



## Investor Presentation – February 2011



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# 1. City Union Bank – Overview & Growth Story

## Showcasing steady performance on an ongoing basis ...

**Long and consistent track record of profitability – Profit and dividend payout in all 100 + years of operations**

**Steady growth – Business growing at a CAGR of 30% and Net Profit at a CAGR of 31% in last five years**

**RoA and RoE at 1.7% and 24.7% respectively for Q3 2010-11, best in the banking space**

**Best Corporate Practices; All Independent & Professional directors; Continuity in Management – only 6 CEOs so far**

**Rapid progress on the technology front with 100% business under CBS and State of the Art Technology platform**

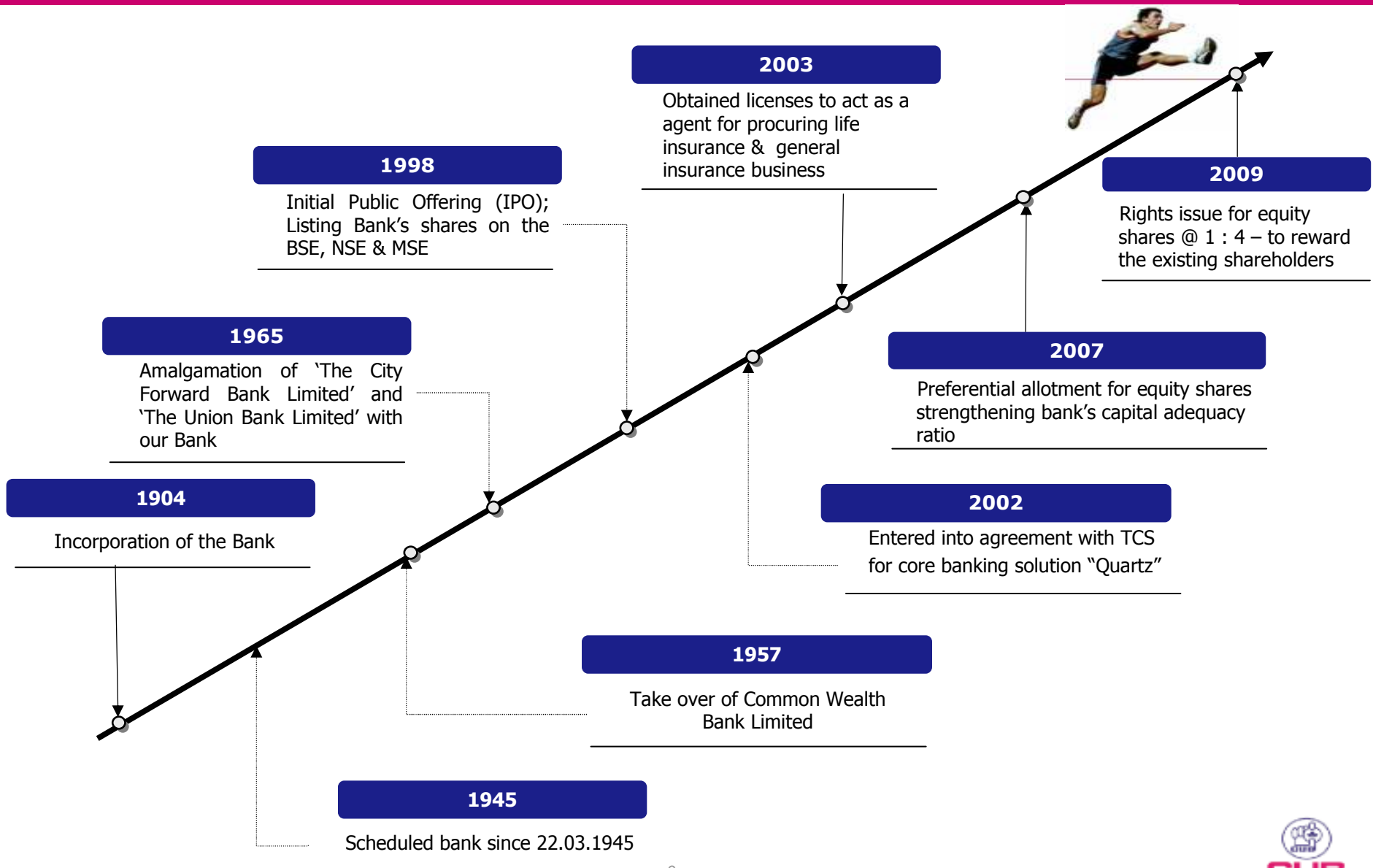
**Significant improvement in asset quality over the years. Net NPA – 0.53% for Dec 2010 and PCR > 70%**

**Well capitalized; CAR – Basel II – 13.06% as on December 31, 2010**

**Future plans for expansion of branch network to 500 Branches in next 3 years**

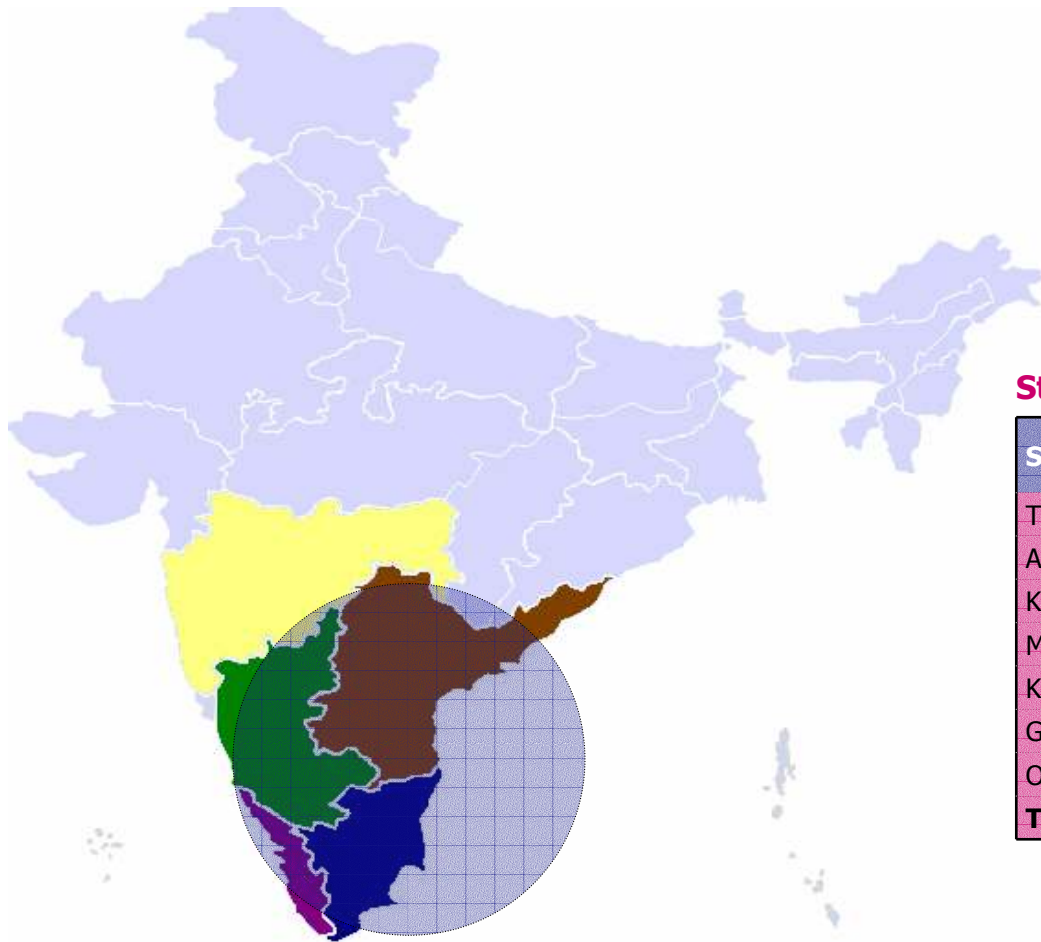
CUB is well positioned to capitalize on the huge growth opportunities in the banking sector

