3	Standard Chartered Bank	New York	USD
4	Commerz Bank	Frankfurt	USD
5	HSBC Bank	Colombo	USD (ACU)
6	HSBC Bank	London	GBP
7	Commerz Bank	Frankfurt	EUR
8	Standard Chartered Bank	Frankfurt	EUR
9	Wells Fargo Bank	London	EUR
10	HSBC Bank	Tokyo	JPY
11	HSBC Bank	Melbourne	AUD
12	The Bank of Nova Scotia	Toronto	CAD
13	HSBC Bank	Singapore	SGD
14	Skandeneviska Enskilda Banken	Stockholm	SEK

**Bank's SWIFT address : CIUBINM**

## LIST OF BRANCHES

### ANDHRA PRADESH

ANANTHPUR  
 BHIMAVARAM  
 CHITTOOR  
 CUDDAPAH  
 DHARMAVARAM  
 ELURU  
 GUDIVADA  
 GUNTUR  
 GUNTUR - II  
 HINDUPUR  
 HYDERABAD - AMEERPET  
 HYDERABAD - BASHEER BAGH  
 HYDERABAD - DILSUKHNAGAR  
 HYDERABAD - KUKATPALLY  
 HYDERABAD - MALKAJGIRI  
 HYDERABAD - SECUNDERABAD  
 KAKINADA  
 KARIMNAGAR  
 KURNOOL  
 MACHLIPATNAM  
 NANDYAL  
 NELLORE  
 ONGOLE  
 PRODATTUR  
 RAJAMUNDRY  
 SRIKAKULAM  
 TENALI  
 VIJAYAWADA  
 VIJAYAWADA - II  
 VISHAKAPATINAM  
 WARRANGAL

### GUJARAT

AHMEDABAD  
 BHAVANAGAR  
 RAJKOT  
 SURAT  
 SURAT-II  
 VADODARA (BARODA)

### KARNATAKA

BANGALORE - BANASHANKARI  
 BANGALORE - INDIRA NAGAR  
 BANGALORE - J.P. NAGAR  
 BANGALORE - JAYA NAGAR  
 BANGALORE - KORAMANGALA  
 BANGALORE - MALLESWARAM  
 BANGALORE - RAJAJINAGAR  
 BANGALORE - SULTANPET  
 BANGALORE - VIJAYNAGAR  
 BANGALORE - WHITE FIELD  
 BELGAUM  
 BELLARY  
 DAVENGERE  
 HUBLI  
 MANGALORE  
 MYSORE  
 RAMANAGARA  
 TIPTUR  
 TUMKUR  
 YELAHANKA

### KERALA

CHAVAKKAD  
 ERNAKULAM  
 KANNUR  
 KOLLAM

KOTTAYAM  
 KOZHIKODE  
 PALGHAT  
 THIRUVALLA  
 THIRUVANANTHAPURAM  
 THRISSUR

### MADHYA PRADESH

INDORE

### MAHARASHTRA

AURANGABAD  
 ICHALKARANJI  
 KOLHAPUR  
 MUMBAI - DOMBIVILI  
 MUMBAI - FORT  
 MUMBAI - KHAR (WEST)  
 MUMBAI - MIRA ROAD  
 MUMBAI - THANE (WEST)  
 MUMBAI - VASHI  
 NAGPUR  
 NASHIK  
 PUNE

