

ANNUAL REPORT 2011 - 2012



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED

CROSSING MILESTONE IN BRANCH EXPANSION



Opening of 300th Branch & 500th ATM by Nonagenarians from CUB family
Shri. R. Ramabadra Iyengar and Shri. C. Govindan Chettiar

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Statutory Central Auditors

Jagannathan & Sarabeswaran
Chartered Accountants
Chennai

Share Transfer Agents

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

Registered Office

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

BOARD OF DIRECTORS

CHAIRMAN



S. BALASUBRAMANIAN
M.Sc., CAIB., PGDFM.

M.D & C.E.O



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

DIRECTORS



K.S. RAMAN
M.Sc.



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



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



R.G. CHANDRAMOGAN



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



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



C.R. MURALIDHARAN
B.Sc., CAIB



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

SENIOR EXECUTIVES



R. MOHAN
Chief General Manager



S. SEKAR
Senior General Manager



S. SUNDAR
CFO & Senior General Manager



T.S. RAMANUJAM
General Manager



J. KUMAR
General Manager



R. VENKATASUBRAMANIAN
General Manager

DEPUTY GENERAL MANAGERS



R.K. VISWANATHAN



S. BALASUBRAMANIAN



S. RAJAGOPALAN



K. MAHARAJAN



S. SWAMINATHAN



K.P. SRIDHAR



R. SAIRAM

ASSISTANT GENERAL MANAGERS

R. KRISHNAN
S. VENKATESAN
R. SUBRAMANIAN
S. MOHAN
R. LAKSHMINARAYANAN
P. VARADARAJAN
V. GANESAN
K.R.S. VARADHAN

V.S. SRINIVASAN
V. KRISHNAMOORTHY
V. SUGUNA
R. RAJARAMAN
S. ARUMUGAM
S.T. CHANDRASEKARAN
S. RAJAM
S. RAJA

K. PANCHAPAKESAN
M. MOUNISAMY
R. SUBRAMANIAN
S. RAMESH
D.B.V.N. SARATH CHANDRA KUMAR
P. THIAGARAJAN
V.V. KANNAN
P. RAVI

A. RAGOTHAMAN
R. RENGARAJAN
R. SANKARAN
J. RAJASEKARAN
C. GANESAN
J. CHANDRASEKAR
V.S.S. KRISHNA PRASAD

ASSISTANT GENERAL MANAGER & COMPANY SECRETARY
V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2011-2012

Your Directors take great pleasure in presenting their report and the audited financial statements for the year ended March 31, 2012

Financial Results : 2011-12

(₹ in crore)

Particulars	2011-2012	2010-2011	Growth
Deposits	16341	12914	26.53%
Advances (Net)	12137	9255	31.14%
Investments (Net)	4586	3616	26.83%
Total Assets / Liabilities	18351	14592	25.76%
Net Interest Income	500	420	19.05%
Operating profit	427	361	18.28%
Net Profit	280	215	30.23%

It is gratifying to report that the Bank's high growth pattern was sustained in succession for the year ended 2011-2012 also. The net profit increased to ₹ 280 crore from ₹ 215 crore in the previous year registering a growth of 30.23% during the financial year 2011-12.

DEPOSITS

The total deposits of the Bank increased by ₹ 3,427 crore to reach ₹ 16,341 crore as on 31-03-2012 which is 27% higher than the previous year. The low cost Current Accounts & Savings Bank (CASA) deposits increased by 18% to ₹ 2,972 crore on account of sustained efforts and measures initiated by the bank. The year witnessed an increasing interest rate scenario in which our cost of deposits too rose higher to 8.11% when compared to 6.94% prevailed in the previous year.

ADVANCES

The advances portfolio of the Bank increased by 31% from ₹ 9,329 crore to ₹ 12,222 crore. Corresponding with the increase in the cost of deposits, the Bank could enhance the yield on advances by 1.09% to 13.56% from 12.47%.

The prime focus of the bank remained towards growth in advances without compromising on the quality. The strict monitoring of advances portfolio coupled towards with early identification of potential slippages and aggressive recovery of bad loans helped the bank achieve a remarkable improvement in its quality of advances portfolio by bringing down the Gross NPA by 20 basis points to 1.01% from 1.21%. The percentage of Net NPA at 0.44% and the provision coverage ratio of 76.81% at the end of March, 2012 may be regarded as very good performance by the bank.

The Bank's priority sector advances stood at 47% and its agricultural finance reached 17% of the adjusted net bank credit.

TREASURY OPERATIONS

Domestic Treasury

The gross investments increased from ₹ 3,625 crore at the end of last year to ₹ 4,594 crore. Out of these, the investments in Government Bonds alone amounted to ₹ 3,853 crore to maintain statutory reserve requirements

on enlarged resources. The bond market was bearish during most part of the year with steady rise in market interest rates offering limited opportunities to trade and earn profits. The Yield to Maturity (YTM) on the 10 year Government of India bond stood higher at 8.57% as on 31.03.2012 as against 7.98% as on 31.03.2011. The equity market also reflected similar sentiments. Despite such difficult trading conditions, the treasury desk handled the trading functions efficiently and earned a profit of ₹ 7.77 crore, which is 17.55% higher over the previous year.

Forex Treasury

During the year there were two way movements of appreciation and depreciation for the rupee against major currencies. The rupee opened at 44.53 against US dollar to touch a high/low of 43.85/54.30 during the year and closed at 50.87 to a US dollar on. The currency market was volatile for most part of the year. The forex treasury made full use of the two way movements and market volatility in its proprietary trading deals and the profit from forex treasury operations touched ₹15.22 crore registering a steep growth of 44% compared to the previous year.

FINANCIAL RESULTS

A snap shot of the working results for the current year and previous year is appended below :-

(₹ in crore)

Particulars	For the Current Year ended 31st March, 2012	For the Previous Year ended 31st March, 2011
Total Income	1904	1376
Total Expenses	1477	1015
Operating Profit	427	361
Provisions & Contingencies	147	146
Net Profit	280	215

The higher yield on advances coupled with a growth in advances and investments has resulted in bank's total income rising by 38% to ₹ 1,904 crore. Similarly the total expenses increased to ₹ 1,477 crore on higher deposit interest and other operating expenses.

The expansion in the balance sheet size and improved efficiency of core banking operations culminated in the Net Interest Income (NII) attaining a mile stone of ₹ 500 crore, a significant mile stone for the Bank translating into a growth of 19% over the previous year.

The non interest income of the Bank increased by 32% from ₹ 157 crore to ₹ 207 crore. 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 ₹ 427 crore against ₹ 361 crore recorded in the previous year recording a growth of 18%. The net profit too increased by 30% from ₹ 215 crore to ₹ 280 crore. The return on average assets for the year was also higher at 1.71% when compared to 1.67% last year reflecting better utilization of assets.

APPROPRIATIONS:

The summary of net profit appropriations is as follows:

(₹ in crore)

Particulars	For the Current Year ended 31st March, 2012	For the Previous Year ended 31st March, 2011
Net Profit	280.25	215.05
Balance of Profit brought forward	5.56	5.56
Amount available for appropriations	285.81	220.61
Transfers to		
- Statutory Reserve	71.00	56.00
- Capital Reserve	0.00	0.00
- General Reserve	140.00	98.40
- Investment Reserve	0.73	0.00
- Special Reserve under IT Act, 1961	20.00	20.50
- Proposed Dividend	40.82	34.43
- Corporate Dividend Tax and Surcharge	6.66	5.72
- Balance of profit carried forward	6.60	5.56
Total	285.81	220.61

NETWORTH & CRAR

The Bank's paid-up capital was ₹ 40.82 crore as on 31st March, 2012 and the Net worth improved from ₹ 1,006.62 crore as on 31st March, 2011 to ₹ 1,243.09 crore as on 31st March, 2012. During the year the bank allotted 31,81,646 shares to employees who have exercised their options under the Employees' Stock Option Scheme, 2008. The Capital Adequacy Ratio as at 31st March, 2012 stood at 12.57% as per BASEL-II norms well above the regulatory norm of 9%.

DIVIDEND

The Bank has been pursuing a constant philosophy of rewarding shareholders through regular and higher dividend payments. The diluted earning per share (EPS) for 2011-2012 has risen to ₹ 6.82 from ₹ 5.30 last year. In view of the overall good performance of the Bank and with the objective of rewarding shareholders with higher cash dividends while retaining profits to maintain a healthy Capital Adequacy Ratio to support future growth, the Board of Directors has recommended a higher dividend of 100% i.e. ₹ 1.00 per equity share compared to ₹ 0.85 per equity share paid last year. This dividend shall be subject to tax on dividend to be paid by the Bank.

BRANCH EXPANSION

As one of the key planks 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. This year the Bank has added 54 branches to its network by opening new branches at various centers and the distribution network now covers 300 branches as on 31st March 2012. Of these 149 branches are in semi-urban and rural areas and 151 branches are in Metropolitan and Urban areas covering a total of 15 states in India.

FINANCIAL INCLUSION PROGRAMME

Your Bank has complied with RBI direction of financial inclusion of covering all the 42 villages having population of over 2000 by introducing ICT (Information, Communication & Technology) based services within the stipulated time frame.

Your Bank has also covered 26 villages having population over 1000 and below 2000 by introducing ICT based services during the financial year 2011-12.

During the financial year ended 31.03.2012, 19189 "no frills" accounts were opened and 8120 biometric smart cards were issued to the beneficiaries. SB linked overdraft facility has also been permitted to all such account holders.

EMPLOYEES STOCK OPTION SCHEME

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

HUMAN RESOURCE DEVELOPMENT

The bank aims to create and develop human capital to realize its vision of nurturing a mutually beneficial relationship with its employees. The bank's human resources policy is very flexible and aims to motivate the employees through training, rewards and performance linked bonus. As the bank is in the high growth path the opportunities for career growth prospects are very bright. HR objective during the year occupied centre stage by employee engagement and learning, effective leadership development, productivity enhancement and building communication platforms.

A strong work force with a pool of best talent is a dream of any organization. It is a challenging task for any organization to attain the dream and more so for the service industry like banking. Your bank is constantly upgrading and revisiting its human resources policy. Your bank has embarked on a massive pan India campus recruitment to suit its needs. The induction of freshers into system throws up challenges. The new recruits are given orientation programme for knowledge and soft skill development, followed by on job training to further their domain knowledge.

The bank has a full fledged training college with a good training infrastructure and experienced faculty supported by external specialists to impart and train employees at various levels. Employees are also deputed to external training centres for up-dating and up-grading their knowledge skills

As on 31st March, 2012, your Bank has 3347 employees comprising of 47 executives, 1006 officers, 1906 clerks and 388 sub-ordinate staff.

AUTOMATION

Technology is used to create better delivery systems for the old products and introduce new products to meet the demands of the customers. The bank has been consistently upgrading its technological platforms to offer services on par with the industry standards. 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 ATMs. As on 31.03.2012 the ATM network of bank is 500 of which, 234 are onsite while the balance of 266 are offsite ATMs. The bank has been offering a host of technology aided services like internet banking, mobile banking including on line funds transfer and fixed deposit operations.

BOARD OF DIRECTORS

Shri. P. Vaidyanathan demitted his office of Non Executive Chairman of the Bank on 26th April 2011 and also tendered his resignation from the directorship of the Bank. Shri. S. Balasubramanian took over as the Non-Executive Chairman of the Bank on 6th May 2011. Shri. S. Balasubramanian demitted office of MD & CEO on 30th April 2011 consequent to the expiry of his term of office. Dr. N. Kamakodi took over as MD & CEO on 1st May 2011. Prof. V. Kamakoti has been appointed as Director of the Bank on 27th April 2011. It may be noted that the above terms of appointment were already approved by the share holders in the AGM held on 27th August 2011.

Shri N. Sankaran has resigned as Director of the Bank on 26th April 2011.

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.

Shri. T K Ramkumar, Shri. S Bernard and Shri. N Kantha Kumar are the 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 places on record their appreciation of the professional services rendered by M/s. Jagannathan & Sarabeswaran as the Statutory Central Auditors of the Bank.

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

Considering the nature of the activities of the Bank the provision of Sec. 217 (1)(e) of the Companies Act 1956 relating to conservation of energy and technology observation do not apply to the Bank. However every effort is made to conserve energy. The Bank is constantly pursuing its goal of technological up gradation in a cost effective manner for delivering quality customer service and offer innovative products.

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 Sec. 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 2012.
- (iii) Proper and sufficient care has been taken 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, SIDBI, 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 continued support, guidance and co-operation.

The Board recognizes the support of the shareholders and sincerely thanks all its valued clients and customers for their continued support. The Board greatly appreciates all its employees for their strong work ethic, excellent performance, professionalism, team work, commitment and initiative which has enabled the Bank to achieve commendable progress during 2011-12 amidst stiff competition and challenges in the banking environment.

FOR AND ON BEHALF OF THE BOARD

Place : Chennai
Date : 22.06.2012

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	₹ 13* per share / for option	₹ 32 per share / for option	₹ 47 per share / for option
Options Vested	11795048	57900	NIL
Options exercised	8206649	6000	NIL
Total Number of shares arising as a result of exercise of options	8206649	6000	NIL
Options Lapsed	1040702	32000	NIL
Variation of terms of Options	NIL	NIL	NIL
Money realised by exercise of Options	95197128	192000	NIL
Total Number of Options in Force	13533899	308000	2800000
Employee wise details of Options granted to			
(i) Senior Management Personnel			
Dr. N. Kamakodi	5,62,500		
Shri. S. Sekar	2,25,000		
Shri. S. Sundar	2,25,000		
Shri. R. Mohan	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

* Revised to ₹ 11.60 pursuant to rights issue.