# Key milestones



## Strong presence in the South

- ✓ A network of 236 branches of which 209 branches are located in South India and 150 in Tamil Nadu alone



### State wise branches

State	No of Branches	Statewise % of Branches	% of our Business
Tamil Nadu	148	63	72
Andhra Pradesh	30	13	9
Karnataka	19	8	6
Maharashtra	12	5	6
Kerala	10	4	2
Gujarat	6	2	1
Others	11	5	4
<b>Total</b>	<b>236</b>	<b>100</b>	<b>100</b>

# Branch Expansion

- ✓ Till 10<sup>th</sup> February 2011, we have opened 14 branches out of license received for 62 branches.
- ✓ 48 branches to be opened before July 2011.

## State wise Branch Expansion planned

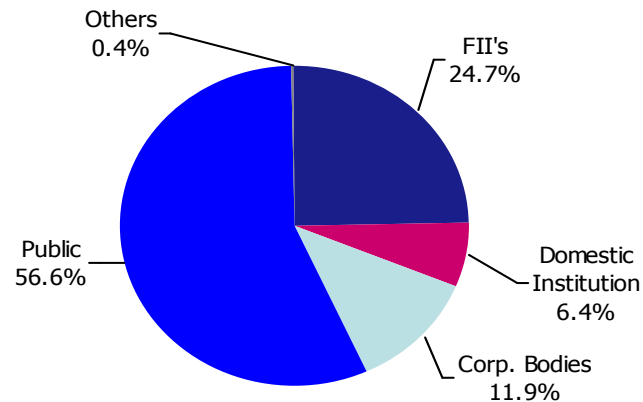
State	Tier I & II centres	Tier III to VI centres
Tamil Nadu	15	18
Andhra Pradesh	4	
Karnataka	1	
Maharashtra	4	
Chattishgarh	1	
New Delhi	2	
Orissa	1	
Punjab	1	
Uttar Pradesh	1	
<b>Total</b>	<b>30</b>	<b>18</b>



## 2. Ownership Pattern

# A well diversified investor base

## Ownership profile as on 31<sup>st</sup> December 2010



## Major Institutional shareholders as on 31<sup>st</sup> December 2010

Shareholders	% holding
LIC of India	4.94
L & T Capital Holdings Limited	4.76
F M O, Netherlands	4.65
Argonaut Ventures	4.33
Acacia Partners	3.02
Ares Investments	2.58
G M O	1.62
Wasatch Core Growth Fund	1.27
ING Vysya Life Insurance Company	1.14
Shriram Chits (P) Ltd.	1.02

- ✓ Well diversified ownership
- ✓ Long term investors ensuring stability and support to management
- ✓ Cash management services offered to LIC to improve CASA and customer base
- ✓ Bank Assurance partner to LIC and ranked No.1 in South India consecutively for three years
- ✓ Chairman's Group holding is at 9.54%

### 3. Management

# Transparent 'Corporate Governance' practices



**Board consists of 7 Independent Directors and 3 Non-Independent Directors**



**Various sub-committees of Board functions to oversee the operations of the Bank**



**Code of conduct for directors and senior management put in place**



**Disclosure norms strictly adhered to**



**KYC / AML norms strictly complied with.**

## We have eminent personalities on our Board;

- ✓ 1 Former Chairman of a PSU Bank
- ✓ 2 Chartered Accountants
- ✓ 2 Agriculturists
- ✓ 1 Industrialist
- ✓ 1 Advocate
- ✓ 1 Retired High Court Judge
- ✓ 1 former IRDA & RBI top management official

## Profile of Board of Directors

Name	Profile
Mr. P.Vaidyanathan, Chairman	He is a graduate in Commerce, a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Cost & Works Accountants of India and Associate Member of the Institute of Company Secretaries of India. He has more than 35 years of experience in financial services industry
Mr. S. Balasubramanian, MD & CEO	He holds a Master degree in Mathematics, CAIIB and PGDFM and has 38 years of experience in the banking industry. He had joined City Union Bank in 1971 as a probationary officer and has since then been associated with the Bank in various capacities. In 2005 he was appointed as the Chairman & CEO of our Bank and thereafter, in 2009 the Reserve Bank of India has accorded approval for his appointment as the Managing Director and CEO of our Bank with effect from January 31, 2009
Mr. K.S. Raman, Director	He is a post graduate in Statistics. He is an agriculturist and has been on the board during 1984 to 1992 and 1994 to 2002 and presently from 2004 onwards. He has worked with Statistics Department, Annamalai University, Automobile Products of India Limited and in Larsen & Toubro Ltd