### NEW DELHI

NEW DELHI - CHANDINI CHOWK  
 NEW DELHI - JANAKPURI  
 NEW DELHI - KAROLBAGH  
 NEW DELHI - ROHINI

### PONDICHERRY

PONDICHERRY  
 KARAIKAL

### PUNJAB

LUDHIANA  
 JALANDHAR

### RAJASTAN

JAIPUR  
 BILWARA

### TAMIL NADU

ATTUR  
 ADUTHURAI  
 ALANGUDI  
 ARAKKONAM  
 ARANI  
 ARIYALUR  
 ATHANAKOTTAI  
 AYYAMPETTAI  
 BHAVANI  
 CHENNAI - ANNA NAGAR  
 CHENNAI - ASHOK NAGAR  
 CHENNAI - CHENGALPET  
 CHENNAI - CHINMAYA NAGAR  
 CHENNAI - CHROMPET  
 CHENNAI - GEORGE TOWN  
 CHENNAI - K K NAGAR  
 CHENNAI - KELAMBAKKAM  
 CHENNAI - MADIPAKKAM  
 CHENNAI - MADURAVOYAL  
 CHENNAI - MANALI  
 CHENNAI - MANDAVELI  
 CHENNAI - MARAIMALAI NAGAR  
 CHENNAI - MOUNT ROAD  
 CHENNAI - NANGANALLUR  
 CHENNAI - PURASAWALKAM

**LIST OF BRANCHES (Contd.)**

CHENNAI - RENGARAJAPURAM  
 CHENNAI - T NAGAR  
 CHENNAI - TAMBARAM  
 CHENNAI - THORAIPAKKAM  
 CHENNAI - TIRUVANMIYUR  
 CHENNAI - TRIPLICANE  
 CHENNAI - VALASARAVAKKAM  
 CHIDAMBARAM  
 COIMBATORE - OPPANAKARA STREET  
 COIMBATORE - P.N. PALAYAM  
 COIMBATORE - R.S.PURAM  
 COIMBATORE - RAM NAGAR  
 COIMBATORE - RAMANATHAPURAM  
 COIMBATORE - SAIBABA COLONY  
 COIMBATORE - VILANKURICHI  
 CUDDALORE  
 DARAPURAM  
 DEVAKOTTAI  
 DHARMAPURI  
 DINDIGUL  
 ELLAMPILLAI  
 ERAVANCHERY  
 ERODE  
 GOBICHETTIPALAYAM  
 GUDIYATHAM  
 HOSUR  
 JALAKANDAPURAM  
 JAYANKONDAM  
 KALLAKURICHI  
 KANCHEEPURAM  
 KANGAYAM  
 KARAUKUDI  
 KARUR  
 KEELAPALUVUR  
 KINATHUKADAVU  
 KODAVASAL  
 KORADACHERRY  
 KOTTUR  
 KOVILPATTI  
 KRISHNAGIRI  
 KULASEKARAM  
 KUMBAKONAM - GANDHINAGAR  
 KUMBAKONAM - MAIN  
 KUMBAKONAM - TOWN  
 KURICHI  
 KUTTALAM  
 MADAPATTU  
 MADURAI - MAIN  
 MADURAI-ANNA NAGAR  
 MADURAI S.S. COLONY  
 MADURAPAKKAM  
 MADURAPURI  
 MANAPPARAI  
 MANJANAYACKANPATTI  
 MANNARGUDI  
 MAYILADUTHURAI  
 NACHIARKOIL  
 NADUKKADAI  
 NADUPATTY  
 NAGAPATTINAM  
 NAGERKOIL  
 NAMAKKAL  
 NANNILAM  
 PALAYAMKOTTAI  
 PALLADAM  
 PALLIPALAYAM  
 PARAMAKUDI  
 PATTUKOTTAI

PERAMBALUR  
 PERIYAKULAM  
 PERUNDURAI  
 POLLACHI  
 PORAYAR  
 PUDUKKOTTAI  
 PULIYUR  
 RAJAPALAYAM  
 RAMANATHAPURAM  
 RASIPURAM  
 RISHIVANDIYAM  
 SALEM - FAIR LANDS  
 SALEM - MAIN  
 SALEM - SHEVAPET  
 SANNANALLUR  
 SATTUR  
 SEMBANARKOIL  
 SENGURICHI  
 SILLATUR  
 SIRKALI  
 SIVAGANGAI  
 SIVAKASI  
 SOMANUR  
 SRIPERUMBUDUR  
 THALAIYUTHU  
 THAMARANGKOTTAI  
 THANJAVUR  
 THENI  
 THIMMACHIPURAM  
 THINDAL  
 THIRUCHENGODE  
 THIRUVALLUR  
 THOGUR  
 THONDAMUTHUR  
 TIRUKKATTUPALLI  
 TIRUKOILUR  
 TIRUMAKOTTAI  
 TIRUMARUGAL  
 TIRUNELLIKAVAI  
 TIRUNELVELI  
 TIRUPANANDAL  
 TIRUPOONDI  
 TIRUPPUR  
 TIRUPPUR - VEERAPANDI  
 TIRUVANNAMALAI  
 TIRUVARUR - TOWN  
 TIRUVARUR - VIJAYAPURAM  
 TIRUVIDAIMARUTHUR  
 TRICHY - CANTONMENT  
 TRICHY - MAIN  
 TRICHY - SRIRANGAM  
 TRICHY - THUVAKUDI  
 TUTICORIN  
 UDUMALPET  
 ULLIKOTTAI  
 UTHUKULI  
 VALANGAIMAN  
 VEDARANYAM  
 VEERAPANDI  
 VEERAPERUMANALLUR  
 VELLORE  
 VEPPAMPATTU  
 VILLUPURAM  
 VIRUDHUNAGAR