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 (₹)
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	₹ 13.00*	₹ 32.00	₹ 47.00
2	Fair Value	₹ 11.09	₹ 3.83	₹ 6.64

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	4.51%	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%	2.36%
5	Price of the underlying share at the time of grant of options	₹ 13.00*	₹ 32.00	₹ 47.00

* Revised to ₹ 11.60 pursuant to rights issue.

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 31st MARCH 2012

i) Employed throughout the year and were in receipt of remuneration not less than ₹ 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 ₹ 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

1. Philosophy on Code of Governance

- a) To enhance the long term interest of its shareholders, provide good management, adopt prudent risk management techniques and comply with the required standards of capital adequacy, thereby safeguarding the interest of its other stakeholders such as depositors, creditors, customers, suppliers and employees and to maximise benefits to all in the long run.
- b) To identify and recognise the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented. The main objective is to identify and recognise accountability, transparency and equality of treatment for all stakeholders.

Bank's Corporate Governance is based on the following principles :-

Adherence to the Laws and Regulations both in letter and spirit.

To be transparent and maintain a high degree of disclosure levels.

Total commitment to follow ethical practices in all facets of banking.

To ensure efficiency in operations so as to maximise value and benefit to all stakeholders.

Towards transparency in operations, bank provides vital details to all the stakeholders in the Bank's website www.cityunionbank.com.

Strict adherence to prudent banking norms and values in the conduct of day - to- day banking operations.

2. Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 1956 and Clause 49 of the Listing Agreement. The business of the Bank is vested with the Board of Directors. The Board consists of eminent persons with professional experience in the fields of Banking, Accountancy, Agriculture, Law, Industry and Technology. The strength as on 31.03.2012 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
Shri. S. Balasubramanian	Banking	Chairman	Nil	508838
Dr. N Kamakodi	Banking	Managing Director & CEO	Nil	1006849
Shri. K S Raman	Agriculture & Rural Economy	Non-Executive Director	Nil	420000
Shri. S Bernard	Accountancy	Non-Executive Director	Nil	2205
Shri. N Kantha Kumar	Rural Economy, Agriculture Finance & Banking	Non-Executive Director	Nil	3000
Shri. R G Chandramogan	Agriculture & Rural Economy	Non-Executive Director	2	1250
Shri. T.K.Ramkumar	Law	Non-Executive Director	Nil	29816
Shri. C R Muralidharan	Banking	Non-Executive Director	2	1000
Justice S.R.Singharavelu	Agriculture & Rural Economy	Non-Executive Director	Nil	3200
Prof V Kamakoti	Technology	Non-Executive Director	Nil	1000

The details of Directorship / Membership or Chairmanship of the committees for each director of the bank in other Companies as on 31st March, 2012 is furnished hereunder:

Sl.No	Name of the Director	Directorships in other Companies	Memberships and / or Chairperson of Committees in other companies
1	Shri. S Balasubramanian	NIL	NIL
2	Dr. N Kamakodi	NIL	NIL
3	Shri. K S Raman	NIL	NIL
4	Shri. S Bernard	NIL	NIL
5	Shri. N Kantha Kumar	NIL	NIL
6	Shri. R G Chandramogan	(i) Hatsun Agro Products Ltd (ii) Tonokya Food Pvt. Ltd	Share Transfer Committee and Core Committee - (Chairman) Sub Committee - Member NIL
7	Shri. T K Ramkumar	NIL	NIL
8	Shri. C R Muralidharan	(i) PTC India Financial Services Ltd (ii) ICICI Prudential AMC Ltd	ALM / Risk Management Committee - Member NIL
9	Justice S R Singharavelu	NIL	NIL
10	Prof V Kamakoti	NIL	NIL

Reappointment of Directors

Mr. T K Ramkumar, aged 56 years, is a Non Independent Non Executive Director. Mr. T K Ramkumar has Bachelor of Commerce degree and Bachelor of Laws degree from the University of Madras. He is a practicing advocate registered with the Bar Council of Tamil Nadu and has about 32 years of experience in the practice of banking, company and intellectual property rights law. He has been associated with our Bank since 2009. Mr. T K Ramkumar has been appointed to our Board under the majority sector of law. He is holding 29,816 shares of the Bank.

Mr. S Bernard, aged 61 years, is an Independent Non Executive Director. Mr. S Bernard has a Bachelor of Commerce degree from University of Madras and is also a Fellow Member of the Institute of Chartered Accountants of India. He is a practicing chartered accountant with 31 years of experience in the field of accountancy and taxation. Mr. S Bernard has been associated with our Bank since 2006. He has been appointed to our Board under the majority sector of accountancy. He is holding 2,205 shares of the Bank.

Mr. N Kantha Kumar, aged 66 years, is an Independent Non Executive Director. Mr. N Kantha Kumar has a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Kerala and is also a Certified Associate of the Indian Institute of Bankers. Mr. N Kantha Kumar has around 38 years of experience in the banking industry and has held various positions in the banking sector including Executive Director, Canara Bank and Chairman and Managing Director, Syndicate Bank. He has been associated with our Bank since 2006. He has been appointed to our Board under the majority sector of banking. He is holding 3,000 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 ₹ 20,000 and ₹ 10,000 for attending Board meetings and the Board sub-committee meetings respectively.

Last AGM, Board and Committee Meetings

Name of the Director	Attendance in the last Annual General Meeting held on 27.08.2011	Board Meetings	
		Held during the Tenure	Attendance
Shri. S. Balasubramanian	Yes	14	14
Dr. N Kamakodi (from 27.05.2011)	Yes	11	11
Shri. P. Vaidyanathan (upto 26.04.2011)	NA	2	2
Shri. K.S. Raman	Yes	13	13
Shri. S Bernard	Yes	14	14
Shri. N Kantha Kumar	Yes	14	14
Shri. N Sankaran (upto 26.04.2011)	NA	2	2
Shri. R G Chandramogan	Yes	13	13
Shri. T.K.RamKumar	Yes	13	13
Shri C.R.Muralidharan	Yes	13	13
Justice S.R.Singharavelu	Yes	14	14
Prof. V. Kamakoti (from 27.05.2011)	Yes	11	11

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 addressed 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 14 times as detailed below:

Dates of the Board Meeting held:

01.04.2011, 26.04.2011, 27.04.2011, 27.05.2011, 24.06.2011, 29.07.2011, 27.08.2011, 24.09.2011, 05.11.2011, 25.11.2011, 23.12.2011, 31.01.2012, 28.02.2012 and 21.03.2012.

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 committee of Directors (COD) functions with the following main objectives :-

- i) To review investment strategy and approve investment related proposals above certain limits.
- ii) To monitor the exposures (both credit & investment) of the Bank.
- iii) To provide approvals for loans above certain stipulated limits, discuss strategic issues in relation to credit policy and deliberate on the quality of the credit portfolio.

- iv) To sanction expenditures above certain stipulated limits.
- v) To approve proposals relating to the Bank's operations covering all departments and business segments.
- vi) To approve expansion of the location of the Bank's network of branches.
- vii) To ensure compliance with the statutory and regulatory framework etc. and
- viii) To discuss issues relating to day to day affairs and problems and to take such steps as may be deemed necessary for the smooth functioning of the Bank. All routine matters other than the strategic matters and review of policies other than strategic policies like Credit Policy and other policies which the Committee of Directors may consider necessary or Reserve Bank of India (RBI) may specifically require to be reviewed by the Board.

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

A Committee of Directors consisting of 6 Directors has been formed for sanction of loans and advances and to reduce the accumulation of credit proposals to the Board. The Committee of Directors (Credit) will sanction credit proposals falling beyond the powers of MD & CEO & upto a specified limit (presently ₹ 35 crore with aggregate per borrower exposure of ₹ 75 crore) beyond which the proposals are placed before the Board. The limit is revised from time to time taking into account the volume of business. The members of the Committee along with meeting date, attendance during the period are as given below:-

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S. Balasubramanian	12	12
Shri. P. Vaidyanathan (upto 26.04.2011)	1	1
Dr. N Kamakodi (since 27.05.2011)	11	11
Shri. K.S. Raman	12	11
Shri. S. Bernard	12	12
Shri. N. Kantha Kumar	12	12
Shri. R.G. Chandramogan	12	11
Justice S.R. Singharavelu (upto 26.05.2011)	2	2

Dates of Meeting held : 26.04.2011, 26.05.2011, 23.06.2011, 29.07.2011, 27.08.2011, 24.09.2011, 05.11.2011, 25.11.2011, 23.12.2011, 31.01.2012, 28.02.2012 and 21.03.2012.

II. Audit Committee

The Audit Committee of the Board of Directors functions with the following main objectives :

- To provide direction and to oversee the operation of the audit function.
- To review the internal audit system with special emphasis on its quality and effectiveness.
- To discuss matters related to frauds.
- To discuss and follow up audit issues related to Long Form Audit Report.
- To discuss and follow up audit issues related to RBI Inspection Report(s).
- To oversee the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

- To review internal and concurrent audit reports of large branches with a focus on all major areas of housekeeping, particularly inter branch adjustment accounts, arrears in the balancing of the books and unreconciled entries in inter bank and Nostro accounts and frauds.
- To review with the management the quarterly financial statements before submission to the Board for its approval.
- To discuss with internal auditors any significant audit findings and follow up thereon.
- To discuss with Statutory Auditors before the commencement of audit, the nature and scope of audit as also conduct post audit discussion to ascertain any area of concern.
- To review functioning of the Whistleblower Mechanism.
- Carrying out any other function as is mentioned in terms of reference of the Audit Committee.

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

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. P Vaidyanathan (upto 26.04.2011)	2	2
Shri. N Sankaran (upto 26.04.2011)	2	2
Shri. S Balasubramanian (since 24.06.2011)	10	10
Shri. T K Ramkumar (upto 26.05.2011)	3	3
Shri. C R Muralidharan	13	11
Shri. S. Bernard	13	13
Justice. S R Singaravelu (since 24.06.2011)	10	10

Dates of Meeting held: 01.04.2011, 26.04.2011, 26.05.2011, 24.06.2011, 28.07.2011, 26.08.2011, 23.09.2011, 04.11.2011, 26.11.2011, 22.12.2011, 30.01.2012, 27.02.2012 and 20.03.2012.

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 held during the tenure	Attendance
Shri. S. Balasubramanian	4	4
Dr. N Kamakodi	4	4
Shri.K.S.Raman	4	3
Shri. N. Kantha Kumar	4	4
Shri.T.K.Ramkumar	4	4
Justice S R Singaravelu	4	4

Dates of the Committee Meeting to review Irregular Advances held: 23.06.2011, 23.09.2011, 22.12.2011 and 20.03.2012.

IV. Risk Management Committee

The Risk Management Committee of the Board of Directors functions with the following main objectives :

- To oversee the performance of Risk Management in pursuance of the Risk Management Guidelines issued periodically by RBI & Board.
- To recommend to the Board in defining risk appetite, tolerance and to initiate risk mitigation techniques.
- To review systems of risk management framework, compliance to identify and internal control, measures, control and report key risks.
- To prepare framework for alignment of business strategy with the Board's risk appetite / directives / guidelines.
- To review the Asset Liability Management (ALM) of the Bank on regular basis.
- To decide the policy and strategy for integrated risk management containing various risk exposures of the Bank including the credit, market, liquidity, operational, reputation risk and other risks specified under Pillar II.
- To review risk return profile of the Bank, capital adequacy based on the risk profile of the Bank's Balance Sheet, Basel - II implementation, assessment of Pillar risk under internal Capital Adequacy Assessment Process (ICAAP), business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures.
- To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to issue necessary directions thereof.

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 held during the tenure	Attendance
Shri S Balasubramanian	4	4
Dr. N Kamakodi	4	4
Shri N Kantha Kumar	4	4
Prof. V Kamakoti	4	4
Shri C R Muralidharan	4	3

Dates of Meeting held : 24.06.2011, 27.08.2011, 22.12.2011 and 28.02.2012

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.

- v. Provide guidance in improving the customer service level.
- vi. To ensure that the Bank provides and continues to provide, best in class service across all categories of customers which will help the Bank in protecting and enhancing its brand equity.
- vii. To examine any other issues having a bearing on the quality of customer service rendered.
- viii. To ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.

The committee met twice on 04.11.2011 and 21.03.2012 during the year under report.

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S. Balasubramanian	2	2
Dr. N Kamakodi	2	2
Shri K S Raman	2	2
Prof. V Kamakoti	2	1
Shri. T. K. Ramkumar	2	2

VI. Nomination Committee

The Nomination Committee of the Board of Directors functions with the following main objectives :

- To undertake a process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- To examine the vacancies that will come up at the Board on account of retirement or otherwise.
- To review the composition of Committees of the Board, and identify and recommend to the Board, the Directors who can best serve as members of each Board Committee.

Meetings, dates and attendance during the year :-

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S. Balasubramanian (upto 27.04.2011)	3	3
Dr. N Kamakodi (since 23.06.2011)	2	2
Shri. K.S. Raman	5	5
Shri S. Bernard	5	5

Dates of Meeting held : 01.04.2011, 26.04.2011, 27.04.2011, 23.06.2011 and 22.10.2011.

VII. Special Committee to Monitor Large value Frauds

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 ₹ 1 crore and above. The terms of reference of the Committee were as under :

- a) Identify the systems lacunae if any, which facilitated perpetration of the fraud and put in place measures to plug the same.

- b) Identify the reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.
- c) Monitoring the 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 related 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 through strengthening internal controls.
- f) Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

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

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S. Balasubramanian	1	1
Dr. N. Kamakodi	1	1
Shri. S. Bernard	1	1
Shri. C.R. Muralidharan	1	1
Justice S R Sigaravelu	1	1

The committee met once during the year on 30.01.2012.