## Profile of Board of Directors

Name	Profile
Mr. S. Bernard, Director	He is a graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India. He is a practicing Chartered Accountant of 31 years standing with expertise in the field of Accountancy and Taxation
Mr. N Kantha Kumar, Director	He is a graduate in Commerce and Law. He has been in the Banking Industry for around 38 years. He has held key positions such as Executive Director in Canara Bank and Chairman & Managing Director in Syndicate Bank
Mr. N.Sankaran, Director	He is a Bachelor of Engineering (Civil) and is a Member of Institute of Engineers, India and has been on the board since 2008. He is a retired General Manager from M/s. Voltas International, Chennai
Mr. R.G. Chandramogan, Director	He is the Chairman & Managing Director of Hatsun Agro Product Limited. He has been in the dairy processing and Ice cream business for around 30 years. He visits the Indian Institute of Management, Ahmedabad as a guest faculty.
Mr. T.K. Ramkumar, Director	He is a graduate in Commerce and an advocate. He is a partner in M/s. Ram & Rajan & Associates, and possesses knowledge and experience in banking law, company law, intellectual property rights, civil laws etc
Justice (Retd.) S.R. Singaravelu, Director	He is a former Judge of High Court of Madras and High Court of Orissa. He has vast experience of 36 years in the Judiciary. He was in Judiciary Department and held various position.
Mr. C.R. Muralidharan, Director	He retired as a whole time member of the Insurance Regulatory and Development Authority (IRDA) in November 2009. Prior to this appointment he was a Chief General Manager in Reserve Bank of India. He has extensive experience in regulation of Banks in Reserve Bank of India and Insurance Companies in IRDA.

## 4. Financial Performance

## Q 3 FY 11 performance – A snapshot

### HIGHLIGHTS FOR THE QUARTER ENDED 31<sup>st</sup> DECEMBER 2010

- ✓ Deposits increased by 35.2% to Rs.119,773 Mn from Rs.88,571 Mn
- ✓ Advances surged by 39.7% from Rs.60,967 Mn to Rs.85,174 Mn
- ✓ Total Business grew by 37.1% from Rs.149,538 Mn to Rs.204,947 Mn
- ✓ CASA improved by 25.1% to Rs.22,329 Mn from Rs.17,851 Mn
- ✓ Gross Profit increased to Rs.900 Mn from Rs.709 Mn
- ✓ Net Profit increased by 42% from Rs.407 Mn to Rs.577 Mn
- ✓ Net NPA lowered to 0.53% from 1.09% (YoY)
- ✓ ROA stood at 1.71% up from 1.60% (YoY)
- ✓ Net Interest Margin at 3.48% from 3.31% (YoY).



# 31<sup>st</sup> December 2010 performance – A snapshot

## Financial Indicators as at 31<sup>st</sup> December 2010 Vs 31<sup>st</sup> December 2009

Particulars	DEC 2010 ( in INR mn)	DEC 2009 ( in INR mn)	Absolute Growth	% Growth	Direction	MAR 2010 (in INR mn)
Deposits	119,773	88,571	31,202	35.2%	↑	102,846
Advances	85,174	60,967	24,207	39.7%	↑	68,967
Total Business	204,947	149,538	55,409	37.1%	↑	171,813
Demand Deposit	9,004	7,690	1,314	17.1%	↑	10,970
Savings Deposit	13,325	10,161	3,164	31.1%	↑	11,512
CASA	22,329	17,851	4,478	25.1%	↑	22,482
Gross NPA	1,091	1,215	- 124		↓	935
Net NPA	449	656	- 207		↓	397
Gross NPA (%)	1.28%	1.99%			↓	1.36%
Net NPA (%)	0.53%	1.09%			↓	0.58%
CRAR – Basel II	13.06%	14.66%			↓	13.46%
CD Ratio	71.11%	68.83%			↑	67.06%
P C R	71.37%	53.47%			↑	71.56%

## Q3 FY11 performance – A snapshot

### Financial Performance – Q3 FY 11 Vs Q3 FY 10

Particulars	Q3 FY 11 ( in INR mn)	Q3 FY 10 ( in INR mn)	Absolute Growth	% Growth	Direction
Net Interest Income	1,048	753	295	39.18%	↑
Other Income	363	360	3	0.83%	↑
Operating Expenses	511	404	107	26.49%	↑
Operating Profit	900	709	191	26.94%	↑
Prov & Contingencies	323	302	21	6.95%	↑
Net Profit	577	407	170	41.77%	↑
R O A	1.71%	1.60%			↑
R O E	24.69%	20.89%			↑

### Key highlights

- ✓ NII increased by 39%
- ✓ Operating Profit increased by 27% (YoY)
- ✓ Net Profit grew by 42%
- ✓ ROA at 1.71% and ROE at 24.69% best in the Banking Industry.

## 9 M FY11 performance – A snapshot

### Financial Performance – 9 M FY 11 Vs 9 M FY 10

Particulars	9 M FY 11 ( in INR mn)	9 M FY 10 ( in INR mn)	Absolute Growth	% Growth	Direction
Net Interest Income	3,009	1,906	1,103	57.87%	↑
Other Income	1,124	1,113	11	0.99%	↑
Operating Expenses	1,497	1,197	300	25.06%	↑
Operating Profit	2,636	1,822	814	44.68%	↑
Prov & Contingencies	999	643	356	55.37%	↑
Net Profit	1,637	1,179	458	38.85%	↑
R O A	1.74%	1.60%			↑
R O E	23.99%	21.26%			↑

### Key highlights

- ✓ NII increased by 58%
- ✓ Operating Profit increased by 45% (YoY)
- ✓ Net Profit grew by 39%
- ✓ ROA at 1.74% and ROE at 23.99% best in the Banking Industry.

# Key business indicators

## Key indicators

Particulars	Q3 FY 2010-11	9M FY 2010-11	Direction	FY 2009-10
Cost of Deposits	6.89%	6.84%	↑	7.73%
Yield on Advances	12.19%	12.32%	↓	13.04%
Yield on Investments	6.64%	6.60%	↑	7.84%
Net Interest Margin	3.48%	3.58%	↓	3.15%
Cost to Income	36.21%	36.22%	↓	39.33%
Cost of Funds	6.19%	6.08%	↑	1.52%
Yield on Funds	9.30%	9.27%	↑	20.55%
Per Employee Business (in INR mn)	74.03	74.03		65.10
Per Employee Profit (in INR mn) Ann	0.84	0.79	↑	0.58
EPS (in INR) – FV INR1/- Share	1.43	4.08		4.03

# Income and Expenses break up – Q3 FY 11 Vs Q3 FY 10

## Interest income break up

(in INR Mn)