**WEST BENGAL**  
 KOLKATTA - MAIN  
 KOLKATTA-RASH BEHARI AVENUE

**EXTENSION COUNTER**  
 DCW COMPLEX, SAHUPURAM, TUTICORIN  
 SRMIST, KATTANKULATHUR - CHENNAI  
 SRMIST, RAMAPURAM - CHENNAI

**INTERNATIONAL BANKING DIVISION**  
 ANNA SALAI, CHENNAI

**SERVICE BRANCH**  
 ANNA SALAI, CHENNAI

**UTTARPRADESH**  
 ALLAHABAD



## Decade of Progress

(Rs in crore)

Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Paid up Capital	24.00	24.00	24.00	24.00	24.00	25.20	32.00	32.00	39.96	40.50
Reserve fund and Other Reserves	118.22	140.77	178.85	216.72	262.15	340.51	534.86	628.92	785.68	966.12
Deposits	1973.71	2317.37	2846.65	3095.24	3517.74	4699.33	6424.96	8206.62	10284.59	12914.29
Advances	1011.05	1214.47	1546.98	2012.96	2549.53	3329.23	4537.06	5645.25	6833.46	9255.46
Investments	911.20	1099.20	1279.00	1102.24	1057.48	1307.00	1717.96	2397.46	3210.43	3616.23
Net Profit	28.44	33.37	57.04	46.32	56.37	71.81	101.73	122.13	152.76	215.05
Dividend	40%	40%	60%	40%	40%	40%	50%	75%	75%	85%
No. of Branches	118	123	128	134	142	161	180	207	222	246
Total No. of Staff	1361	1408	1396	1434	1606	1871	2171	2452	2628	2836
Intrinsic value of Shares (Rs.)	59.26	68.65	84.52	100.30	119.23	145.12	* 17.78	20.65	20.64	24.85
Earning Rate (%)	118.50	139.04	237.67	193.00	234.88	299.21	317.91	381.66	381.90	530.95

• During the year 2007-08 we have sub-divided the Equity shares of Rs.10/- each into 10 Equity shares of Re.1/- each

## NEW CAPITAL ADEQUACY FRAMEWORK – BASEL II DISCLOSURES UNDER PILLAR 3 AS ON 31.03.2011

### TABLE DF – 1

#### SCOPE OF APPLICATION

- a. The name of the top bank in the group to which the framework applies.

#### CITY UNION BANK LIMITED

- b. An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group
- i. that are fully consolidated;
  - ii. that are pro-rata consolidated;
  - iii. that are given a deduction treatment; and
  - iv. that are neither consolidated nor deducted (e.g. Where the investment is risk weighted).

The Bank is not having any subsidiary.

- c. The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

Since the Bank is not having any subsidiary, this does not arise.

- d. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.

The Bank does not have interest in any insurance entities.