VIII. Compensation Committee

The Compensation committee is headed by Mr. S. Balasubramanian and has been constituted to administer the Employee Stock Option Scheme in the Bank. The committee met 3 times during the year on 24.06.2011, 05.11.2011 and 21.03.2012

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S. Balasubramanian	3	3
Dr. N. Kamakodi	3	3
Shri K S Raman	3	3
Shri N Kantha Kumar	3	3

IX. Remuneration

As approved by the Reserve Bank of India and the Board of Directors, a remuneration of ₹ 11,00,000/- was paid to Shri. S. Balasubramanian, Non-Executive Chairman of the Bank.

Remuneration (Gross) paid to the Managing Director & CEO during the period from 01.04.2011 to 31.03.2012.

Name	Period	Remuneration (in ₹)
Shri. S. Balasubramanian	01.04.2011 to 30.04.2011	2,05,000/-
Dr. N. Kamakodi	01.05.2011 to 31.03.2012	22,82,500/-

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 and annual report, and other related matters. The Committee was headed by Shri. K.S. Raman and other members of the Committee were Shri. S. Bernard, Prof. V. Kamakoti and Shri. T. K. Ramkumar.

Name and Designation of the Compliance Officer : Shri V Ramesh, AGM & Comp. Secretary

Complaints Received	1
Information and Services	1457
Complaints Pending	NIL

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

XI. Premises Committee

The premises committee was constituted to decide on the purchase of new premises / flats for housing branch and staff members, construction / renovation of premises etc.,

Name of the Director	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	2	2
Shri. S.Balasubramanian	2	2
Shri. S.Bernard	2	2
Shri. K S Raman	2	2

Meetings held on : 23.06.2011 & 23.12.2011

XII. IT Strategy Committee

IT Strategy Committee was constituted with the main objective to perform the functions as mentioned hereunder :-

- Approving IT strategy and policies.
- Ensuring that management has an effective strategic planning process in place.
- Ensuring that the business strategy is aligned with the IT strategy
- Ensuring that the IT organizational structure serves business requirements and direction.
- Oversight over implementation of processes and practices that ensures IT delivers value to businesses.
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Ensuring proper balance of IT investments for sustaining the Bank's growth.
- Assess exposure to IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks.
- Assessing management's performance implementing IT strategies.
- Assessing if IT architecture has been designed in a manner designed to maximize business value.
- Reviewing IT performance measurement and contribution to businesses.

Meeting and attendance during the year

Name of the Director	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	2	2
Shri. S.Balasubramanian	2	2
Shri. N. Kantha Kumar	2	2
Shri. Prof. V. Kamakoti	2	2
Shri. C R Muralidharan	2	2
Shri. T K Ramkumar	2	2

Meetings held on : 31.01.2012 & 28.02.2012

4. General Body Meetings

i) Location and time where last 3 AGMs were held

Sl.No	Date of AGM	Location	Time
1.	31.08.2009	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	11.00 a.m.
2.	11.08.2010	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.
3.	27.08.2011	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.35 a.m.

ii) Special Resolution Passed through AGM

Date	Special Resolution
31.08.2009	(i) To offer, issue and allot by way of Qualified Institutional Placement(QIP) to Qualified Institutional Buyers (QIB) through one or more placement to raise an amount not exceeding to ₹ 300 crore by issue of equity shares of ₹ 1 each.
11.08.2010	(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, guidelines 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. (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. (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 ₹ 300 crore by issue of equity shares of ₹ 1 each at such price or prices including premium on each share.
27.08.2011	(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 ₹ 300 crore by issue of equity shares of ₹ 1 each at such price or prices including premium on each share.

iii. Special Resolution passed through EGM - NIL

iv. Special Resolution passed through Postal Ballot

14.08.2009	To consider and thought fit, under section 314(1B) of the Companies Act, 1956, for the continuance of Dr. 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 strictures by the Stock Exchanges and SEBI or any other Statutory Authorities 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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In terms of the policy, employees of the Bank are free to raise issues, if any, on breach of any law, statute or regulation by the Bank and on accounting policies and procedures adopted.

During the year no reference was received from any source under Whistle Blower Policy.

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 : 31.03.2012	Dr. N. Kamakodi 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> wherein such results are published.

7. General Shareholder Information

Date Time and Venue of AGM	31-08-2012 10.15 a.m. Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.
Financial Year	1st April, 2011 to 31st March, 2012.
Book Closure Date	18-08-2012 to 31-08-2012 (both days inclusive).
Dividend Payment Date	On or after 31-08-2012, 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, Mumbai.
Stock Code	Madras Stock Exchange - CUB National Stock Exchange - CUB Bombay Stock Exchange Ltd. - 532210

Market Price Data - Low / High during each month of the Financial Year 2011 - 2012.

(in ₹)

Month	National Stock Exchange of India Limited (NSE)		Bombay Stock Exchange Limited (BSE)	
	Low	High	Low	High
Apr, 2011	43.00	49.50	43.40	49.80
May, 2011	41.05	45.00	41.15	44.95
Jun, 2011	43.10	46.40	42.80	46.20
July, 2011	44.70	50.50	44.65	50.50
Aug, 2011	42.40	49.90	41.60	49.90
Sep, 2011	42.50	48.00	42.75	48.00
Oct, 2011	42.30	45.95	42.55	46.50
Nov, 2011	41.00	49.00	41.90	47.40
Dec, 2011	39.10	44.95	39.15	44.25
Jan, 2012	40.35	45.55	40.85	46.00
Feb, 2012	42.40	50.25	41.80	51.70
Mar, 2012	45.00	50.35	45.70	50.90

There were no transactions in Madras Stock Exchange Limited during the period.

8. Share Transfer System

M/s. Karvy Computershare Pvt. Ltd, Hyderabad are appointed as the Registrar and Share Transfer Agents of the Bank. Shares sent for physical transfers 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 transfers, transmission etc., are approved by the Share Transfer Committee comprising of executives of the Bank as mentioned below:

Name	Designation	No. of Meetings held	Attendance
Dr. N.Kamakodi	Managing Director & CEO	18	14
Shri. R Mohan	Chief General Manager	18	18
Shri. V.Ramesh	AGM & Company Secretary	18	18

Dates of meeting held : 15.06.2011, 08.07.2011, 25.07.2011, 12.08.2011, 23.08.2011, 16.09.2011, 01.10.2011, 08.10.2011, 19.10.2011, 11.11.2011, 19.11.2011, 10.12.2011, 20.12.2011, 12.01.2012, 25.01.2012, 15.02.2012, 23.02.2012 and 26.03.2012

Total No. of shares transferred in physical form during the year 1st April, 2011 to 31st March, 2012

No. of Transfers	No. of Shares
66	329266

Distribution of Shareholding

(i) Share Distribution Schedule as on 31.03.2012

Sl. No	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Upto 5000	79088	93.11	49524271	12.13
2.	5001 - 10000	2953	3.48	21178268	5.19
3.	10001 - 20000	1317	1.55	18680355	4.58
4.	20001 - 30000	502	0.59	12458688	3.05
5.	30001 - 40000	246	0.29	8527384	2.09
6.	40001 - 50000	167	0.20	7599322	1.86
7.	50001 - 100000	350	0.41	24365483	5.97
8.	100001 & above	315	0.37	265878878	65.13
TOTAL		84938	100.00	408212649	100.00

(ii) Shareholding Pattern as on 31.03.2012

Sl. No	Category	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Banks	7	0.01	958359	0.23
2.	Bodies Corporate	838	0.99	43995301	10.78
3.	Clearing Members	107	0.12	130849	0.03
4.	Directors	16	0.02	1977158	0.46
5.	F.I.I.'s	58	0.07	85918943	21.05
6.	Insurance companies	3	0.00	20343556	4.98
7.	Mutual Fund	15	0.02	5704039	1.40
8.	NRIs	872	1.03	11817722	2.89
9.	Resident Indians	83004	97.72	196089756	48.06
10.	Relatives of Directors	10	0.01	12036536	2.95
11.	Trusts	6	0.01	65430	0.02
12.	Corporate Body-Foreign	2	0.00	29175000	7.15
TOTAL		84938	100.00	408212649	100.00

Dematerialisation of shares

35,71,29,569 shares (87.49 % of paid-up share capital) of the Bank were dematerialized as on 31-03-2012.

Address for Correspondence**Shares Department**

CITY UNION BANK LIMITED
Central Office, III Floor,
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 Vittal Rao Nagar
Madhapur
Hyderabad - 500 081

Ph: 040-44655115
Fax: 040-23420814
E-Mail: einward.ris@karvy.com

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, 2012, 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.

Place: Chennai
Date : 18th May, 2012

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

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. ECONOMIC SCENARIO

GLOBAL ECONOMY

In the financial year 2012, the global economy continued to muddle with slow but positive growth avoiding economic crisis. In contrast the emerging economies registered better growth performance.

The situation is unusual and unprecedented in the European Union (EU). This can be gauged from the fact that the yield on the two year German bonds declined during the course of the year and touched even below zero towards end of May 2012. The government of Spain is borrowing from the market at 7% yield. The unemployment in the 17 country euro zone was at the highest ever level of 11% in April and May 2012. The government deficits stood high at 4.1% for the EU.

In the USA however the unemployment rate recorded was still high at 8.2% though improving from the previous higher levels. The fiscal deficit was 9.7% in the USA. The World Trade Organization has forecast slowdown in global trade with growth estimate of 3.7% in 2012 compared with 5% in 2011 against the robust growth of 13.8% recorded in 2010. In the first ever down grade the sovereign rating of the US was revised down from AAA to AA+ by Standard and Poor in Aug 2011. The yield on the US treasury bonds has hit a sixty year low with the yield on the 10 year bonds falling to a historic low of 1.5%.

The BRICs countries constitute 42% of the world's population and a quarter of its landmass. They are also responsible for 20% of the Global GDP and own a whopping 75% of the foreign reserve worldwide. Among the four India is reporting a dismal growth rate. Another Asian growth engine China is expected to report sub 8% growth in 2012.

The good news however is that in the absence of a European meltdown, most of the global economy has been improving. The most recent measures indicate that growth in the U.S., other developed countries and emerging markets is stabilizing, albeit at a below trend level.

INDIAN ECONOMY

During the financial year ended March 2012, the domestic economy which enjoyed a near double digit growth during 2004-2008, decelerated with growth dropping from 7.7% in the first quarter to 5.3% in the last quarter with the annual growth rate estimated to be 6.5% as against 8.4% in the previous year. The investment to GDP ratio has touched a seven year low of 29.5%. Asian Development Bank's flagship annual economic publication, Asian Development outlook 2012, says the gross domestic product growth of our country should edge up to 7% in 2012-13 and to 7.5% the year there after. The Reserve Bank of India in its monetary policy for the current year has projected the growth at 7.3%.

Moving to inflation, the headline WPI which remained above 9% during April-November moderated to 6.9% in March 2012 which was consistent with RBI's indicative projection of 7%. Looking ahead, based on an assessment of the domestic demand-supply balance, global commodity prices and the likely demand scenario, the projection for current year end is placed at 6.5% by RBI.

Managing growth and price stability emerged as key concerns in India. The major risk to the growth and inflation projections stems from the outlook for global commodities prices especially crude. The crude price has started coming down and is at 18 months low. The upside risks to oil prices are limited from the demand side as most of economies of the world are struggling to grow or record negative growth. The geo-political tensions are a concern. The reduced level of growth accompanied by elevated fiscal deficit estimated at 5.9% in the Financial Year 2011-12 is expected to remain close to 5.1% for the current year. The gross domestic borrowing of ₹ 5100 billion is expected to rise to ₹ 5,700 billion in the current year. The higher level of state borrowing crowding out the private borrowers will certainly add pressure to inflation. The record trade deficit at \$184.9 billion for the year 2011-12 with import outpacing exports by a huge margin is another area of concern. At this level, the trade deficit is about 10.6% of the GDP.

The rupee is under twin attacks of global uncertainty and domestic despair. On December 2011 the rupee was under pressure and touched an all time low of ₹ 54.30 against US dollar but bounced back to ₹ 48.60 in February 2012 to fall and breach the level of ₹ 54.00 again in May 2012. Since early 2011 the rupee has plunged by 20%. Rupee is one of the worst performing currencies in the world against US dollar and is presently trading close to ₹ 57.00 a US dollar.

The silver lining lies in the recent decline in commodity prices. As concerns around the global economy rise, commodity prices have fallen as well. So crude oil prices have slipped to their lowest levels in 18 months. This comes as a relief to a country like India which is grappling with a wide current account deficit. A large chunk of our import bill is on account of oil imports and even a marginal decrease in oil prices is positive for India. Unfortunately some of the benefits of lower oil prices are taken away by the weaker currency. Still lower commodity prices are perhaps the only silver lining in an otherwise worrying global scenario

B. BANKING SCENARIO

The banking industry in India seems to be unaffected from the global financial crises which started from U.S in the last quarter of 2008. Despite the fallout and nationalization of banks across developed economies, banks in India seem to be on the strong fundamental base and well insulated from the financial turbulence emerging from the western economies.

The strong economic growth in the past, low defaulter ratio, absence of complex financial products, regular intervention by central bank, proactive adjustment of monetary policy and so called close banking culture have favored the banking industry in India in the recent global financial turmoil.

With India experiencing a cycle of growth, the ₹ 64 trillion (US\$ 1.25 trillion)-Indian Banking industry is poised to grow exponentially as the sector reflects the health of an economy. Indian banks have proved their mettle time and again as their regulations align with international standards, while they remain conventional in their approach. Reserve Bank of India (RBI), the banking regulator, continuously monitors the macroeconomic environment to formulate its policies and directions.