Particulars	Q3 FY 11	Q3 FY 10	% Change	March' 10
Interest on Loans	2,473	1,897	30.4%	7,558
Interest on Investments	639	504	26.8%	1,937
Other Interest Income	18	25	- ve	71
<b>Total Interest Inc</b>	<b>3,130</b>	<b>2,426</b>	<b>29.0%</b>	<b>9,566</b>

## Other income break up

## Expenses break up

Particulars	Q3 FY 11	Q3 FY 10	% Change	March' 10
CEB & Charges	222	171	29.8%	690
Treasury Income	57	69	- Ve	458
Others including Suit Recoveries	84	120	- Ve	260
<b>Total Other Income</b>	<b>363</b>	<b>360</b>	<b>0.8%</b>	<b>1,435</b>

Particulars	Q3 FY 11	Q3 FY 10	% Change	March '10
Interest expended	2,082	1,673	24.4%	6,785
Employee cost	246	192	28.1%	801
Other operating exp	265	212	25.0%	857
<b>Total expenses</b>	<b>2,593</b>	<b>2,077</b>	<b>24.8%</b>	<b>8,443</b>

# Income and Expenses break up – 9 M FY 11 Vs 9 M FY 10

## Interest income break up

(in INR Mn)

Particulars	9 M FY 11	9 M FY 10	% Change	March' 10
Interest on Loans	6,879	5,591	23.0%	7,558
Interest on Investments	1,782	1,422	25.3%	1,937
Other Interest Income	62	53	17.0%	71
<b>Total Interest Inc</b>	<b>8,723</b>	<b>7,066</b>	<b>23.5%</b>	<b>9,566</b>

## Other income break up

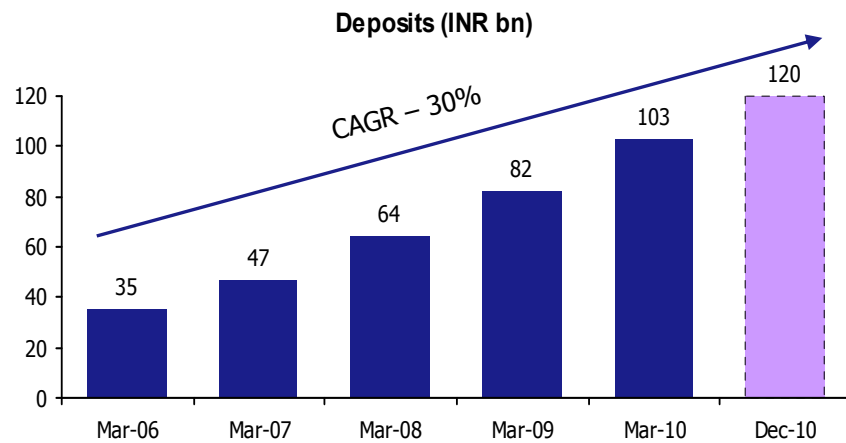
## Expenses break up

Particulars	9 M FY 11	9 M FY 10	% Change	March' 10
CEB & Charges	677	452	49.8%	690
Treasury Income	136	439	-VE	458
Others including Suit Recoveries	311	222	40.1%	287
<b>Total Other Income</b>	<b>1,124</b>	<b>1,113</b>	<b>1.0%</b>	<b>1,435</b>

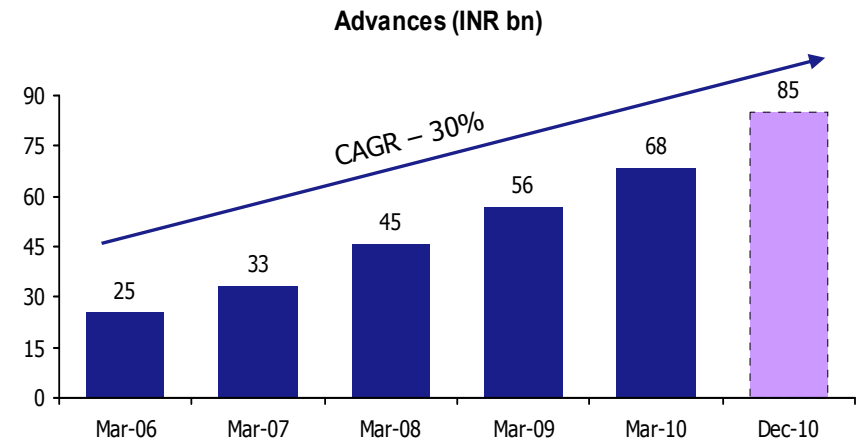
Particulars	9 M FY 11	9 M FY 10	% Change	March '10
Interest expended	5,714	5,158	10.8%	6,785
Employee cost	724	597	21.3%	801
Other operating exp	773	600	28.8%	857
<b>Total expenses</b>	<b>7,211</b>	<b>6,355</b>	<b>13.5%</b>	<b>8,443</b>

