

# ANNUAL REPORT 2012 - 2013



**CUB**  
Trust and Excellence  
SINCE 1904

## CITY UNION BANK LIMITED



Shri. S. Balasubramanian, Chairman receiving the "Best Bank" Award from Shri. Anand Sharma, Hon'ble Union Minister for Commerce & Industry for efficiency and profitability adjudged by "The Sunday Standard".



Shri. S. Balasubramanian, Chairman receiving the "Banking Excellence Award - 2012" adjudged by the State Forum of Banker's Clubs, Kerala, under Private Sector Banks' category.

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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](http://www.cityunionbank.com)

## BOARD OF DIRECTORS

### CHAIRMAN



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

### MD & CEO



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

### DIRECTORS



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



**N. KANTHA KUMAR**  
B.Com., L.L.B., CAIIB



**R.G. CHANDRAMOGAN**



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



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



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



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



**S. MAHALINGAM**  
B.Com., A.C.A.

SENIOR EXECUTIVES



**R. MOHAN**  
Chief General Manager



**S. SEKAR**  
Senior General Manager CFO & Senior General Manager



**S. SUNDAR**



**J. KUMAR**  
General Manager



**R. VENKATASUBRAMANIAN**  
General Manager

DEPUTY GENERAL MANAGER



**S. BALASUBRAMANIAN**



**S. RAJAGOPALAN**



**K. MAHARAJAN**



**K.P. SRIDHAR**



**R. SAIRAM**



**V.S. SRINIVASAN**



**V. RAMESH**



**V. SUGUNA**



**DBVN. SARATH CHANDRA KUMAR**



**K.R.S. VARADHAN**



**R. KRISHNAN**

ASSISTANT GENERAL MANAGER

S. VENKATESAN  
S. MOHAN  
R. LAKSHMINARAYANAN  
P. VARADARAJAN  
V. GANESAN  
V. KRISHNAMOORTHY  
R. RAJARAMAN  
S. ARUMUGAM  
S. T. CHANDRASEKARAN

S. RAJAM  
S. RAJA  
K. PANCHAPAKESAN  
M. MOUNISAMY  
R. SUBRAMANIAN  
S. RAMESH  
P. THIAGARAJAN  
V. V. KANNAN  
P. RAVI

A. RAGOTHAMAN  
R. RENGARAJAN  
J. RAJASEKARAN  
C. GANESAN  
J. CHANDRASEKAR  
V. S. S. KRISHNA PRASAD  
K. JAYARAMAN  
V. GOPALAKRISHNAN  
G. SANKARAN

J. RAMASWAMY  
R. UMA  
R. BALAJI  
J. SRIDHARAN  
T. ETHIRAJULU  
R. SUBRAMANIAN  
A. JAFFER ALI  
P. RAJARAMAN  
S. KRISHNAN  
V. RAMAKRISHNAN

COMPANY SECRETARY & DEPUTY GENERAL MANAGER

**V. RAMESH**

## DIRECTORS' REPORT FOR THE YEAR 2012-2013

Your Directors take great pleasure in presenting their report and the audited financial statements of your bank for the year ended March 31, 2013

### Performance Highlights in key business areas :

(₹ in crore)

Particulars	2012-2013	2011-2012	Growth
Own Funds	1641	1243	32.02%
Deposits	20305	16341	24.26%
Advances ( Net)	15246	12137	25.62%
Investments (Net)	5267	4586	14.85%
Total Assets / Liabilities	22977	18351	25.21%
Net Interest Income	624	500	24.80%
Operating profit	523	427	22.48%
Net Profit	322	280	15.00%

During the year the bank had crossed a new mile stone of ₹ 20,000 crore in deposits and ₹ 15,000 crore in advances. The pace of growth in the business achieved by the bank in the last few years has been maintained in the year under reporting also.

### DEPOSITS

The total deposit increased by ₹ 3,964 crore to cross the 20,000 mark to end up at ₹ 20,305 crore which is higher by 24.26% over the last year. CASA, the low cost component of the deposit increased by 15%. In the year of rising interest rate scenario the bank was able to contain the cost of deposit to a marginally higher level at 8.44% compared to 8.11% in the previous year. Steps are being taken on an ongoing basis to ensure that there is steady growth in deposits with an eye on the cost factor also.