The Indian banking sector has come a long way from serving through traditional approach to the online genre. According to a survey by online survey company Ipsos, 57% of Indians prefer to use the Internet for banking and other financial holdings rather than shopping online. Things have been made much easier by eliminating hefty paper processes and introducing customer-friendly online banking facility with robust security features. Such changes have not only facilitated access to several banking products, but have also improved customer loyalty and money transfer mechanism.

Transactions in mobile banking are also on an upsurge as more than 28,00,000 transactions (worth about ₹ 196.12 crore [US\$ 38.37 million]) were conducted during February 2012. The figure indicated a 300 per cent increase in terms of volume and over 200 per cent increase in terms of value.

According to an IBA-FICCI-BCG report titled 'Being five star in productivity - road map for excellence in Indian banking', India's gross domestic product (GDP) growth will make the Indian banking industry the third largest in the world by 2025. According to the report, the domestic banking industry is set for an exponential growth in coming years with its assets size poised to touch USD 28,500 billions by the turn of the 2025 from the asset size of USD 1,350 billions (2010)".

Currently, there are many challenges before Indian Banks such as improving capital adequacy requirement, managing non-performing assets, enhancing branch sales & services, improving organisation design; using innovative technology through new channels and working on lean operations. Apart from this, frequent changes in policy rates to maintain economic stability, various regulatory requirements, etc. are additional key concerns. Despite these concerns, the Indian banking industry will grow through leaps and bounds looking at the huge growth potential of Indian economy. The Indian economy will require additional banks and expansion of existing banks to meet its credit needs.

Recently, the RBI took a few important steps to make the Indian Banking industry more robust and healthy. This includes de-regulation of savings rate, guidelines for new banking licenses and implementation of Basel Norm III.

The banking sector witnessed a slowdown in deposit growth in fiscal 2011-12 primarily due to liquidity pressures and lower financial savings. While the credit off take was also lower than the estimated the subdued deposit growth has resulted in an increase in the interest rates at the shorter end of the yield curve.

Money supply (M3) growth, which was 17% at the beginning of the financial year 2011-12, moderated during the course of the year to about 13% by end March 2012, lower than the Reserve Bank's indicative growth of 15.5%.

During 2011-12, the modal deposit rates of major Scheduled Commercial Banks increased by 45 basis points and modal base rates by 125 basis points.

Liquidity conditions remained in a deficit mode throughout 2011-12. The situation aggravated from November 2011 and the liquidity deficit went beyond the regulator's comfort level of 1% of net demand and time liabilities of banks.

To ease the liquidity the Reserve Bank took steps to inject primary liquidity of a more durable nature. It conducted open market operations aggregating around Rs. 1.3 trillions between November 2011 and March 2012. The cash reserve ratio (CRR) was reduced by 125 basis points.

After raising the policy rate by 375 basis points during March 2010 - October 2011 to contain inflation and anchor inflation expectations, the Reserve Bank paused the rate hikes subsequent to its mid quarter review of December 2011 as growth inflation dynamics prompted the Reserve Bank to indicate that no further tightening was required and that future actions would be towards lowering the rates. As on 31.03.2012, the policy repo rate under the Liquidity Adjustment Facility remained at 8.50%.

The yield on the 10- year Government of India security yield closed firmly at 8.57% as on 31.03.2012.

RBI's policy stance for 2012-13 released on 17th April, 2012 has been guided by two major considerations namely slow growth and moderated inflation.

In the light of the above, the stance of monetary policy of the Reserve Bank of India was to

- Adjust policy rates to levels consistent with the current growth moderation.
- Guard against risks of demand - led inflationary pressures re - emerging and
- Provide a greater liquidity cushion to the financial system.

Accordingly the repo rate under the LAF was reduced by 50 basis points to 8%.

The reverse repo rate under LAF and Marginal Standing Facility(MSF) rate were accordingly adjusted to 7% and 9% respectively while adjusting the Bank Rate to 9%

The Cash Reserve Ratio was retained at 4.75%.

The borrowing limit under MSF was raised from 1% to 2% of the Net Demand and Time Liabilities

The policy actions taken are expected to:

- Stabilize growth around its current post crisis trend
- Contain risks of inflation and inflation expectations re-surfing and
- Enhance the liquidity cushion available to the system

C. OPPORTUNITIES AHEAD

Financial institutions and markets continue to operate in an uncertain global environment. In India, reforms have continued with a view to building a robust and resilient financial system. More stringent capital and liquidity measures for commercial banks have been prescribed under Basel III. New prudential compensation practices have been adopted. Various institutional mechanisms and tools for monitoring systematic risks have been put in place.

The Indian Banking system is continuously passing through a process of transformation since nineties due to introduction of LPG (liberalization, privatization & globalization) ICT (information & communication technology) and international banking standards and procedures (IRAC, BASEL). The metamorphosis is happening across the entire banking landscape. Today's banking has become more risky, knowledge based and technology driven. Moreover the Indian banking industry is rapidly expanding organically as well as inorganically and trying to reach the poor countryman at the last mile and outreach the unexplored frontiers beyond the geographical boundaries.

Your Bank continued to perform well both in terms of business growth as well as the financial results reported. The business model of the Bank with a focus on customer centric branch banking and technology aided delivery channels supporting it has not only resulted in new business and customer acquisition but also helped retain and maintain existing relationships in retail and corporate segments. In the backdrop of several negative factors in the environment including the slowdown of the economy, tightness of liquidity and hardening interest rates, the Bank has performed well by leveraging upon its infrastructure of branches and other channels created for maximum reach.

Your bank recorded strong growth during the year both of business volumes as well as revenues with the net profit increasing by 30 % to ₹ 280.25 crore from ₹ 215.05 crore. During the year total income of the bank increased by 38 % to ₹ 1,903.90 crore, while the operating profit increased by 18 % to ₹ 427.05 crore. As on 31st March 2012, the total assets of the Bank stood at ₹ 18,350.66 crore increasing by 26 % over last year. While the total deposits of the Bank increased by 27 % to ₹ 16,340.76 crore on 31st March 2012, the total advances rose by 31 % to ₹ 12,137.46 crore. The total demand deposits (Savings Bank & Current Account deposits) increased by 18 % to ₹ 2,972 crore.

The bank continues to enhance shareholder value with the diluted earnings per share of the Bank for the year increasing to ₹ 6.82 from ₹ 5.30 last year. As on 31st March 2012, the book value per share of the Bank increased to ₹ 30.45 from ₹ 24.83 last year.

Your bank strives for continued enhancement of shareholder value by efficiently using capital in order to optimize return on equity. Aiming to achieve this objective the Bank endeavours to develop an asset structure that will be sensitive to the importance of increasing the proportion of low risk weighted assets. The Banks capital management framework helps ensure an appropriate composition of capital and an optimal mix of business.

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 54 in the last year to reach the 300 mark. Your Bank has proposed to open 100 new branches & 200 ATMs during this financial year increasing the total network of branches & ATMs to 400 and 700 respectively.

Your Bank is aiming to increase its share in India's expanding financial services sector by continuing to strengthen its retail franchise. One of the key drivers of the Bank's growth strategy being retail business banking as it caters wide range of products to the customers, delivered as per their need and services are rendered through multiple channels by adopting to latest technology.

Your bank has been operating very successfully a few tailor made savings bank deposit scheme to fulfill the requirements and aspirations of its customers. These 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 offers a complete suite of products across deposits, loans, investment solutions, payments and cards to help customers achieve their financial objectives by maintaining its focus on product differentiation as well as high level of customer service to enable it to build its retail business.

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. Any where 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 which was implemented during last financial year has facilitated our retail banking customers and was easily embraced by lot of customers and found very easy and quick solution for opening of FD at their own free time.

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.

D. SEGMENTWISE PERFORMANCE

I. Deposits of the Bank comprise of the following

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total
1.	Demand Deposit	1203.14	7.36
2.	Savings Deposit	1768.46	10.82
3.	Term Deposit	13369.16	81.82
Total		16340.76	100.00

II. Investments of the Bank consist of the following

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total
1.	Govt Securities	3847.17	83.89
2.	Other approved securities	0.25	0.01
3.	Shares, Debentures / Bonds and Mutual funds	69.29	1.51
4.	NABARD RIDF	669.48	14.59
Total		4586.19	100.00

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 (₹ in crore)	Percentage to total
Treasury	86.06	20.15
Corporate Banking	170.79	39.99
Retail Banking	151.33	35.44
Other Banking Operations	18.87	4.42
Total	427.05	100.00

E. RISK MANAGEMENT

Effective management of risk is the business of banking and the objective of risk management is to balance the tradeoff between risk and return and ensure optimum return on the capital. Business and revenue growth have to be weighed in the context of the risks implicit in the Bank's business strategy. Risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate through quantitative or qualitative examination of the embedded risks.

Your Bank has in place a sound Risk Management Architecture. The Bank continues to focus on refining and improving its risk measurement systems. The risk management committee of the board is the apex body which lays down the parameters and frame work of risk management. Under the board committee functions 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 from 31.03.2009. The bank presently adopts standardized 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).

The Bank has put in place the following policies to manage various types of Risks.

1. Integrated Risk Management Policy to analyze the Risk enterprise wide and with the objective of integrating all the risks of the Bank
2. Credit Risk Management Policy
3. Asset and Liability Management Policy
4. Operational Risk Management Policy
5. Stress Testing Policy
6. Pillar 3 Disclosure Policy
7. Business Continuity Plan Policy
8. Inspection and Audit Policy
9. A Board approved detailed Internal Capital Adequacy Assessment Process document

The Risk Management Systems are in place to identify measure and analyze 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 recognizes the importance of good internal control mechanism which is the key to sustained growth and profitability. Accordingly the bank has a well laid internal control and systems to ensure safety and accountability of its operations has been in place. 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 in charge of ensuring the adherence to laid down systems and procedures by branches. There is a system of periodical overall inspection of the branches, special credit inspection and concurrent audit. The compliance of KYC & AML Act and the system of regular KYC inspection has been 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 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 compliance 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 focused 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 with the periodicity of inspection varying as per the risk category of the respective branches. The Computer Systems Department is subjected to System Audit by external agencies on ongoing basis to mitigate risk under computerized environment. Branches contributing more than 70% of the business are under concurrent audit.

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 attaches very high value for its dedicated and loyal human resources spread across the nation and all cadres. Providing congenial working atmosphere, extending mutual trust, recognizing talents, rewarding the sincere and hard working, addressing problems and motivating them to achieve the goals of the organization are some of the policies successively pursued by the bank over a period of time. The bank strongly believes that fundamental values governing the attitude and self-respect of employees across all cadres must be respected and nurtured. Employee engagement and imparting knowledge, enhancing productivity, development of leadership qualities and integrating new gen employees in the system were the highlights of the policies followed by the bank. The Bank recognizes that success of the organization 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 in house training or in reputed institutions for developing their special functional and behavioral skills to align with the fast changing business models. 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, 2012 was 3347.

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;

(₹ in crore)

Particulars	Current Year	Previous Year
Deposits rose by	3426.47	2629.70
Cost of deposits	8.11%	6.94%
Gross advances rose by	2892.74	2432.25
Yield on Advances	13.56%	12.47%
Yield on Investments	7.08%	6.83%
Net Interest Income rose by	79.72	141.89
Net worth of the Bank rose by	236.48	180.98
Number of branches increased to	300	246
Staff productivity increased to	8.47	7.81

I. CORPORATE SOCIAL RESPONSIBILITY

The Bank has committed itself to participate in various social activities as a part of its corporate social responsibility to serve the society at large. Some of the initiatives which the bank has undertaken as a part of its commitment to the society are, donation to Public Health Centre, Chennai (for construction of building for housing Cardiology Department and Cath lab facilities) donation to Mata Amritanandamayi Math (for providing annadhanam to the people attending the Brahmasthanam Temple Festival), donation to Chief Minister's Public Relief Fund (for rehabilitation works relating to Thane Cyclone affected areas in Tamilnadu) contribution to SACHI - Saving a Child's Heart Initiative - Programme from Apollo Hospitals which offers hope and care for children with congenital heart diseases belonging to the lower socio - economic group of society, donation to several other educational institutions for developing the underprivileged students, contribution to Lion's Club, Kumbakonam for conducting eye camp at various centres, sponsoring for maintenance of Gandhi Park situated near our central office at Kumbakonam.

J. OUTLOOK

The growth of the economy has slowed down to 6.5% and the inflation numbers are offering no cheers. The RBI has indicated that the growth of deposit and advances of the banking system will be muted.

The equity market is stuttering but the bond market brought some cheers with reduction in bond yield. The bench mark 10 year paper carried a coupon of 8.15% indicating softening of yield if the inflation is tamed. China and fellow Asian emerging economies face slower economic growth in 2012-13 on weak external demand. The Indian economy is expected to grow at 7.3%. Your bank has an ambitious plan of adding 100 more branches and 200 more ATMs aimed to garner a higher percentage of growth of over 25% which was achieved in last few years.

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, 2012, 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 4 branches and Central Office, audited by us and 298 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, 2012 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, 2012.
 - (ii) in case of the Profit and Loss account, of the profit of the Bank for the year ended 31st March, 2012 and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended 31st March, 2012.