### TABLE DF – 2

#### CAPITAL STRUCTURE – 31.03.2011

#### Qualitative Disclosures:

- (a) Summary

Type of Capital	Features
<b>Equity - Tier I Capital</b>	During the year 2010-11, the Bank had allotted 50,31,003 shares to its eligible employees who have exercised their options granted under ESOS of the Bank. The Equity Capital of the Bank as on 31.03.2011 stood at Rs.40.50 crore.
<b>Tier II Capital</b>	The Bank has not raised Tier II capital during the current year 2010-11. The details of Lower Tier II capital to the tune of Rs.40.00 crs raised in earlier years is given below. Type of Instrument : Unsecured, Redeemable and Non-convertible Nature : Plain vanilla bonds with no special features like put or call option etc.

**Tier II Capital - Bonds**

Date	Amount (Rs in cr)	Tenure (Months)	Coupon %	Rating
31.03.2006	30.00	121	8.90% semi annual	CARE - A+
30.03.2007	10.00	121	10.00% annual	CARE - A+

**Quantitative Disclosures**

Sl. No.	Description	Amount (Rs. in cr)	
01.	Tier - I Capital		995.68
	- Paid-up Share Capital - Total	40.50	
	- Reserves & Surplus - Total	955.18	
	Amount deducted from Tier I Capital (if any)		13.57
	- Intangible Assets	13.57	
	Total eligible Tier I Capital		<b>982.11</b>
02.	Tier - II Capital		<b>75.35</b>
	a) Revenue Reserves	1.31	
	b) Lower Tier II - Subordinated Debts	40.00	
	c) Provision for Standard Assets	34.04	
03.	Total Eligible Capital (net of deductions from Tier I & Tier II Capital)		<b>1057.46</b>

**TABLE DF – 3**
**CAPITAL ADEQUACY**

Qualitative Disclosures:

**a. A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.**

In order to strengthen the capital base of banks in India, the Reserve Bank of India in April 1992 introduced capital adequacy measures in banks, based on the capital adequacy framework (Basel I) issued by Basel Committee on Banking Supervision (BCBS). Initially, the framework addressed capital for credit risk, which was subsequently amended to include capital for market risk as well. The Bank has been compliant with regard to maintenance of minimum capital for credit and market risks.

Subsequently, the BCBS has released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (popularly known as Basel II document) on June 26, 2004. Reserve Bank of India has issued final guidelines on April 27, 2007 for implementation of the New Capital Adequacy (Basel II) Framework.

In line with the RBI guidelines, the Bank has successfully migrated to the revised framework from 31.03.2009. The Bank has continued the Parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on a quarterly basis.

In accordance with the RBI's requirement, the Bank has continued to adopt Standardised Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on March 31, 2011. Besides this, the Bank continues to apply the Standardised Duration Approach (SDA) for computing capital requirement for Market Risk.

Reserve Bank of India has prescribed Banks to maintain a minimum CRAR of 9% with regard to credit risk, market risk and operational risk on an ongoing basis. The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel II guidelines works to 12.75% as on 31.03.2011 (as against 9%). The Tier I CRAR stands at 11.84% as against RBI's prescription of 6.00%.

The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR. As regards the adequacy of capital to support the future activities, the Bank has drawn an assessment of capital requirement for three years with the approval of the Board. The surplus CRAR shall act as a buffer to support the future activities.

<b>Quantitative disclosures</b>	<b>( Rs. in crore)</b>
(a) Capital requirements for credit risk: (@ 9% on Risk weighted Assets)	
• Portfolios subject to standardised approach	674.09
• Securitisation exposures	Nil
(b) Capital requirements for market risk:	
• Standardised duration approach	21.07
- Interest rate risk	10.51
- Foreign exchange risk	2.26
- Equity risk	8.30
(c) Capital requirements for operational risk:	
• Basic indicator approach;	51.37
Total capital required @ 9%	746.53
(d) Total and Tier 1 capital ratio :	
Total CRAR	12.75%
Tier I CRAR	11.84%

**TABLE DF – 4**

**CREDIT RISK : GENERAL DISCLOSURES**

**Credit Risk:**

Credit Risk is a possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, Credit Risk arises mostly from lending activities of the bank, when a borrower is unable to meet its financial obligations emanating from potential changes in the credit quality / worthiness of the borrowers or counter parties.