# Strong deposit and advances growth

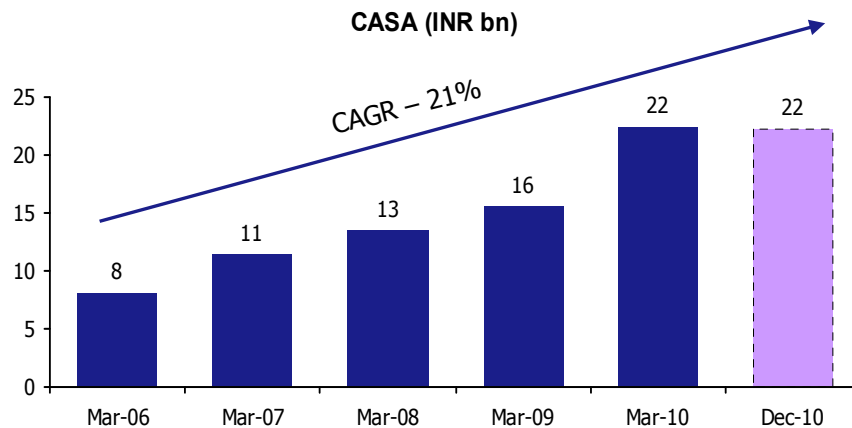
## Steady increase in deposits



## Steady increase in advances



## Increase in CASA

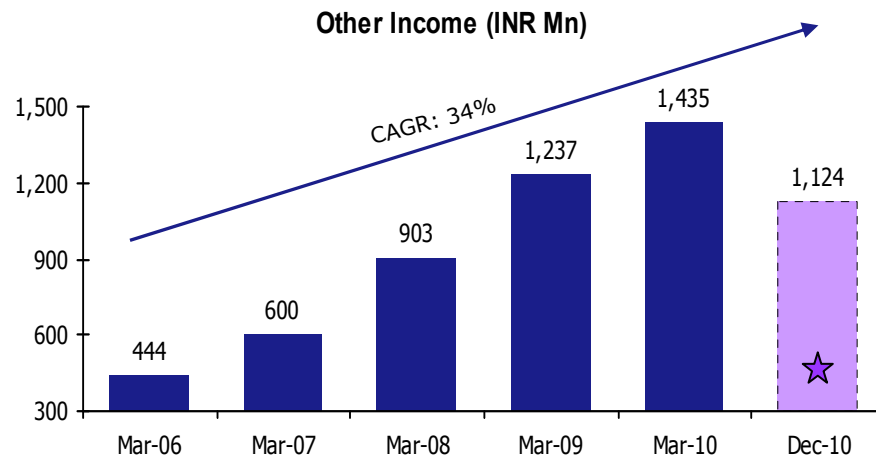


- ✓ Deposits - stable and retail oriented. Growing at a CAGR of 30%
- ✓ CASA recorded 25% growth for Dec 2010 (YoY)
- ✓ Advances growing at a CAGR of 30% in the last 5 years; Credit Deposit ratio is sound at 71%

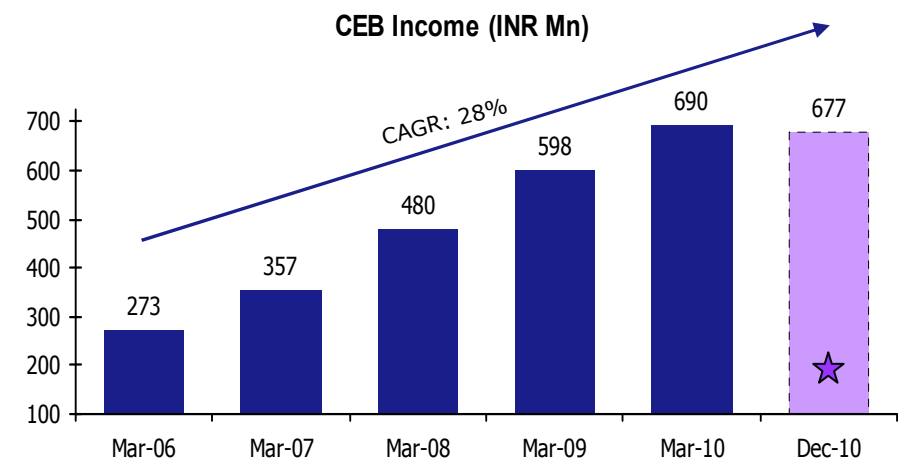
CUB has reported strong growth in deposits and advances in the last few years