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

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

Place: Chennai
Date : 18th May, 2012

BALANCE SHEET AS ON 31.03.2012

(₹ in thousands)

	Sch.No	As on 31.03.2012	As on 31.03.2011
CAPITAL AND LIABILITIES			
Share Capital	1	40,82,13	40,50,31
Reserves and Surplus	2	1202,27,56	966,11,98
Deposits	3	16340,75,62	12914,28,51
Borrowings	4	348,70,27	186,15,48
Other Liabilities & Provisions	5	418,10,21	484,45,60
Total		18350,65,79	14591,51,88
ASSETS			
Cash and Balances with Reserve Bank of India	6	814,66,61	1052,23,80
Balances with Banks & Money at Call and Short Notice	7	321,44,32	234,08,09
Investments	8	4586,19,24	3616,22,75
Advances	9	12137,46,03	9255,46,03
Fixed Assets	10	97,73,38	68,53,26
Other Assets	11	393,16,21	364,97,95
Total		18350,65,79	14591,51,88
Contingent Liabilities	12	9701,69,61	4162,21,99
Bills for Collection		368,85,28	289,67,70

S. BALASUBRAMANIAN
Chairman

K.S. RAMAN
T. K. RAMKUMAR
Dr. N. KAMAKODI
MD & CEO

S. BERNARD
Justice S.R. SINGHARAVELU
R. MOHAN
Chief General Manager

N. KANTHA KUMAR
C.R. MURALIDHARAN
S. SUNDAR
CFO & Senior General Manager

R.G. CHANDRAMOGAN
Prof. V. KAMAKOTI
Directors
V. RAMESH
AGM & Company Secretary

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

Chennai
18.05.2012

P.S. Narasimhan
Partner
M.No. 020936

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2012

(₹ in thousands)

	Sch.No	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
I INCOME			
Interest Earned	13	1696,77,36	1218,40,76
Other Income	14	207,13,44	157,40,36
Total		1903,90,80	1375,81,12
II EXPENDITURE			
Interest Expended	15	1197,02,29	798,37,92
Operating Expenses	16	279,83,23	216,40,08
Provisions and Contingencies		146,80,10	145,97,70
Total		1623,65,62	1160,75,70
III PROFIT / LOSS			
Net Profit		280,25,18	215,05,42
Profit brought forward		5,56,13	5,55,47
Total		285,81,31	220,60,89
IV APPROPRIATIONS			
- Statutory Reserves		71,00,00	56,00,00
- Capital Reserve		6	20
- General Reserve		140,00,00	98,40,00
- Investment Reserve Account		72,96	Nil
- Special Reserve under IT Act, 1961		20,00,00	20,50,00
- Proposed Dividend		40,82,13	34,42,76
- Dividend Tax thereon		6,65,95	5,71,80
- Balance carried over to Balance Sheet		6,60,21	5,56,13
Total		285,81,31	220,60,89

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Chartered Accountants
(Firm No. 001204 S)

Chennai
18.05.2012

P.S. Narasimhan
Partner
M.No. 020936

SCHEDULES FORMING PART OF THE ACCOUNTS

(₹ in thousands)

		AS ON 31.03.2012		AS ON 31.03.2011
SCHEDULE - 1 CAPITAL				
Authorised Capital (100,00,00,000 Equity shares of ₹ 1/- each)		<u>100,00,00</u>		<u>100,00,00</u>
Issued Capital (40,82,12,649 / 40,50,31,003 Equity shares of ₹ 1/- each)		40,82,13		40,50,31
Subscribed and Paid-up Capital (40,82,12,649 / 40,50,31,003 Equity shares of ₹ 1/- each)	40,82,13		40,50,31	
Less: Calls unpaid	NIL	40,82,13	NIL	40,50,31
Total		<u>40,82,13</u>		<u>40,50,31</u>
SCHEDULE - 2 RESERVES AND SURPLUS				
I Statutory Reserves				
Opening Balance	347,00,00		291,00,00	
Additions during the year	<u>71,00,00</u>	418,00,00	<u>56,00,00</u>	347,00,00
II Capital Reserves				
Opening Balance	43,87,49		43,87,29	
Additions during the year	<u>6</u>	43,87,55	<u>20</u>	43,87,49
III Share Premium				
Opening Balance	199,97,11		194,43,63	
Additions during the year	<u>3,38,48</u>	203,35,59	<u>5,53,48</u>	199,97,11
IV Revenue and Other Reserves				
i) General Reserve				
Opening Balance	339,40,00		241,00,00	
Additions during the year	<u>140,00,00</u>	479,40,00	<u>98,40,00</u>	339,40,00
ii) Investment Reserve Account				
Opening Balance	1,31,25		1,31,25	
Additions during the year	<u>72,96</u>	2,04,21	<u>NIL</u>	1,31,25
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961				
Opening Balance	29,00,00		8,50,00	
Additions during the year	<u>20,00,00</u>	49,00,00	<u>20,50,00</u>	29,00,00
V Balance in Profit and Loss Account		6,60,21		5,56,13
Total		<u>1202,27,56</u>		<u>966,11,98</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2012	AS ON 31.03.2011
SCHEDULE - 3 DEPOSITS		
A I. Demand Deposits		
i) From Banks	4,49,97	9,31,62
ii) From Others	<u>1198,64,04</u>	<u>1078,29,98</u>
II. Savings Deposits	<u>1768,45,53</u>	<u>1440,72,92</u>
III. Term Deposits		
i) From Banks	212,81,12	72,87,42
ii) From Others	<u>13156,34,96</u>	<u>10313,06,57</u>
Total	<u>16340,75,62</u>	<u>12914,28,51</u>
B i) Deposits of Branches in India	<u>16340,75,62</u>	12914,28,51
ii) Deposits of Branches outside India	<u>Nil</u>	<u>Nil</u>
Total	<u>16340,75,62</u>	<u>12914,28,51</u>
SCHEDULE - 4 BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	30,00,00	40,00,00
ii) Other Banks	3,80	4,36
iii) Other institutions and agencies	278,66,47	106,11,12
iv) Subordinated debt	40,00,00	40,00,00
II. Borrowings from outside India	<u>Nil</u>	<u>Nil</u>
Total	<u>348,70,27</u>	<u>186,15,48</u>
III. Secured borrowings included in I	<u>Nil</u>	<u>Nil</u>
SCHEDULE - 5 OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	110,74,40	111,94,38
II. Inter-Office Adjustments (net)	Nil	Nil
III. Interest Accrued	62,38,55	53,79,58
IV. Others (including Provisions)	<u>244,97,26</u>	<u>318,71,64</u>
Total	<u>418,10,21</u>	<u>484,45,60</u>
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (including foreign currency notes)	174,55,85	211,61,31
II. Balances with Reserve Bank of India		
i) In Current Accounts	640,10,76	840,62,49
ii) In Other Accounts	<u>Nil</u>	<u>Nil</u>
Total	<u>814,66,61</u>	<u>1052,23,80</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2012	AS ON 31.03.2011
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	233,60,10	170,83,30
b) In Other Deposit Accounts	40,61,00	37,35,00
	<u>274,21,10</u>	<u>208,18,30</u>
ii) Money at Call and Short notice		
a) With Banks	Nil	Nil
b) With Other Institutions	24,96,91	Nil
Total	<u>299,18,01</u>	<u>208,18,30</u>
II Outside India		
In Current Accounts	22,26,31	25,89,79
In Deposit Accounts	Nil	Nil
Total	<u>22,26,31</u>	<u>25,89,79</u>
Grand Total	<u>321,44,32</u>	<u>234,08,09</u>
SCHEDULE - 8 INVESTMENTS		
I In India		
i) Government Securities	3847,17,32	2884,74,71
ii) Other Approved Securities	25,00	49,89
iii) Shares	33,34,54	30,55,66
iv) Debentures and Bonds	30,29,75	35,58,07
v) Subsidiaries / Joint Ventures	Nil	Nil
vi) Others	675,12,63	664,84,42
Total	<u>4586,19,24</u>	<u>3616,22,75</u>
Gross Investments in India	<u>4593,64,24</u>	3625,11,75
LESS : Provision for Invt. Depn	7,45,00	8,89,00
Net Investments in India	<u>4586,19,24</u>	<u>3616,22,75</u>
II Outside India	Nil	Nil
Grand Total	<u>4586,19,24</u>	<u>3616,22,75</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2012	AS ON 31.03.2011
SCHEDULE - 9 ADVANCES		
A i) Bills Purchased and Discounted	321,53,72	184,54,53
ii) Cash Credits, Overdrafts and Loans repayable on Demand	7527,16,98	5315,57,02
iii) Term Loans	4288,75,33	3755,34,48
Total	12137,46,03	9255,46,03
B i) Secured by tangible assets (includes advances against book debts)	11550,31,36	8906,54,13
ii) Covered by Bank / Govt. Guarantees	199,88,20	61,03,79
iii) Unsecured	387,26,47	287,88,11
Total	12137,46,03	9255,46,03
C I) Advances in India		
i) Priority Sector	4397,79,10	3420,77,00
ii) Public Sector	199,88,20	59,99,75
iii) Others	7539,78,73	5774,69,28
Total	12137,46,03	9255,46,03
II) Advances outside India	Nil	Nil
Grand Total	12137,46,03	9255,46,03
SCHEDULE - 10 FIXED ASSETS		
I Premises		
i) At Cost as at 31st March of the preceding year	35,18,37	33,92,81
ii) Additions during the year	1,03,62	1,25,57
iii) Sales / adjustments during the year	Nil	Nil
Total	36,21,99	35,18,38
iv) Depreciation to date	7,83,15	7,32,21
Total	28,38,84	27,86,17

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2012	AS ON 31.03.2011
II Other Fixed Assets (including Furniture and Fixtures)		
i) At Cost as at 31st March of the preceding year	133,90,10	112,83,67
ii) Additions during the year	43,33,99	22,27,96
Total	177,24,09	135,11,63
iii) Deductions / adjustments during the year	1,62,02	1,21,53
Total	175,62,07	133,90,10
iv) Depreciation to date	106,27,53	93,23,01
Total	69,34,54	40,67,09
Grand Total	97,73,38	68,53,26

SCHEDULE - 11 OTHER ASSETS

I Inter office Adjustments	42,23,45	68,89
II Interest accrued	94,04,68	69,77,52
III Tax paid in Advance / Tax deducted at source	171,57,03	245,10,37
IV Stationery and stamps	45,95	35,88
V Others	84,85,10	49,05,29
Total	393,16,21	364,97,95

SCHEDULE - 12 CONTINGENT LIABILITIES

I Claims against Bank not acknowledged as debts	1,36,12	1,17,92
II Liability for partly paid Investments	Nil	1,99,08
III Liability on account of outstanding Forward Exchange Contracts	8283,18,84	3356,24,43
IV Guarantees given on behalf of constituents - In India	797,71,80	492,75,93
- Outside India	9,42,47	Nil
V Acceptances, endorsements and other obligations	610,00,38	310,04,63
VI Other items for which the Bank is contingently liable	Nil	Nil
Total	9701,69,61	4162,21,99

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
SCHEDULE - 13 INTEREST EARNED		
I Interest / discount on Advances / Bills	1388,57,31	965,43,41
II Income on Investments	303,56,32	245,10,85
III Interest on balances with Reserve Bank of India and other Inter-Bank funds	4,63,73	7,79,03
IV Others	Nil	7,47
Total	1696,77,36	1218,40,76
SCHEDULE - 14 OTHER INCOME		
I Commission, Exchange and Brokerage	34,48,91	30,32,72
II Profit/Loss on sale of Investments (net)	7,77,19	6,60,83
III Profit/Loss on revaluation (Amortization)	Nil	Nil
IV Profit on sale of Land,Bldgs and other assets	15,05	22,74
V Profit on Exchange transactions (net)	15,22,24	10,55,27
VI Miscellaneous Income	149,50,05	109,68,80
Total	207,13,44	157,40,36
SCHEDULE - 15 INTEREST EXPENDED		
I Interest on Deposits	1166,46,21	780,18,69
II Interest on RBI/Inter-Bank Borrowings	17,66,96	9,48,08
III Others	12,89,12	8,71,15
Total	1197,02,29	798,37,92
SCHEDULE - 16 OPERATING EXPENSES		
I Payments to and provision for employees	122,31,02	101,61,69
II Rent, taxes and lighting	39,36,05	25,32,72
III Printing and Stationery	7,35,66	4,59,66
IV Advertisement and publicity	19,58,92	11,44,25
V Depreciation on Bank's property	13,55,47	16,82,67
VI Directors' fees, allowances and expenses	35,29	29,90
VII Auditors' fees and expenses	1,11,94	81,57
VIII Law charges	16,70	13,30
IX Postage, Telegrams, Telephone, etc.	6,02,37	5,59,88
X Repairs and Maintenance	14,93,41	12,15,06
XI Insurance	14,61,10	11,49,13
XII Other expenditure	40,45,30	26,10,25
Total	279,83,23	216,40,08

NOTES ON ACCOUNTS
1. CAPITAL

Particulars	31 March 2012		31 March 2011	
	Basel I	Basel II	Basel I	Basel II
i) CRAR (%)	10.81%	12.57%	11.09%	12.75%
ii) CRAR - Tier I Capital (%)	10.06%	11.69%	10.30%	11.84%
iii) CRAR - Tier II Capital (%)	0.75%	0.88%	0.79%	0.91%
iv) Percentage of the shareholding of the Government of India in Nationalised Banks	Nil	Nil	Nil	Nil
v) Amount of subordinated debt raised during the year as Tier-II capital	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

(₹ in crore)

Particulars	31 March 2012	31 March 2011
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	4593.64	3625.12
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	7.45	8.89
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	4586.19	3616.23
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	8.89	8.03
(ii) Add: Provisions made during the year	Nil	0.86
(iii) Less: Write-off/write-back of excess provisions during the year	1.44	Nil
(iv) Closing Balance	7.45	8.89