### ADVANCES

The gross advances of the bank increased by 25.54% from ₹12,222 crore to ₹15,343 crore while the yield on advances fell marginally from 13.56% to 13.49%. The banking industry has been witnessing difficulty in lending as the growth of economy slowed down considerably to touch a record low of 5% in the decade.

Thus when the credit off-take was sluggish in the banking industry your bank has managed to achieve a growth of 25.54%. The gross NPA of the bank increased marginally from 1.01% to 1.13%. The net NPA was at 0.63% as against 0.44% in the previous year. The provision coverage ratio stood at 71% and is above the prescribed level of 70%. The priority sector advances stood at 46.93% as against the regulatory prescription of 40% and the sub-targets set for agriculture & weaker sections have also been met.

The bank has continued its policy of lending to retail segments to achieve a better return with minimum credit risk. The bank has also issued Inter Bank Participation Certificate of ₹ 85 crore to other banks for the first time from out of its surplus in priority sector and agricultural lending.

### TREASURY OPERATIONS

#### Forex Treasury

The rupee which was at ₹ 50.68 against US dollar at the beginning of the year depreciated due to the twin effects of slower growth of the domestic economy and the signs of positive growth of the US economy. The rupee reached a

peak of ₹ 57.32 to an all time low but recouped later to reach the level of ₹ 54.30 at the end of the year still being 8% lower than which was at the beginning of the year. The two way movement facilitated active trading and the forex treasury took full advantage of the movements in its proprietary as well as in merchant trading to increase the profit to ₹ 18.37 crore which is 20.70% higher than as compared with last year.

### Domestic Treasury

The gross investments increased from ₹ 4,594 crore as reported at the end of last year to ₹ 5,268 crore. Out of these, the investments in Government Bonds alone amounted to ₹ 4,564 crore which were made to maintain the statutory reserve requirements on enlarged resources. The G-Sec yields started declining gradually from December 2012 onwards. The Yield to Maturity (YTM) on the 10 year Government of India bond stood at 7.95% as on 31.03.2013 as against 8.57% a year ago. Stock market indices, Sensex and Nifty gained 8.20% and 7.30% respectively. During the year, the treasury department handled the trading/investment functions efficiently and earned a profit of ₹ 17.05 crore as against ₹ 7.77 crore in the previous year.

### Operating results :

The highlights of operating results of your Bank for the current and previous financial year are at a glance as mentioned below:-

(₹ in crore)

Particulars	Current Year ended 31st March, 2013	Previous Year ended 31st March, 2012
Total Income	2462	1904
Total Expenses	1939	1477
Operating Profit	523	427
Provisions & Contingencies	201	147
Net Profit	322	280
Net Interest Income	624	500

The total income of the bank increased to ₹ 2,462 crore from ₹ 1,904 crore registering an increase of 29.31%. This increase was achieved on the back of higher advances and investments coupled with increase in other income. The total expenditure also increased by 31.29% due to higher cost of deposit and increase in other operational expenditure resulting from large expansion in the number of branches.

The operating profit increased by a healthy 22.48%. The Net Interest Income recorded an impressive growth of 24.80%. The non-interest income of the bank increased by 32.11% to reach ₹ 274 crore. After provisioning for NPAs and taxation the net profit grew by 15% from ₹ 280 crore to ₹ 322 crore.

**APPROPRIATIONS:**

The summary of net profit appropriations is as follows:

(₹ in crore)

Particulars	Current Year ended 31st March, 2013	Previous Year ended 31st March, 2012
<b>Net Profit</b>	<b>322.02</b>	280.25
Balance of Profit brought forward	6.60	5.56
<b>Amount available for appropriations</b>	<b>328.62</b>	285.81
Transfers to		
- Statutory Reserve	82.00	71.00
- Capital Reserve	1.90	0.00
- General Reserve	142.00	140.00
- Investment Reserve	0.34	0.73
- Special Reserve under IT Act, 1961	40.00	20.00
- Proposed Dividend	0.00	40.82
- Interim Dividend	47.45	0.00
- Corporate Dividend Tax and Surcharge	8.06	6.66
- Balance of profit carried forward	6.87	6.60
<b>Total</b>	<b>328.62</b>	<b>285.81</b>