# Strong growth in income and profitability

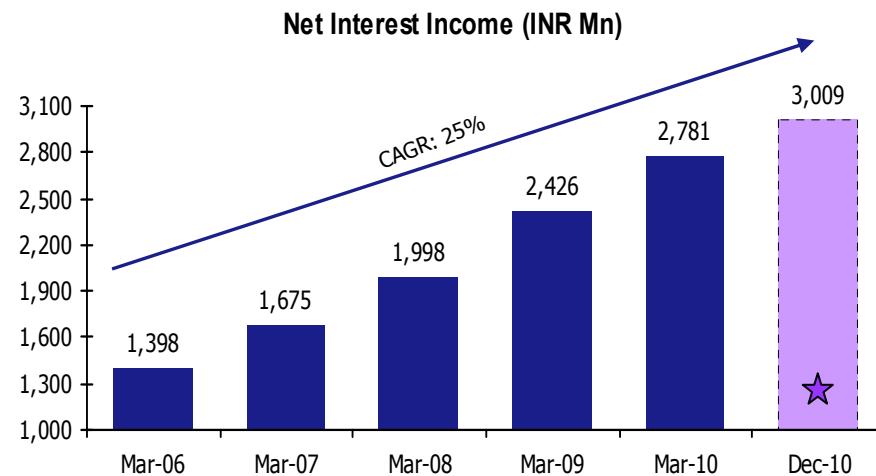
## Strong growth in other income



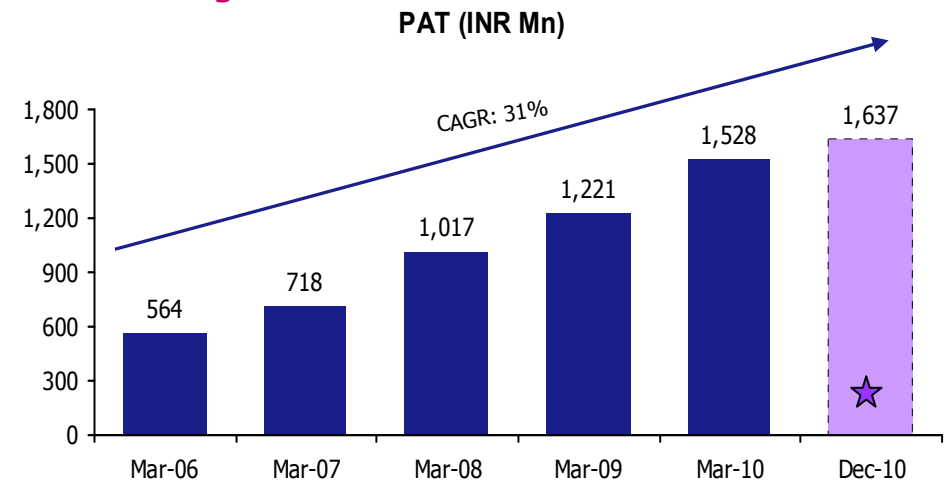
## CEB & Charges Income over 5 years



## Steady increase in net interest income



## Robust PAT growth

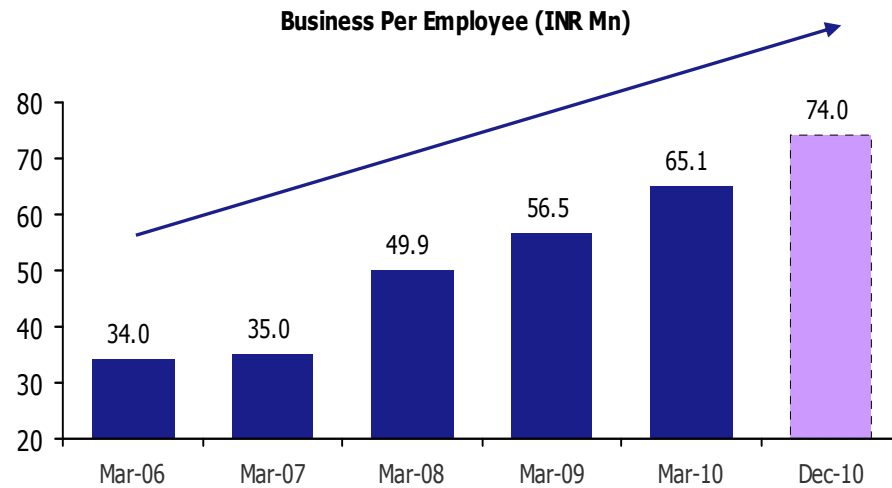


★ **Nine months figures (Not Annualised)**

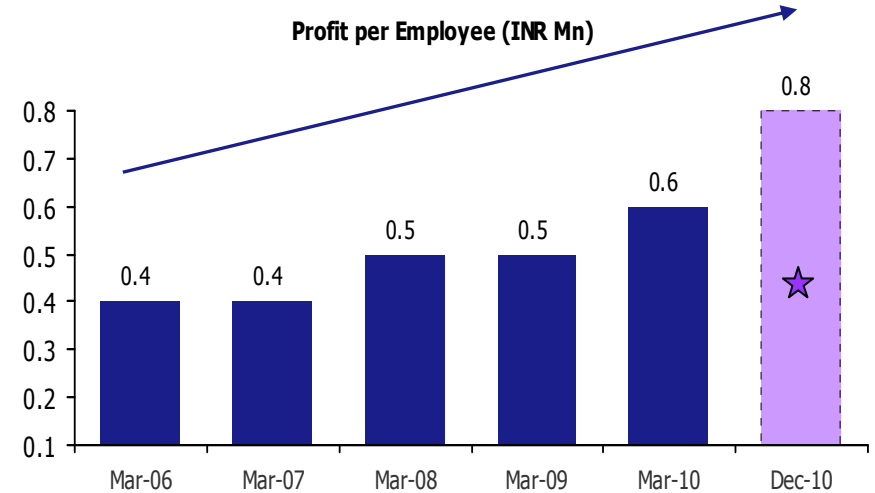


# Increasing employee efficiency

## Growth in business per employee



## Steady rise in profit per employee

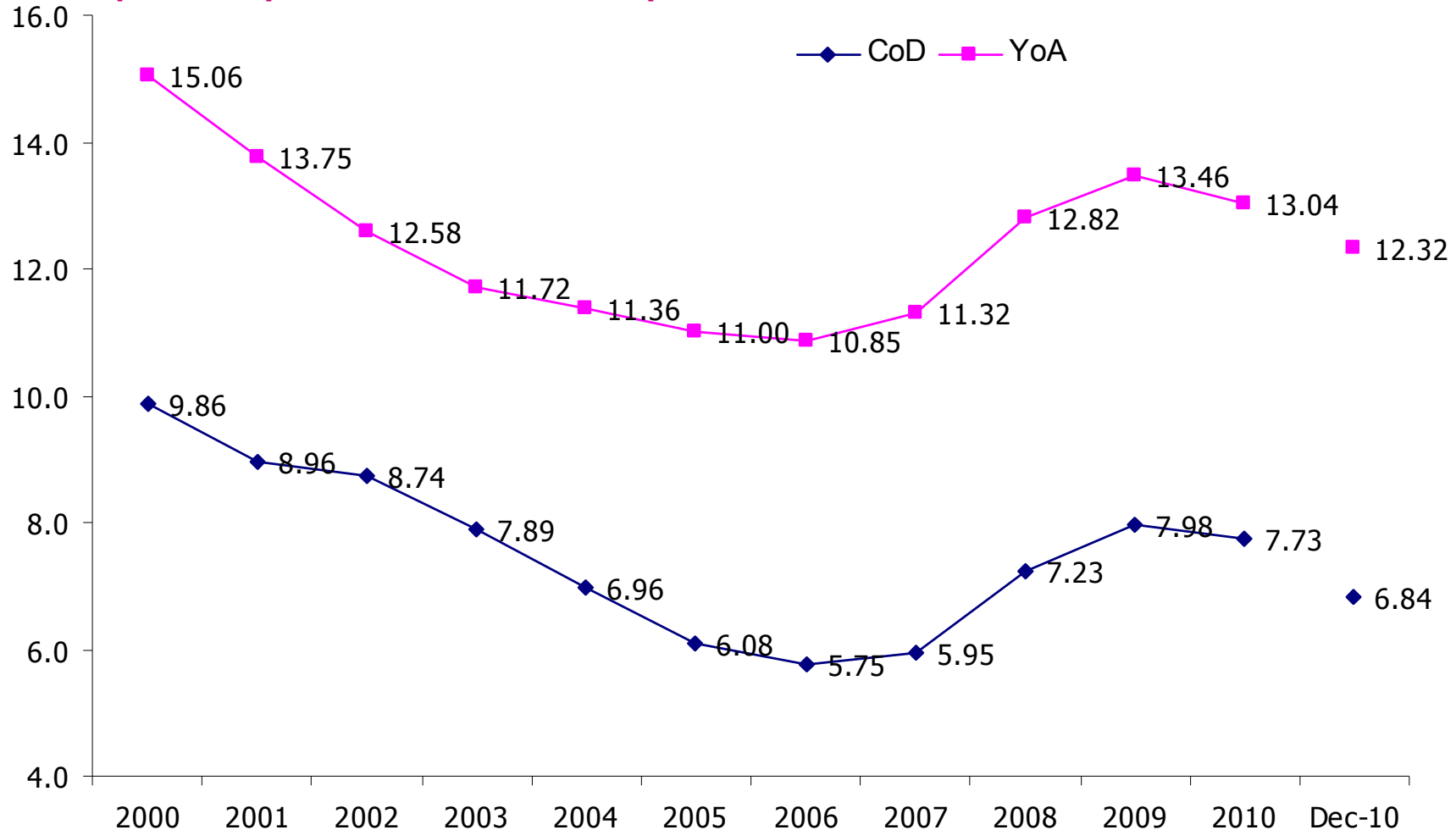


Our employee efficiency has been going up continuously as reflected by the above parameters