2.1. Repo Transactions including LAF (in face value terms)

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31 March 2012
Securities sold under Repos				
i) Government Securities	10.50	551.25	170.40	420.00
ii) Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i) Government Securities	183.75	252.00	3.58	Nil
ii) Corporate debt securities	Nil	Nil	Nil	Nil

2.2 Non-SLR investment portfolio
i) Issuer composition of Non-SLR Investments

(₹ 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	13.96	Nil	Nil	Nil	0.10
2	Financial Institutions	9.11	Nil	Nil	Nil	2.00
3	Banks	23.96	10.50	Nil	Nil	Nil
4	Private Corporates	16.64	4.70	Nil	Nil	4.70
5	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6	Others	* 676.75	2.75	Nil	Nil	2.75
Total (1 - 6)		740.42	17.95	Nil	Nil	9.55
7	Provision held towards depreciation	1.65	Nil	Nil	Nil	Nil
TOTAL		738.77	17.95	Nil	Nil	9.55

* includes deposits with NABARD (RIDF), SIDBI, NHB of ₹ 669.48 crore.

ii) Non Performing non SLR Investments

(₹ in crore)

Particulars	Amount
Opening Balance	Nil
Additions during the year since 1st April	Nil
Reductions during the year	Nil
Closing Balance	Nil
Total provisions held	Nil

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

(₹ in crore)

Particulars	31 March 2012	31 March 2011
i) The notional principal of swap agreements	Nil	Nil
ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	Nil	Nil
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	Nil	Nil

3.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sl. No.	Particulars	Amount
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2012 (instrument-wise)	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil

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 credit exposure on account of forward contracts are also considered while arriving at the total exposure of each customer / borrower. 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:

(₹ in crore)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) for hedging	278.04	Nil
	b) for trading	8005.15	Nil
(ii)	Marked to Market Positions (1)		
	a) Assets (+)	190.11	Nil
	b) Liability (-)	179.51	Nil
(iii)	Credit Exposure (2) @	355.77	Nil
(iv)	Likely impact of one percentage change in interest rate (100 * PV01)		
	a) on hedging derivatives	Nil	Nil
	b) on trading derivatives	Nil	Nil
(v)	Maximum and Minimum of 100 * PV01 observed during the year		
	a) on hedging	Nil	Nil
	b) on trading	Nil	Nil

@ → Out of the total credit exposure of ₹ 355.77 crore, exposure to the tune of ₹ 307.21 crore is out of Inter Bank deals accepted for guaranteed settlement by Clearing Corporation of India Limited (CCIL) ₹ 39.06 crore is out of direct Inter-Bank deals and the balance of ₹ 9.50 crore represents exposure to customers.

4. ASSET QUALITY
4.1. Non-Performing Assets

(₹ in crore)

Sl. No.	Particulars	31 March 2012	31 March 2011
(i)	Net NPAs to Net Advances (%)	0.44%	0.52%
(ii)	Movement of Gross NPAs		
	Opening balance	112.48	88.23
	Additions during the year	144.41	120.66
	Reductions during the year	133.35	96.41
	Closing balance	123.54	112.48
(iii)	Movement of Net NPAs		
	Opening balance	48.42	39.67
	Additions during the year	77.42	90.78
	Reductions during the year	71.80	82.03
	Closing balance	54.04	48.42
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	63.35	48.60
	Provisions made during the year	57.00	67.25
	Write-off of provisions	51.94	52.50
	Closing balance	68.41	63.35

4.2 Particulars of Accounts Restructured

(₹ in crore)

Particulars	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances Restructured			
No. of Borrowers	1	2	3
Amount Outstanding	14.04	7.34	29.01
Sacrifice (diminution in the fair value)	3.49	0.02	0.55
Substandard Advances Restructured			
No. of Borrowers	Nil	Nil	Nil
Amount Outstanding	Nil	Nil	Nil
Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Doubtful Advances Restructured			
No. of Borrowers	Nil	Nil	Nil
Amount Outstanding	Nil	Nil	Nil
Sacrifice (diminution in the fair value)	Nil	Nil	Nil
Total			
No. of Borrowers	1	2	3
Amount Outstanding	14.04	7.34	29.01
Sacrifice (diminution in the fair value)	3.49	0.02	0.55

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. (Previous year - Nil).

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

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

4.5 Provisions on Standard Assets

(₹ in crore)

Particulars	31 March 2012	31 March 2011
Provision towards Standard Assets	46.60	34.04

5. BUSINESS RATIOS

Particulars	31 March 2012	31 March 2011
Interest Income as percentage to Working Funds	10.34%	9.43%
Non-Interest Income as percentage to Working Funds	1.26%	1.22%
Operating Profit as percentage to Working Funds	2.60%	2.80%
Return on Assets	1.71%	1.67%
Business per employee (₹ in Crore)	8.47	7.81
Profit per employee (₹ in Crore)	0.08	0.08

6. ASSET LIABILITY MANAGEMENT

Maturity Pattern of certain items of assets and liabilities

(₹ in crore)

Period	Deposits	Advances	Investments	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	25.14	37.81	4.51	0.04	67.89	1.42
2 to 7 days	132.94	193.33	122.24	0.00	488.38	476.70
8 to 14 days	625.37	1446.65	0.00	0.00	60.66	21.78
15 to 28 days	130.31	125.35	257.05	0.00	25.04	16.91
29 days to 3 months	956.42	286.04	767.41	0.00	1162.00	1327.30
Over 3 months & upto 6 months	790.39	171.19	715.26	31.22	1115.53	1123.74
Over 6 months & upto 1 year	1636.92	374.06	1147.15	276.22	1366.84	1319.18
Over 1 year & upto 3 years	11355.89	7471.58	1104.01	1.22	0.53	4.72
Over 3 years & upto 5 years	611.27	955.11	71.00	30.00	0.00	0.39
Over 5 years	76.11	1076.34	397.56	10.00	0.00	0.00
Total	16340.76	12137.46	4586.19	348.70	4286.87	4292.14

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

(₹ in crore)

Category	31 March 2012	31 March 2011
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; *	508.54	315.54
(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.). Exposure also includes non-fund based (NFB) limits	717.89	543.70
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	7.72	9.99
Total Exposure to Real Estate Sector	1234.15	869.23

* includes Individual housing loans eligible for inclusion in priority sector advances amounting to ₹ 333.85 crore for the year ended 31.03.2012 and ₹ 214.53 crore for the previous year 31.03.2011.

7.2 Exposure to Capital Market

(₹ in crore)

Sl. No.	Particulars	31 March 2012	31 March 2011
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	35.89	34.26
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	1.05	Nil
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.	3.03	9.56
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. i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	100.55	Nil
5.	Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	85.48	90.43
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	Nil	Nil
7.	Bridge loans to companies against expected equity flows / issues.	Nil	Nil
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	Nil	Nil
9.	Financing to stock brokers for margin trading	Nil	Nil
10.	All exposures to venture capital funds (both registered and unregistered)	Nil	Nil
	Total Exposure to Capital Market	226.00	134.25

7.3 Risk Category wise Country Exposure

(₹ in crore)

Risk Category	Exposure (net) as at March 2012	* Provision held as at March 2012	Exposure (net) as at March 2011	Provision held as at March 2011
Insignificant	83.19	Nil	79.48	Nil
Low	141.83	Nil	64.09	Nil
Moderate	0.11	Nil	4.01	Nil
High	0.10	Nil	0.00	Nil
Very High	0.32	Nil	0.17	Nil
Restricted	0.00	Nil	0.00	Nil
Off-credit	0.00	Nil	0.00	Nil
Total	225.55	Nil	147.75	Nil

* The net funded exposure of the bank in respect of foreign exchange transactions with any 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 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

(₹ in crore)

Particulars	31 March 2012	31 March 2011
Provision for Income Tax	63.00	67.00

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 and its employees contribute a defined sum every month 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:

(₹ in crore)

Particulars	Leave Encashment
Present value of obligation as at the beginning of the year	13.64
Interest cost	0.98
Current service cost	1.50
Past service cost - (non vested benefits)	0.00
Past service cost - (vested benefits)	0.00
Benefits paid	(2.68)
Actuarial (gain) / loss on obligation	4.19
Present value of obligation at year end	17.63

ii) Amount recognized in Balance Sheet :

(₹ in crore)

Particulars	Leave Encashment
Closing present value obligation	17.63
Fair value of Plan Assets	0.00
Difference	17.63
Unrecognised transitional liability	0.00
Unrecognised past service cost - non vested benefits	0.00
Liability recognized in the balance sheet	17.63

iii) Expenses recognized in Profit & Loss account :

(₹ in crore)

Particulars	Leave Encashment
Current Service cost	1.50
Interest cost	0.98
Expected return on plan assets	0.00
Net Actuarial (gain) / loss recognised in the year	4.19
Total expenses recognized in the Profit & Loss Account	6.67

iv) Principal actuarial assumption at the Balance Sheet Date:

Particulars	Leave Encashment
Discount factor	8.60%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on plan assets	0.00%

v) Segment Reporting - AS 17

Summary of the operating segments of the bank as follows:

(₹ in crore)

Business Segments	TREASURY		CORPORATE / WHOLESALE BANKING		RETAIL BANKING		OTHER BANKING OPERATIONS		TOTAL	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Revenue	331.19	270.06	596.54	399.69	955.68	693.18	20.50	12.88	1903.91	1375.81
Result	86.06	79.90	170.79	113.25	151.33	156.28	18.87	11.60	427.05	361.03
Unallocated Expenses									0.00	0.00
Operating Profit									427.05	361.03
Other Prov & Contingencies									83.80	78.98
Income Taxes									63.00	67.00
Extraordinary profit / loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit									280.25	215.05
Other Information:										
Segment Assets	5255.51	4223.60	4827.73	3765.87	7902.69	6248.85	0.00	0.00	17985.93	14238.32
Unallocated Assets									364.73	353.20
Total Assets									18350.66	14591.52
Segment Liabilities	5123.49	4016.99	4451.79	3478.00	7287.32	5771.19	0.00	0.00	16862.60	13266.18
Unallocated Liabilities									244.97	318.72
Total Liabilities									17107.57	13584.90
Segment Capital	132.02	206.61	375.94	287.87	615.37	477.66	0.00	0.00	1123.33	972.14
Unallocated Capital									119.76	34.48
Capital Employed									1243.09	1006.62

Part B - Geographic Segment:

The bank operates only in India.

vi) Related Party disclosures - AS 18
(i) Related Parties:

Parent / Subsidiaries / Associates / JV - NIL

Key Management Personnel - Shri S. Balasubramanian (upto 30.04.2011)
- Dr. N. Kamakodi (from 01.05.2011)

(ii) Related Party Transactions:

Substituted by: a) as Remuneration : ₹ 24,87,500/-

b) as Loan availed - outstanding as on 31.03.2012 : ₹ 42,31,424/-

vii) Earning Per share - AS 20

The details of EPS computation is set out below:

Particulars	31 March 2012	31 March 2011
Earnings for the year (Rs. in thousands)	280,25,16	215,05,42
Basic weighted average number of shares (Nos)	40,65,94,050	40,19,19,038
Basic EPS (Rs)	6.89	5.35
Dilutive effect of stock options (Nos)	41,58,100	41,58,100
Diluted weighted average number of shares (Nos)	41,07,52,150	40,60,77,138
Diluted EPS (Rs)	6.82	5.30
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 major components of the Deferred Tax Asset and Liabilities as at 31st March 2012 are as follows:

(₹ in crore)

Components	31 March 2012	31 March 2011
Deferred Tax Liability:		
Depreciation on Fixed Assets	2.30	0.00
Accrued Interest on Investments	16.15	7.97
Total Deferred Tax Liability (A)	18.45	7.97
Deferred Tax Asset:		
Provision for Advances	10.75	10.75
Leave encashment	6.81	5.29
Depreciation on Fixed Assets	Nil	0.87
Total Deferred Tax Asset (B)	17.56	16.91
Net Deferred Tax Liability / (Asset) - (A-B)	0.89	(8.94)

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. ADDITIONAL DISCLOSURES
10.1 Break up of Provisions and Contingencies

(₹ in crore)

Particulars	31 March 2012	31 March 2011
Provision for Depreciation on Investments (net)	7.41	7.60
Provision towards NPA	57.00	67.25
Provision towards Standard Assets	12.56	7.50
Provision made towards Income Tax	63.00	67.00
Income Tax excess provision written back	(9.00)	0.00
Floating Provision for advances	9.00	0.00
Provision for Restructured Accounts	6.73	(0.19)
Provision for Debt Relief	(0.30)	0.13
Other Provisions	0.40	(3.31)
Total	146.80	145.98

10.2.1 Movement in Countercyclical Provisioning Buffer for NPA

(₹ in crore)

Sl.No.	Particulars	31 March 2012	31 March 2011
a)	Opening Balance	19.30	Nil
b)	Additions during the year	Nil	19.30
c)	Deductions during the year	Nil	Nil
d)	Closing Balance	19.30	19.30

10.2.2 Movement in Floating Provisions

(₹ in crore)

Sl.No.	Particulars	31 March 2012	31 March 2011
a)	Opening Balance	Nil	19.30
b)	Additions during the year	9.00	Nil
c)	Deductions during the year	Nil	19.30
d)	Closing Balance	9.00	Nil

10.3 Drawdown from Reserves

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

10.4 Customer Complaints

Sl.No.	Particulars	
a)	No. of complaints pending at the beginning of the year	1
b)	No. of complaints received during the year	92
c)	No. of complaints redressed during the year	93
d)	No. of complaints pending at the end of the year	Nil

10.5 Awards passed by the Banking Ombudsman

Sl.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 2011-12 : NIL
10.7 Provision Coverage Ratio (PCR)

The Provision Coverage Ratio (PCR) of the bank as on 31.03.2012 is 76.81%.