**OWNED FUNDS & CAPITAL ADEQUACY RATIO**

Owned funds of the Bank has increased from ₹ 1,243.10 crore as on 31.03.2012 to ₹ 1,640.67 crore as on 31.03.2013 due to Issue of Shares under Rights basis and plough back of profit. The paid up capital of the bank increased to ₹ 47.44 crore from ₹ 40.82 crore as a result of the Rights Issue of 12,89,87,972 Equity Shares ( partly paid ) in the ratio of one share for every four shares held at a face value of ₹ 1 each at a price of ₹ 20 per share (including a premium of ₹ 19 per share) of which ₹ 10 was received as application money during the year and the balance of ₹ 10 is to be received in the next fiscal. During the year, the bank allotted 17,39,237 shares to employees who have exercised their options under the Employee's Stock Option Scheme, 2008.

The Capital Adequacy Ratio as at 31st March 2013 stood at 13.98 % as per BASEL - II norms well above the prescribed regulatory norm of 9%.

**DIVIDEND**

The bank continued its policy of rewarding the shareholders with high dividend payments by declaring an interim dividend @ 100% i.e ₹ 1 per equity share with a face value of ₹ 1 per share and ₹ 0.50 paise per partly paid equity share with a face value of ₹ 1 each on which ₹ 0.50 paise is paid up and the same was paid on 06.06.2013. The dividend is subject to payment of dividend tax. No final dividend is recommended by the Board in order to conserve capital for future growth and in view of the higher interim dividend declared and paid.

**BRANCH EXPANSION**

The bank has opened 75 more branches during the year to reach a total of 375 branches. In the last three years 153 new branches were added. The bank continued its focus on semi urban and rural areas which are the core business contributors to the bank by opening 80% of the new branches in these areas while not losing sight on metro and urban areas where 15 branches were opened. The policy of increased presence through more number of branches has resulted in continuous growth in business.

**FINANCIAL INCLUSION**

As informed in our last year report, your Bank has complied with RBI directive on financial inclusion by covering all the 42 villages having population of over 2000 by introducing ICT (Information, Communication & Technology) based services within the stipulated time.

Your Bank has also covered 58 villages out of 96 villages allotted having population of over 1000 and below 2000 by introducing ICT based services as on 31/03/2013 and the remaining 38 villages will be covered in the FY 2013-14.

During the financial year ended 31.03.2013, Basic Savings Bank Deposits Accounts numbering 54,197 were opened and 39,748 Biometric Smart Cards were issued to the beneficiaries. SB linked overdraft facility, micro insurance products, Electronic Benefit Fund Transfer (EBT) payments have been extended to such account holders.

## EMPLOYEES STOCK OPTION SCHEME

Statutory disclosures regarding ESOS under Clause 12 of the SEBI guidelines are provided in Annexure - 1 attached to this report.

## HUMAN RESOURCE DEVELOPMENT

Human resource occupies the centre stage in any organization and more so in a service industry like banking. The bank has been following a well defined accommodative and innovative HR policy. The innovative approach includes performance appraisal on an on going basis, identification of skill gap and imparting the required training and optimize the ability of the staff.

As on 31st March 2013, your Bank has 3785 employees comprising of 54 Executives, 1236 Officers, 2124 Clerks and 371 Subordinate staff.

The bank adopted the unique way of rewarding all the permanent employees on uniform basis by granting rights issue with consent of the share holders to increase the stake of employees in the bank and to make them proudly realize that the ownership rest with them also.

The bank has a regular training college which trains all cadres and the freshers. In addition employees are also deputed to other training colleges, seminars, and workshop conducted by reputed organization to sharpen their skills.

## AUTOMATION

Technology plays a key role in banking industry today, Realising the importance of leveraging technology for improving customer service, upgradation is done constantly in tune with the requirements.