★ Annualised

# Cost of deposits & yield on advances

Cost of deposits and yield on advances in last 10 years

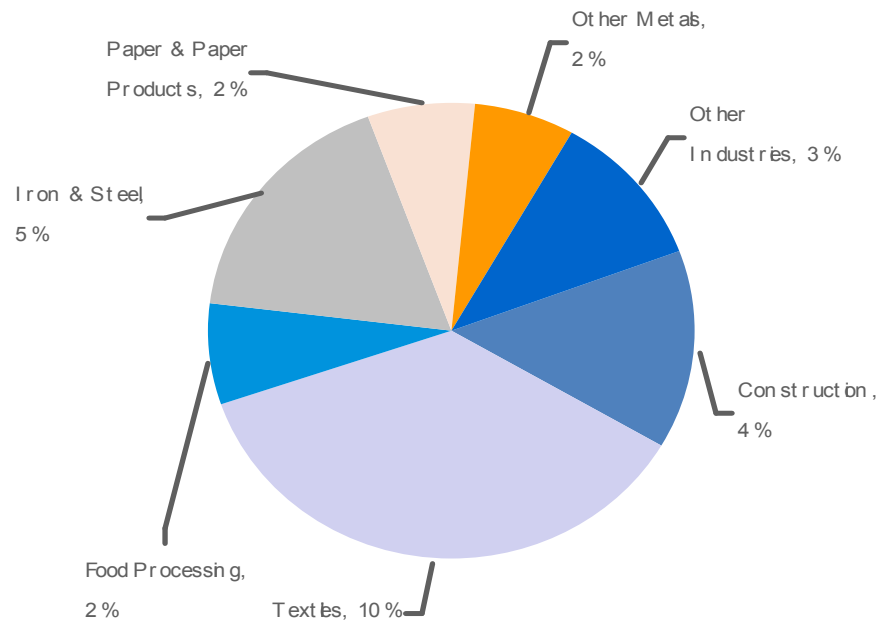


Spread between cost of deposits and yield on advances of our bank maintained in the last 10 years

# Loan book – Major Industry wise exposure

## Advances to Major Industries as on 31<sup>st</sup> December 2010

Loans Composition	Amount (in INR mn)	% to Total Advances
Construction (C R E)	3,700	4%
Textiles	8,346	10%
Food Processing	1,461	2%
Iron & Steel	4,011	5%
Paper & Paper products	2,047	2%
Other Metal & Metal Products	1,499	2%
Other Industries	2,490	3%



# Loan book – Major Sector wise Exposure & Regulatory Classification

## Major Sector wise Advances as on 31<sup>st</sup> December, 2010

Major Sector	Amount ( in INR mn)	% to Total Adv
M S M E	26,719	31%
Agriculture	10,853	13%
Large Industries	5,063	6%
Retail Traders	8,267	10%
Wholesale Traders	9,974	11%
Service Sector	24,298	29%
<b>Gross Loan Total</b>	<b>85,174</b>	

- ✓ SME and trade loans earning higher yields constitute 54%.
- ✓ Diversified credit portfolio reduces credit risk
- ✓ Lower ticket size backed by adequate collaterals
- ✓ Unsecured Advances aggregate to 3% only

## Regulatory Classification of Advances as on 31<sup>st</sup> December, 2010

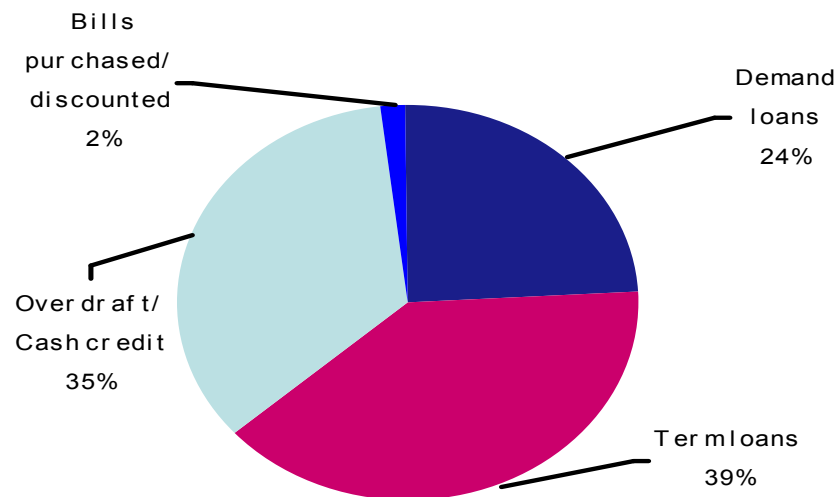
Classification	Amount ( in INR mn)	% to Total Adv
Corporates	28,562	34%
Regulatory Retail	35,195	41%
NBFC	2,537	3%
Other Advances	18,880	22%
<b>Gross Loans Total</b>	<b>85,174</b>	

# Loan book products composition

## Loan Products composition as December 31, 2010

Loan Products Combination	Amount ( in INR mn)	% to Total Adv
OD/CC and Demand Loans	50,165	59%
Term loans	33,273	39%
Bills Purchased / Discounted	1,736	2%
<b>Gross Loans Total</b>	<b>85,174</b>	

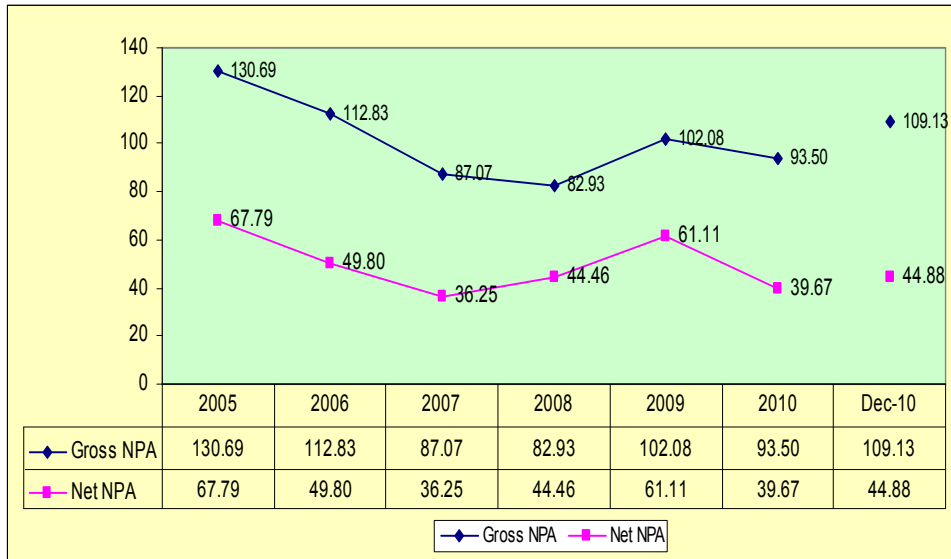
- ✓ Working capital loans yielding higher interest constitute 59% of advances
- ✓ Re-pricing possible at short intervals thus reducing interest rate risk
- ✓ ~80% of our loan book is on floating rate basis which reduces interest rate risk