Credit Risk Management encompasses a host of management techniques, which help the banks in mitigating the adverse impacts of credit risk. The objective of the Credit Risk Management is to identify, measure, monitor and control credit risk by adopting suitable methodology.

The Bank has formulated Loan Policy which stipulates various prudential norms, bench marks, guidelines for sanctioning of credits and recovery of the same. The Bank has also formulated a separate Credit Risk Management Policy, besides a Policy on Credit Risk Mitigation and Collateral Management.

Credit Risk measurement is done by a robust internal credit risk rating system. Credit Risk Rating is the process wherein the merits and demerits of a borrower are captured and assigned with scorings, which enables the Bank to take a view on the acceptability or otherwise of any credit proposal.

**Credit Risk Management Policy:**

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organisation structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed. Credit Risk is monitored on a bank wide basis and the compliance with regard to the risk limits approved by the Credit Risk Management Committee(CRMC)/ Board is ensured.

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and provisioning (IRAC) norms (vide RBI Master Circular dated July 01, 2009)

**Quantitative Disclosures**

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure:

(Rs. in crore)

Outstandings as on 31.03.2011	Domestic	Overseas	Total
Fund based	9328.97	Nil	9328.97
Non-fund based	802.81	Nil	802.81
Total	10131.78	Nil	10131.78

**Industry type distribution of exposures :**
**Details on Industry wise exposures - 31.03.2011**

(Total advances to Small, Medium & Large Industries)

(Rs. in crore)

S.No	Industry Name		Balance Outstanding
1	Mining		4.69
2	Iron and Steel		485.39
3	Other Metal & Metal Products		141.47
4	All Engineering of which Electronics	17.17	68.98
5	Electricity		50.00
6	Cotton Textiles		788.19
7	Other Textiles		238.05
8	Food Processing		136.33
9	Vegetable Oils & Vanaspathi		0.93
10	Paper & Paper Products		218.80
11	Rubber & Rubber Products		6.94
12	Chemicals, Dyes, Paints etc. of which Drugs & Pharmaceuticals Other chemicals	55.53 43.52	99.05
13	Leather & Leather Products		3.93
14	Gems & Jewellery		9.48
15	Construction* (Commercial Real Estate)		439.58
16	Automobile including Trucks		33.95
17	Infrastructure		60.86
18	Computer software		9.99
19	NBFC		132.88
20	Other Industries		246.87
21	All Traders		1969.84
22	Residual advances to balance Gross Advances		4182.77
	<b>Gross Advances</b>		<b>9328.97</b>

**Residual contractual maturity breakdown of assets 31.03.2011**

(Rs. in crore)

Period	Cash, RBI Balance and Balance with all Banks	Investments (Net)	Advances (Net)	Fixed & Other Assets	Total
1 Day	422.34	4.31	25.50	6.32	458.47
2 to 7 Days	5.00	23.86	121.07	4.57	154.50
8 to 14 Days	0.00	0.00	399.23	5.56	404.79
15 to 28 Days	31.62	126.50	134.15	55.19	347.46
29 Days to 3 Months	162.52	565.09	70.58	6.26	804.45
Over 3 Months & upto 6 Months	115.01	423.66	112.55	6.00	657.22
Over 6 Months & upto 1 Year	155.59	629.52	259.78	117.07	1161.96
Over 1 Year & upto 3 Years	348.78	1407.77	6456.57	113.67	8326.79
Over 3 Years & upto 5 Years	10.43	48.46	781.81	0.00	840.70
Over 5 Years	7.91	387.06	894.22	127.92	1417.11
<b>Total</b>	<b>1259.20</b>	<b>3616.23</b>	<b>9255.46</b>	<b>442.56</b>	<b>14573.45</b>

**Amount of NPAs (Gross)**

(Rs. in crore)

Sub-standard	74.02
Doubtful 1	18.52
Doubtful 2	13.98
Doubtful 3	1.61
Loss	4.35
<b>Gross NPA Total</b>	<b>112.48</b>