10.8 Bancassurance Business

Income from Bancassurance Business for the financial year 2011-12 : ₹ 3.25 crore.

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

(₹ in crore)

Total Deposits of twenty largest depositors	2118.52
Percentage of Deposits of twenty largest depositors to total Deposits of the bank	12.96%

10.9.2 Concentration of Advances

(₹ in crore)

Total Advances to twenty largest borrowers	1851.29
Percentage of Advances to twenty largest borrowers to total Advances of the bank	12.10%

10.9.3 Concentration of Exposures

(₹ in crore)

Total Exposure to twenty largest borrowers / customers	1851.29
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the bank on borrowers / customers	12.09%

10.9.4 Concentration of NPAs

(₹ in crore)

Total Exposure to top four NPA accounts	21.83
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10.10 Sector-wise NPAs

Sl.No.	Sector	% of NPAs to Total Advances in that sector
1	Agriculture & allied activities	1.92
2	Industry (Micro & Small, Medium and Large)	0.49
3	Services	0.83
4	Personal Loans	1.08

10.11 Movement of NPAs

(₹ in crore)

Particulars	Amount
Gross NPAs as on 1 st April 2011	112.48
Additions (Fresh NPAs) during the year	144.41
Sub-total (A)	256.89
Less:-	
(i) Upgradations	16.47
(ii) Recoveries (excluding recoveries made from upgraded accounts)	64.94
(iii) Write-offs	51.94
Sub-total (B)	133.35
Gross NPAs as on 31 st March 2012 (A-B)	123.54

10.12 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	Amount
Total Assets	Nil
Total NPAs	Nil
Total Revenue	Nil

10.13 Off-Balance Sheet SPVs sponsored

The Bank has not sponsored any SPVs.

10.14 Unamortized Pension and Gratuity Liabilities – NIL

10.15 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.

No provision is considered for disputed taxes based on the orders received by the bank and similar decisions at various stages of the Tribunal and Higher judicial Forums.

10.16 Inter Branch Reconciliation

Reconciliation of Central Office accounts maintained by branches has been completed upto 31.03.2012. 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.

10.17 Employees Stock Option

The bank has allotted 31,81,646 shares during the year to its eligible employees who have exercised their options granted under ESOS of the Bank.

10.18 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.

10.19 There are no dues to Micro and Small Enterprises calling for disclosure as at 31st March 2012 as per the records available.

10.20 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 reported at the exchange rates prevailing on the date of the Balance Sheet.

3. Investments

- 3.1 As per RBI guidelines, the investments of the bank are classified into the following categories 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 | iv) Debentures and Bonds |
| ii) Other Approved Securities | v) Subsidiaries / Joint Ventures |
| iii) Shares | 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 ₹ 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 / Bonds 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) Individual scrips under "Held for Trading" category are valued at Market Price.
- 3.2 Investments in Available for Sale / Held for Trading are valued scrip wise, aggregated category wise and net depreciation, if any, for 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 is debited to Profit and Loss account. Commission, incentives, brokerage received on subscription is 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, technical write - offs, 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 and operating softwares 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 for 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, 2012

(₹ in thousands)

	2011-2012	2010-2011
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per P&L account	280,25,18	215,05,42
Adjustments for		
Depreciation	13,55,47	16,82,67
Provisions & Contingencies - Tax	63,00,00	67,00,00
Provisions & Contingencies - Others	83,80,10	78,97,70
Profit on sale of Investments	(7,77,19)	(6,60,83)
Profit on sale of Assets	(15,05)	(22,74)
Foreign exchange fluctuations	(15,22,24)	(10,55,27)
Operating Profit before working capital changes	417,46,27	360,46,95
Adjustments for		
Funds advanced to Customers	(2944,23,00)	(2489,19,30)
Other Operating Assets	(85,84,74)	1,99,29
Deposits from Customers	3426,47,11	2629,69,56
Borrowings from Banks	162,54,79	146,09,16
Other operating liabilities	(151,71,06)	(2,87,79)
Purchase and sale of investments (Net)	(969,60,64)	(406,78,42)
Cash generated from Operations	(144,91,27)	239,39,45
Taxation - Income Tax and FBT	73,53,35	(2,67,15)
Net cash flow from Operating activities - A	(71,37,92)	236,72,30
Cash flow from Investing Activities		
Purchase of Fixed Assets	(44,37,61)	(23,53,53)
Sale of Fixed Assets	1,77,07	1,44,28
Net cash used in Investing Activities - B	(42,60,54)	(22,09,25)
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	31,82	54,35
Proceeds from share premium	3,38,48	5,53,48
Dividend Paid	(34,06,61)	(29,60,39)
Tax on distributed profits	(5,86,19)	(4,98,30)
Net cash flow from Financing Activities - C	(36,22,50)	(28,50,86)
Net increase in Cash and Cash equivalents A+B+C	(150,20,96)	186,12,19
Cash and Cash equivalents at 31.03.2011	1286,31,89	1100,19,70
Cash and Cash equivalents at 31.03.2012	1136,10,93	1286,31,89

 Chennai
18.05.2012

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)

P.S. Narasimhan
Partner
M.No. 020936

 Chennai
18.05.2012

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	J.P. Morgan Chase	Newyord	USD
6	HSBC Bank	Colombo	USD (ACU)
7	HSBC Bank	London	GBP
8	Commerz Bank	Frankfurt	EUR
9	Standard Chartered Bank	Frankfurt	EUR
10	Wells Fargo Bank	London	EUR
11	HSBC Bank	Tokyo	JPY
12	HSBC Bank	Melbourne	AUD
13	The Bank of Nova Scotia	Toronto	CAD
14	HSBC Bank	Singapore	SGD
15	Skandeneviska Enskilda Banken	Stockholm	SEK
16	Masreq Bank PSC	Dubai	AED

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
HYDERABAD - SIDDIAMBER BAZAAR
KAKINADA
KARIMNAGAR
KHAMMAM
KURNOOL
MACHILIPATNAM
NANDYAL
NELLORE
NIZAMABAD
ONGOLE
PRODATTUR
RAJAMUNDRY
SRIKAKULAM
THENALI
VIJAYAWADA
VIJAYAWADA - II
VISHAKAPATINAM
WARRANGAL

CHATTISHGARH

RAIPUR

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
THRISSUR
THIRUVALLA
THIRUVANANTHAPURAM

MADHYA PRADESH

INDORE

MAHARASTRA

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

NEW DELHI

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

ORISSA

BHUVANESWAR

PONDICHERRY

KARAIKAL
PONDICHERRY

PUNJAB

JALANDHAR
LUDHIANA

RAJASTHAN

BILWARA
JAIPUR

TAMIL NADU

ATTUR
ADUTHURAI

ALANGUDI
ARAKKONAM
ARANI
ARIYALUR
ATHANKOTTAI
AYYEMPETTAI
BHAVANI
CHENNAI - AMBATTUR
CHENNAI - ANNA NAGAR
CHENNAI - ASHOK NAGAR
CHENNAI - AVADI
CHENNAI - AYYAPPANTHANGAL
CHENNAI - CHENGALPET
CHENNAI - CHINMAYA NAGAR
CHENNAI - CHITLAPAKKAM
CHENNAI - CHROMPET
CHENNAI - GEORGE TOWN
CHENNAI - GURUGAMBAKKAM
CHENNAI - K K NAGAR
CHENNAI - KELAMBAKKAM
CHENNAI - MADIPAKKAM
CHENNAI - MADURAVOYAL
CHENNAI - MANALI
CHENNAI - MANDAVELI
CHENNAI - MARAIMALAI NAGAR
CHENNAI - MEDAVAKKAM
CHENNAI - MOUNT ROAD
CHENNAI - MUDICHUR
CHENNAI - MYLAPORE
CHENNAI - NANGANALLUR
CHENNAI - PAMMAL
CHENNAI - PERAMBUR
CHENNAI - POONAMALLEE
CHENNAI - PURASAWALKAM
CHENNAI - RENGARAJAPURAM
CHENNAI - SELAIYUR
CHENNAI - SINGAPERUMAL KOIL
CHENNAI - SRIPERAMBUDUR
CHENNAI - T NAGAR
CHENNAI - TAMBARAM
CHENNAI - THORAIPAKKAM
CHENNAI - TIRUVANMIYUR
CHENNAI - TRIPPLICANE
CHENNAI - VALASARAVAKKAM
CHENNAI - VELACHERY
CHIDAMBARAM
COIMBATORE - METTUPALAYAM
COIMBATORE - OPPANAKARA STREET
COIMBATORE - P N PALAYAM
COIMBATORE - PERUR
COIMBATORE - R.S.PURAM
COIMBATORE - RAM NAGAR
COIMBATORE - RAMANATHAPURAM
COIMBATORE - SAIBABA COLONY
COIMBATORE - VADAVALLI
COIMBATORE - VILANKURICHI
CUDDALORE
DARAPURAM
DEVAKOTTAI
DHARASURAM
DHARMAPURI
DINDIGUL
ELLAMPILLAI

LIST OF BRANCHES (Contd.)

ERAVANCHERY
 ERODE
 GOBICHETTIPALAYAM
 GUDIYATHAM
 HOSUR
 JALAKANDAPURAM
 JAYANKONDAM
 KADAYANALLUR
 KALLAKURICHI
 KANCHEEPURAM
 KANGAYAM
 KARAIKUDI
 KARUR
 KATPADI
 KEELAKARAI
 KEELAPALUVUR
 KINATHUKADAVU
 KODAVASAL
 KOOTHANALLUR
 KORADACHERY
 KOTTUR
 KOVILPATTI
 KRISHNAGIRI
 KULASEKARAM
 KUMBAKONAM - GANDHINAGAR
 KUMBAKONAM - MAIN
 KUMBAKONAM - TOWN
 KURICHI
 KUTTALAM
 MADAPATTU
 MADUKKUR
 MADURAI - ANNA NAGAR
 MADURAI - MAIN
 MADURAI - S.S. COLONY
 MADURAI - T V S NAGAR
 MADURAI - VILAKKUTHOON
 MADURAPAKKAM
 MADURAPURI
 MANAPPARAI
 MANJAKUDI
 MANJANAYACKANPATTI
 MANNARGUDI
 MAYILADUTHURAI
 NACHIAR KOIL
 NADUKKADAI
 NADUPATTY
 NAGAPATTINAM
 NAGERKOIL
 NAGORE
 NAMAKKAL
 NANNILAM
 NEYVELI
 PALAVATHANKATTALAI
 PALAYAMKOTTAI
 PALLADAM
 PALLIPALAYAM
 PARAMAKUDI
 PATTUKOTTAI
 PERAMBALUR
 PERIYAKULAM
 PERUNDURAI
 POLLACHI
 PORAYAR

PUDUKKOTTAI
 PULIYUR
 RAJAPALAYAM
 RAMANATHAPURAM
 RANIPET
 RASIPURAM
 RISHIVANDIYAM
 SAKKOTTAI
 SALEM - FAIR LANDS
 SALEM - MAIN
 SALEM - SHEVAPET
 SANNANALLUR
 SATHUVACHARI
 SATTUR
 SEMBANARKOIL
 SENGURICHI
 SILLATUR
 SIRKALI
 SIVAGANGAI
 SIVAKASI
 SOMANUR
 SULUR
 THALAIYUTHU
 THAMARANGKOTTAI
 THANJAVUR - MAIN
 THANJAVUR - MEDICAL COLLEGE ROAD
 VALLAM
 THENI
 THIMMACHIPURAM
 THINDAL
 THIRUCHENGODU
 THIRUMANGALAM
 THIRUNAGESWARAM
 THIRUTHURAIPOONDI
 THIRUVALLUR
 THOGUR
 THONDAMUTHUR
 TINDIVANAM
 TIRUKKATTUPALLI
 TIRUKOILUR
 TIRUMAKOTTAI
 TIRUMARUGAL
 TIRUNELLIKAVAL
 TIRUNELVELI
 TIRUPANANDAL
 TIRUPOONDI
 TIRUPPUR - MAIN
 TIRUPPUR - VEERAPANDY
 TIRUVANNAMALAI
 TIRUVARUR - TOWN
 TIRUVARUR - VIJAYAPURAM
 TIRUVIDAIMARUTHUR
 TRICHY - CANTONMENT
 TRICHY - MAIN
 TRICHY - SRIRANGAM
 TRICHY - THILLAINAGAR
 TRICHY - THUVAKUDI
 TUTICORIN
 UDUMALPET
 ULLIKOTTAI
 UTHUKULI
 VALANGAIMAN
 VEPPAMPATTU

VEDARANYAM
 VEERAPANDI
 VEERAPERUMANALLUR
 VELLAKOVIL
 VELLORE
 VILLUPURAM
 VIRUDHACHALAM
 VIRUDHUNAGAR

UTTAR PRADESH

ALLAHABAD
 VARANASHI

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

Decade of Progress

(₹ in crore)