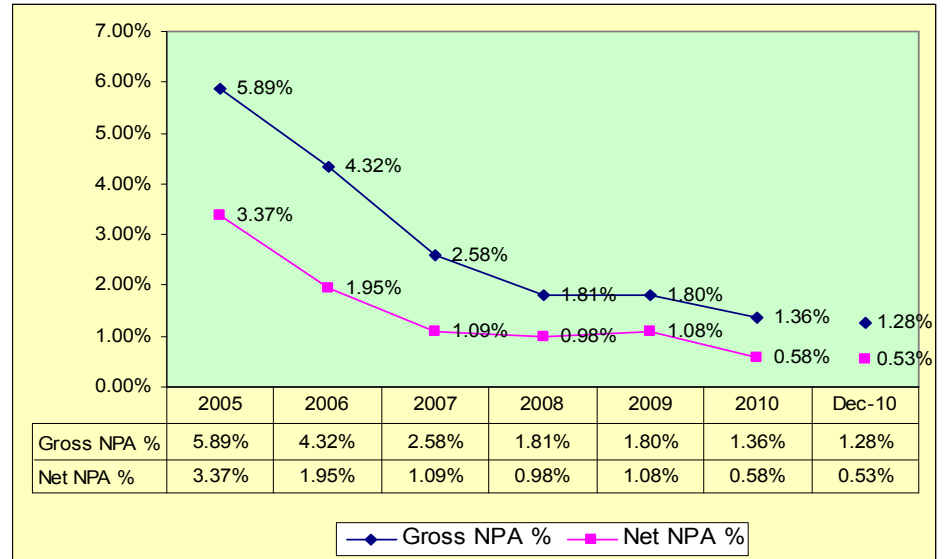
# Asset quality is showing continuous improvement

## NPA – AN ANALYSIS – LAST 5 YEARS

### Gross NPA & Net NPA - Quantum



### Gross NPA & Net NPA - %



- ✓ Smart improvement in Asset quality over the years; Gross NPA has come down from 5.9% in March '05 to 1.3% in December '10
- ✓ Net NPA level brought down to 0.5% in December '10 from 3.4% in March '05
- ✓ We have a well defined and robust credit appraisal policy and risk management system

# Restructured Accounts

## Details of Restructured Accounts

- ✓ No accounts Restructured in the last 6 quarters.
- ✓ 38% of the Restructured amounts already recovered (full cash recovery).
- ✓ Only 2.5% of restructured accounts turned NPA and no addition from Restructured accounts in the last 6 quarters.
- ✓ The Restructured accounts are performing well and certain accounts got closed well before the due date. Out of Rs.4843 Mn in Restructured amounts, the amount collected upto December 2010 was Rs.1851 Mn.
- ✓ Regular repayments received for more than one year in accounts with restructured balance of Rs.1346 Mn.
- ✓ Balance outstanding on Restructured Accounts as on 31<sup>st</sup> December 2010 – Rs.2993 Mns

# Restructured Accounts

## Details of Restructured Accounts

	No .of Borrowers	Amount ( in INR mn)
Restructured in I Phase – FY 2008-09	213	3,187.9
Restructured in II Phase – FY 2009-10	51	1,655.6
<b>Total</b>	<b>264</b>	<b>4,843.5</b>
Out of the above,		
Accounts closed till 31.12.2010		674.9
Accounts turned as NPA		123.6
Amounts repaid till 31.12.2010		1850.6
<b>Balance outstanding as at 31.12.2010</b>		<b>2992.9</b>

- ✓ Out of Rs.2993 Mn, accounts corresponding to Rs.1346 Mn have completed 1 year of principal repayment after the moratorium period.
- ✓ An amount of Rs.1433 Mn only in the one year period of time of after completing moratorium period. Of which Rs.883 Mn have completed more than 6 to 12 months and Rs.550 Mn have completed less than 6 months of principal repayment after the moratorium period.



# Investments – At a Glance

## Investments Breakup and Category wise

Particulars (Rs in Mn)	DEC-10	MAR-10	DEC-09
SLR	28,406	25,788	25,284
Non SLR	7,048	6,397	4,938
Total Investments	35,454	32,185	30,222
Yield on Investments	6.6%	6.5%	6.5%
Investments Breakup:			
- A F S	4,720	3,928	4,098
- H T M	30,734	28,256	26,078
- H F T	0	0	46
Total Investments	35,454	32,184	30,222
M D – AFS	2.89	2.89	2.88
M D – HTM	5.68	5.98	6.07
M D – HFT	-	-	6.91
M D – Overall	5.25	5.49	5.56

- ✓ In total Non-SLR securities of Rs.7,048 Mns, investment in NABARD RIDF constitutes Rs.6,356 Mns.
- ✓ Modified Duration for entire investment portfolio is 5.25 only.

## 5. Recent developments for Tirupur Garment Units

# Tirupur Garment units

## Recent Developments

- ✓ The Madras High Court has ordered on 28.01.2011 that Common Effluent Treatment Plants (CETP) and Integrated Effluent Treatment Plants (IETP) located in Tirupur shall be permitted to operate after they are inspected and certified to achieve Zero Liquid Discharge (ZLD) by Tamilnadu Pollution Control Board.
- ✓ Our total exposure to Dyeing in Tirupur is Rs.905 Mns.
- ✓ We have financed 7 units covered by CETPs with a total exposure of Rs.161 Mns.
- ✓ We have financed 5 units with a total exposure of Rs.369 Mns having own RO plants.
- ✓ We have financed 3 units with an aggregate exposure of Rs.375 Mns which are not located in Tirupur and hence are not covered by the High Court order.

# Tirupur Garment units

## Recent Developments

- ✓ Our total exposure to garment export units in Tirupur is Rs.1437 Mns of which post shipment bills financing amounts to Rs.751 Mns.
- ✓ CETPs and IETPs will be able to commence operations shortly after the inspection by TNPCB either without or with some minor rectifications to the plant. They have initiated necessary action and the process of inspection and clearance is expected shortly as they are already operating near ZLD.
- ✓ Overall, there is no major concern because of the recent developments in Tirupur.

**Thank You**