The Amount of Net NPAs is Rs.48.42 crore

**The NPA ratios are as under**

- Gross NPA to Gross Advances 1.21%
- Net NPAs to Net Advances 0.52%

**The movement of NPA is as under: {(As in Notes on Accounts 4.1.(iii))}**

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.10)	88.23
ii. Additions made during the year (4 quarters)	120.66
iii. Reductions during the year (4 quarters)	96.41
iv. Closing balance at the end of year (31.03.11) ( i + ii - iii)	112.48

**The movement of provisions for NPAs are as under:**

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.10)	48.60
ii. Provisions made during the year (4 quarters)	67.25
iii. Write-off/Write-back of excess provisions (4 quarters)	52.50
iv. Closing Balance at the end of quarter (31.03.11) ( i + ii - iii)	63.35

The amount of non-performing investment - Nil

The amount of provision held for non-performing investment - Nil

The movement of provisions for depreciation on investments

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.2010)	8.03
ii. Provisions made during the year (4 quarters)	0.86
iii. Write-off (4 quarters)	-
iv. Write-back of excess provisions (4 quarters)	-
v. Closing Balance at the end of the year (31.03.2011) ( i + ii - iii - iv)	8.89

**TABLE DF - 5**

**CREDIT RISK: DISCLOSURES FOR PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH**

**Qualitative Disclosures**

The Bank is using the services of the four External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL, b) ICRA, c) CARE and d) FITCH to facilitate the corporate borrower customers who enjoy credit facilities above Rs.5.00 crore to solicit the ratings. The corporates which are yet to get the approved ratings from these rating agencies, are treated as 'unrated'.

**Quantitative Disclosures**

For exposure amounts after risk mitigation subject to the standardised approach, amount of a bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted as per risk mitigation are given below.

(Rs. in crore)

Risk Weight	Rated	Unrated	Total
Below 100 %	724.88	7964.38	<b>8689.26</b>
100 %	189.64	3922.07	<b>4111.71</b>
More than 100 %	86.11	268.40	<b>354.51</b>
Total outstanding after mitigation	1000.63	12154.85	<b>13155.48</b>
Deducted (as per Risk Mitigation)	12.09	1944.72	<b>1956.81</b>

**TABLE DF – 6**

**CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH**

**Qualitative Disclosures**

The Bank has put in place Credit Risk Mitigation and Collateral Management Policy with the primary objective of

- Mitigation of Credit Risks and enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines
- Optimizing the benefit of Credit Risk Mitigation in computation of capital charge as per the approaches laid down in Basel II / RBI guidelines.

Valuation and methodologies are detailed in Credit Risk Management Policy, Valuation Policy and Loan Policy of the Bank.

The Bank recognises the following Financial Collateral (FC) for Credit Risk Mitigation.

- a) Cash or Cash equivalent (Bank Deposits/Certificate of Deposits issued by the Bank, etc.)
- b) Gold Jewels
- c) Indira Vikas Patras
- d) Kisan Vikas Patras
- e) National Savings Certificates
- f) Life Insurance Policies with a declared surrender value
- g) Securities issued by Central and State Governments
- h) Debt securities rated by a recognized Credit Rating Agency where these are either:
  - at least BBB(-) when issued by public sector entities; or
  - at least A when issued by other entities (including banks and Primary Dealers); or
  - at least PR3/P3/F3/A3 for short term debt instruments
- i) Debt securities though not rated by Credit Rating Agency but
  - issued by a bank
  - listed on a recognized stock exchange and
  - classified as senior debt.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial banks and ECGC and CGTSI.

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank. The portion of advances subjected to CRM including non-funded advances amounted to 20.51%.