Year	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Paid up Capital	24.00	24.00	24.00	24.00	25.20	32.00	32.00	39.96	40.50	40.82
Reserve fund and Other Reserves	140.77	178.85	216.72	262.15	340.51	534.86	628.92	785.68	966.12	1202.28
Deposits	2317.37	2846.65	3095.24	3517.74	4699.33	6424.96	8206.62	10284.59	12914.29	16340.76
Advances	1214.47	1546.98	2012.96	2549.53	3329.23	4537.06	5645.25	6833.46	9255.46	12137.46
Investments	1099.20	1279.00	1102.24	1057.48	1307.00	1717.96	2397.46	3210.43	3616.23	4586.19
Net Profit	33.37	57.04	46.32	56.37	71.81	101.73	122.13	152.76	215.05	280.25
Dividend	40%	60%	40%	40%	40%	50%	75%	75%	85%	100%
No. of Branches	123	128	134	142	161	180	207	222	246	300
Total No. of Staff	1408	1396	1434	1606	1871	2171	2452	2628	2836	3347
Intrinsic value of Shares (Rs.)	68.65	84.52	100.30	119.23	145.12	* 17.78	20.65	20.64	24.85	30.45
Earning Rate (%)	139.04	237.67	193.00	234.88	299.21	317.91	381.66	381.90	530.95	686.55

• During the year 2007-08, the Bank has sub-divided the Equity shares of ₹ 10/- each into 10 Equity shares of ₹ 1/- each

NEW CAPITAL ADEQUACY FRAMEWORK – BASEL II DISCLOSURES UNDER PILLAR 3 AS ON 31.03.2012

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 – 31.03.2012

Qualitative Disclosures:

- (a) Summary

Type of Capital	Features
Equity - Tier I Capital	During the year 2011-12, the Bank had allotted 31,81,646 shares to its eligible employees who have exercised their options granted under ESOS of the Bank. The Equity Capital of the Bank as on 31.03.2012 stood at ₹ 40.82 crore.
Tier II Capital	The Bank has not raised Tier II capital during the current year 2011-12. The details of Lower Tier II capital to the tune of ₹ 40.00 crore 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 of issue	Amount (₹ 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 (₹ in cr)	
01.	Tier - I Capital		1243.10
	- Paid-up Share Capital - Total	40.82	
	- Reserves & Surplus - Total	1202.28	
	Amount deducted from Tier I Capital (if any)		20.90
	- Intangible Assets	2.96	
	- Statutory Deduction (Spl. Reserve tax deduction)	15.90	
	- Investment Reserve trfd to Tier II Capital	2.04	
	Total eligible Tier I Capital		1222.20
02.	Tier - II Capital		
	a) Revenue Reserves	2.04	91.64
	b) Other General Provisions	9.00	
	c) Lower Tier II - Subordinated Debts	34.00	
	d) Provision for Standard Assets	46.60	
03.	Total Eligible Capital (net of deductions from Tier I & Tier II Capital)		1313.84

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 March 31, 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, 2012. 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 12.57% as on March 31, 2012 (as against 9%). The Tier I CRAR stands at 11.69% 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.

Quantitative disclosures	(₹ in crore)
(a) Capital requirements for credit risk: (@ 9% on Risk weighted Assets)	
• Portfolios subject to standardised approach	851.60
• Securitisation exposures	Nil
(b) Capital requirements for market risk:	
• Standardised duration approach	23.44
- Interest rate risk	13.55
- Foreign exchange risk	1.45
- Equity risk	8.44
(c) Capital requirements for operational risk:	
• Basic indicator approach;	65.82
Total capital required @ 9%	940.86
(d) Total and Tier 1 capital ratio :	
Total CRAR	12.57%
Tier I CRAR	11.69%

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 counterparties.

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 is assessed 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, 2011)

Quantitative Disclosures

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure (including Non-fund exposure)

(₹ in crore)

Exposure as on 31.03.2012	Domestic	Overseas	Total
Fund based	13615.86	Nil	13615.86
Non-fund based	1679.34	Nil	1679.34
Total	15295.20	Nil	15295.20

Industry type distribution of exposures :

Details on Industry wise credit exposures - 31.03.2012

(Total advances to Small, Medium & Large Industries)

(₹ in crore)

S.No	Industry Name	Funded Exposure (I)	Non Funded Exposure (II)	Total Exposure (I+II) = III
1	Mining and quarrying	31.81	1.83	33.64
2	Iron and Steel	683.39	412.63	1096.02
3	Other Metal & Metal Products	164.91	32.15	197.06
4	Non Metallic Mineral Products	35.85	12.36	48.21
5	All Engineering	68.10	54.84	122.94
6	Electronics & Home Appliances	74.92	1.33	76.25
7	Electricity	51.62	0.00	51.62
8	Cotton Textiles	891.00	58.92	949.92
9	Other Textiles	278.25	10.72	288.97
10	Food and Beverages	237.31	12.08	249.39
11	Vegetable Oils & Vanaspathi	2.96	13.98	16.94
12	Paper & its Products	296.18	20.69	316.87
13	Publishing and Printing	92.35	1.75	94.10
14	Rubber & its Products	18.95	0.21	19.16
15	Chemicals, Dyes, Paints etc.	93.01	12.46	105.47
16	Drugs & Pharmaceuticals	107.93	10.31	118.24
17	Cement	1.10	0.00	1.10
18	Leather & its Products	7.79	1.28	9.07
19	Gems & Jewellery	13.94	1.00	14.94

(₹ in crore)

S.No	Industry Name	Funded Exposure (I)	Non Funded Exposure (II)	Total Exposure (I+II) = III
20	Construction (Commercial Real Estate)	715.17	2.72	717.89
21	Automobile (including trucks)	88.09	1.61	89.70
22	Computer Software	32.53	0.74	33.27
23	Other Industries	133.23	12.69	145.92
24	Infrastructure excluding power	137.88	30.70	168.58
25	Infrastructure Power (wind mills)	93.33	1.42	94.75
26	All Traders	2861.84	211.39	3073.23
27	NBFCs	228.47	135.82	364.29
28	Residual Exposure	6173.95	623.71	6797.66
Gross Credit Exposure		13615.86	1679.34	15295.20

The exposures to the following two industries are above 5% of Gross Credit Exposure as on 31.03.2012:

- 1) Iron & Steel Industry - 7.16%
- 2) Cotton Textile Industry - 6.21%

Residual contractual maturity breakdown of assets as on 31.03.2012

(computed as per the guidelines of RBI on Asset Liability Management)

(₹ in crore)

Period	Cash, RBI Balance and Balance with all Banks	Advances (Net)	Investments (Net)	Fixed & Other Assets	Total
1 Day	474.19	37.81	4.51	25.47	541.98
2 to 7 Days	13.10	193.33	122.24	26.12	354.79
8 to 14 Days	0.00	1446.65	0.00	28.28	1474.93
15 to 28 Days	62.68	125.35	257.05	6.68	451.76
29 Days to 3 Months	157.58	286.04	767.41	8.58	1219.61
Over 3 Months & upto 6 Months	145.97	171.19	715.26	81.56	1113.98
Over 6 Months & upto 1 Year	226.57	374.06	1147.15	89.17	1836.95
Over 1 Year & upto 3 Years	218.30	7471.58	1104.01	77.43	8871.32
Over 3 Years & upto 5 Years	13.26	955.11	71.00	0.00	1039.37
Over 5 Years	6.57	1076.34	397.56	165.61	1646.08
Total	1318.22	12137.46	4586.19	508.90	18550.77

Amount of NPAs (Gross)

(₹ in crore)

Sub-standard	67.32
Doubtful 1	42.47
Doubtful 2	8.46
Doubtful 3	1.44
Loss	3.85
Gross NPA Total	123.54

The Amount of Net NPAs is ₹ 54.04 crore

The NPA ratios are as under

- Gross NPA to Gross Advances 1.01%
- Net NPAs to Net Advances 0.44%

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

(₹ in crore)

i. Opening balance at the beginning of the year (01.04.11)	112.48
ii. Additions made during the year (4 quarters)	144.41
iii. Reductions during the year (4 quarters)	133.35
iv. Closing balance at the end of year 31.03.12 (i + ii - iii)	123.54

The movement of provisions for NPAs are as under:

(₹ in crore)

i. Opening balance at the beginning of the year (01.04.11)	63.35
ii. Provisions made during the year (4 quarters)	57.00
iii. Write-off/Write-back of excess provisions (4 quarters)	51.94
iv. Closing Balance at the end of quarter 31.03.12 (i + ii - iii)	68.41

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

(₹ in crore)

i. Opening balance at the beginning of the year (01.04.11)	8.89
ii. Provisions made during the year (4 quarters)	Nil
iii. Write-off (4 quarters)	Nil
iv. Write-back of excess provisions (4 quarters)	1.44
v. Closing Balance at the end of quarter 31.03.2012 (i + ii - iii - iv)	7.45

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 ₹ 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.

(₹ in crore)

Risk Weight	Rated	Unrated	Total
Below 100 %	793.21	9447.18	10240.39
100 %	305.86	5292.51	5598.37
More than 100 %	117.38	438.97	556.35
Total outstanding after mitigation	1216.45	15178.66	16395.11
Deducted (as per Risk Mitigation)	0.00	2893.48	2893.48

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 and
 - 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, 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 20.55% of outstanding total of funded and non-funded credit.

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: (₹ in crore)

Portfolio category	Financial collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	712.85
2. Funded - Credit	Gold jewels	1764.95
3. Funded - Credit	LIC/KVP/NSC	7.07
3. Non Funded	Bank's own deposits	318.07

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

Portfolio category	Guaranteed by	Quantum of exposure covered
1. Funded Credit	ECGC	235.87
2. Funded Credit	AP State Government	7.72
3. Funded Credit	CGTSI	12.77

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 31.03.2012	(₹ in crore)
• Interest Rate Risk	- 13.55
• Equity Position Risk	- 8.44
• Foreign Exchange Risk	- 1.45
Total	- 23.44

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. 2008-09, 2009-10 and 2010-11 is considered for computing the capital charge. The required capital is Rs.65.83 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 31.03.2012 is ₹ 56.06 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2012 is 16.02%.

Dear Shareholder,

Green Initiative in Corporate Governance - Annual Report in 2012-13 in Electronic Form

You may be aware that the Ministry of Corporate Affairs, Govt of India (MCA) has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has permitted companies vide their Circular No.18/2011 dated 29.04.2011 to issue Annual Report through e-mail to the shareholders.

CITY UNION BANK LIMITED, in its constant endeavour to enhance the sustainability of the environment and cutting down on consumption of paper, proposes to give an option to our shareholders to receive the Annual Report from FY 2012-13 onwards in electronic form at their e-mail addresses registered in their respective Depository Participant (DP) accounts (with the records of the Depositories, viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL).

From the FY 2012-13 onwards,

- a) those shareholders holding shares in Demat form and have their e-mail IDs registered with their DP will receive the Annual Report in electronic form through their respective e-mail IDs. If such shareholders want to receive the Annual Report in physical form, they may send their request to the Registrar and Transfer Agents of the Bank by forwarding their DP ID and Address in the format given below.
- b) i) those shareholders having their shares in physical form and
ii) those shareholders having their shares in demat form but not registered their respective e-mail IDs with their DP's will continue to receive the Annual Report in physical form.
- c) those shareholders having their shares in physical form but desire to receive the Annual Report in electronic form may send their request to the Registrar and Transfer Agents of the Bank by forwarding their email ID and folio number in the format given below and
- d) those shareholders holding their shares in Demat form but not registered their respective e-mail IDs with their DP's may update their e-mail ID with their respective Depository Participants to receive the Annual Report in electronic form.

Please note that the Annual Report will also be available on the Bank's website: www.cityunionbank.com. The shareholders of the Bank are always entitled to request and receive, free of cost, a printed copy of the Annual Report of the Bank.

We are sure that you would appreciate the "Green Initiative" taken by your Bank and opt for receiving Annual Report in electronic form.

Yours faithfully,

V. Ramesh
AGM & Company Secretary



<p>From: _____ _____ _____ e-mail ID : _____ DP ID / Client ID : _____ Folio No. : _____ Dear sir, Please forward the Annual Report to me in future by the following mode.</p>	<p>To: M/s. Karvy Computershare Private Limited, Unit : CITY UNION BANK LIMITED, Plot No.17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.</p>
<p> <input type="checkbox"/> e-form of Annual Report <input type="checkbox"/> Physical form of Annual Report [Please tick (✓) in the appropriate box] </p>	
Place :	
Date :	(Signature)



EXPANDING NETWORK



250th Branch - Delhi - Chandini Chowk



275th Branch - Nagore



Annual General Meeting - 27th August 2011

From :

Date :

To:
M/s. Karvy Computershare Pvt. Ltd
Unit : CITY UNION BANK LIMITED
17-24 Vittal Rao Nagar
Madhapur
Hyderabad - 500 081

Dear Sir(s),

Ref : PAYMENT OF DIVIDEND THROUGH NATIONAL ELECTRONIC CLEARING SERVICES (NECS)

Name of First Holder (In Block Letter)					
Folio. No					
No of Shares					
Bank A/c Type [Please tick (✓)]	Saving A/c		Current A/c		Cash Credit A/c
Bank Account Number					
Name of the Bank					
Branch Name					
IFSC Code					
Full Address of the Bank					
9 - Digit Code number of the Bank & Branch appearing on the MICR cheque issued by the Bank (Please attach Photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the code).					

I agree to avail of the Electronic Clearing Service, as and when implemented by CITY UNION BANK LIMITED for payment of dividend to me.

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold CITY UNION BANK LIMITED / Registrar responsible.

I further undertake to inform the registrar / CITY UNION BANK LIMITED any change in my Bank, Branch and Account Number.



(Signature of the First / Sole shareholder)



Donation to Tamilnadu Chief Minister's Thane Cyclone Relief Fund



Dr. C. Rangarajan, Chairman of the Prime Minister's Economic Advisory Council graced us with his presence during his visit to Kumbakonam.



CUB

CITY UNION BANK LIMITED

Registered Office : Kumbakonam - 612 001, Tamil Nadu.

Phone : 0435 - 2402322 Fax : 0435 - 2431746

Website : www.cityunionbank.com