#### Quantitative Disclosures

- a. For each separately disclosed credit risk portfolio, the total exposure (after, where applicable, on-or off balance sheet netting) that is covered by eligible financial collateral (FCs) after the application of haircuts is given below:

(Rs. in crore)

Portfolio category	Financial collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	481.00
2. Funded - Credit	Gold jewels	1046.55
3. Funded - Credit	LIC/KVP/NSC	5.86
3. Non Funded	Bank's own deposits	345.23

- b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees:

(Rs. in crore)

Portfolio category	Guaranteed by	Quantum of exposure covered
1. Funded Credit	ECGC	187.09
2. Funded Credit	AP State Government	10.00
3. Funded Credit	CGTSI	2.22



**TABLE DF – 7**
**Securitization : Disclosure for Standardised Approach**

**Qualitative Disclosures:** The Bank has not undertaken any securitization activity.

**Quantitative Disclosures:** Nil

**TABLE DF – 8**
**Market Risk in Trading Book**

**Qualitative Disclosures:**

Market Risk in trading book is assessed as per the Standardised duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

**Quantitative Disclosures:**

The capital requirements for 31.03.2011		(Rs. in crore)
• Interest Rate Risk	-	10.51
• Equity Position Risk	-	8.30
• Foreign Exchange Risk	-	2.26
<b>Total</b>	-	<b>21.07</b>

**TABLE DF – 9**
**OPERATIONAL RISK**

**Qualitative Disclosures**

Operational Risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.

The Bank has put in place Operational Risk Management Policy duly approved by the Board. This policy outlines the Organisation Structure and covers the process of identification, assessment/measurement and control of various operational risks.

The other policies adopted by the Bank which deal with the management of operational risks are Inspection Policy, Information Security Audit Policy and Policy on Modified code of conduct for Know-Your Customer & Anti-Money Laundering Standards.

Operational Risks in the Bank are managed through comprehensive and well-articulated internal control framework. Operational risk is mitigated by effecting insurance on all aspects and cover for other potential operational risks.

Capital charge for Operational Risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous three years i.e. 2007-08, 2008-09 and 2009-10 is considered for computing the capital charge. The required capital is Rs.51.37 crore.

## TABLE DF – 10

## INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

**Qualitative Disclosures:**

Interest rate risk is the risk where changes in the market interest rates might affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net-worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The impact on income (earning perspective) is measured through use of Gap Analysis by applying notional rate shock up to 200 bps as prescribed.

For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity statement and based on the remaining period from the mid point of a particular bucket, the impact for change in interest rates up to 200 bps is arrived at for one year time horizon.

The Bank has adopted Duration Gap Analysis for assessing the impact (as a percentage) on the Economic Value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. As per the draft guidelines issued by RBI DBOD.No.BP.7/21.04.098/2005-06 dated April 17, 2006, the Bank calculates Modified Duration Gap on Assets & Liabilities and arrive at the impact on Economic Value of Equity. On November 04, 2010, RBI issued a circular on Interest Rate Risk using Duration Gap Analysis and these guidelines have also been taken into account while calculating IRRBB. The Bank is calculating IRRBB on a quarterly basis.

**Quantitative Disclosures:**

- a) The impact of change in Interest Rate i.e. Earnings at Risk for 200 bps interest rate shock as on 31.03.2011 is Rs.58.54 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2011 is 8.04%.

EXPANDING NETWORK



Kulasekaram - 20-09-2010



Veerapandi, Tiruppur - 23-09-2010



Arakkonam - 29-09-2010



Vedaranyam - 29-09-2010



Palayamkottai - 06-10-2010



Dharmapuri - 11-10-2010

EXPANDING NETWORK



Jalakandapuram - 29-10-2010



Vijayanagar, Bangalore - 19-11-2010



White Field, Bangalore - 19-11-2010



Shevapet, Salem - 25-11-2010



J.P. Nagar, Bangalore - 08-12-2010



Yelahanka, Bangalore - 08-12-2010

EXPANDING NETWORK



Attur - 09-12-2010



Chittoor - 27-12-2010



Karimnagar - 17-02-2011



Perundurai - 17-02-2011



Manali, Chennai - 02-03-2011



Tiruvallur - 03-03-2011

EXPANDING NETWORK



Rohini, Newdelhi - 06-03-2011



Jalandhar - 07-03-2011



Maduravoyal - 11-03-2011



Gudiyatham - 23-03-2011



Kallakurichi - 23-03-2011



Bhavani - 24-03-2011

# FELICITATION TO BELOVED MD & CEO





**CUB**

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