To satisfy the basic banking needs of customers on 24/7 basis, more number of ATMs are added with new features, we have with us such ATMs also to offer enhanced more banking services. From mere cash delivery machines the ATMs of the day are giving more value added services like money transfer, payment of bills etc. As on 31/03/2013 there were 788 ATMs compared to 500 ATMs as on 31/03/2012 an increase of 57.60% as compared to previous year.

As a part of the efforts to deliver the most convenient way of banking for its customers, the facilities like opening of fixed deposit for individual customer through net banking, availing loan on these deposit, facility for pre closing of deposit and a host of other facilities have been made available through net banking.

"Any Counter Any transaction" was introduced in 161 branches where all needs of customers" are met at a single point interaction. Xpress desks are provided in 50 branches in which customers can deposit cash, with draw cash and make funds transfer without waiting in queues. Kiosks have been introduced in 5 branches where customers can transfer funds within CUB branches, make RTGS/NEFT payments, obtain mini statements, make requests for cheque book, etc.

## BOARD OF DIRECTORS

Shri. S. Mahalingam has been co-opted as additional director at the meeting of the Board of Directors held on 22/07/2013 pursuant to Sec. 260 of the Companies Act, 1956. Your bank has received a notice from a member pursuant to Sec. 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri. S. Mahalingam as Director.

Shri. K. S. Raman retired from the Directorship of the Bank on 07/12/2012. The Board wishes to place on record its deep sense of appreciation for his invaluable contribution to the growth and development of the Bank during his association with the Bank.

Prof. V Kamakoti, Shri. S R Singaravelu & Shri. C R Muralidharan are the directors retiring by rotation at the ensuing Annual General Meeting and are eligible and offer themselves for re-appointment.

## AUDITORS

In accordance with the policy of rotation and resting the present Statutory Central Auditor (SCA) M/s Jagannathan & Sarabeswaran, Chartered Accountants, Chennai, retires at the conclusion of this Annual General Meeting. It is proposed to appoint a new Statutory Central Auditor (SCA) fully complying with the eligibility norms issued by the Reserve Bank of India.

In this regard, your Bank has received a special notice from the members under Sec 225 of the Companies Act, 1956 to appoint M/s. P Chandrasekaran, Chartered Accountants, Bangalore as the Statutory Central Auditor of the Bank at the ensuing Annual General Meeting in place of the above retiring auditor.

### **STATUTORY DISCLOSURES**

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 upgradation in a cost effective manner for delivering quality customer service and offer innovative products.

The Bank supports and encourages the Country's export efforts through its export financing operations.

As required under the provisions of Sec. 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, your Directors report that during the fiscal 2012-13, none of the employees were in receipt of remuneration requiring disclosure.

It is hereby confirmed that the bank has proper systems in place to ensure compliance of all laws applicable to the Bank.

### **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 them consistently and reasonably, and prudent judgements and reasonable 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 & Loss of the Bank for the financial year ended 31st March 2013.
- 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 take this opportunity to express their deep and sincere gratitude to RBI, NABARD, NHB, IDBI, SIDBI, EXIM BANK, 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 records its deep sense of appreciation to the shareholders and all the customers in supporting the Bank in its endeavour to achieve a good progress during the year 2012-13 in a challenging environment that prevailed in the year.

The Board appreciates all its employees for their stellar performance with full commitment, strong work ethics, and professionalism, which have been making the Bank progress year after year and to reward the shareholders, stakeholders and the employees also.

FOR AND ON BEHALF OF THE BOARD

Place : Chennai  
Date : 22.07.2013

**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	2,02,50,000	3,46,000	28,00,000
Additional options allocated pursuant to Rights Issue during the financial year	25,31,250	NIL	NIL
Pricing Formula	* ₹ 13 per share / for option	₹ 32 per share / for option	₹ 47 per share / for option
Options Vested	1,23,51,578	1,03,800	8,40,000
Options exercised	99,17,986	33,900	NIL
Total Number of shares arising as a result of exercise of options	99,17,986	33,900	NIL
Options Lapsed	11,64,216	32,000	3,14,400
Variation in terms of Options	NIL	NIL	NIL
Money realized by exercise of Options	11,50,48,638	10,84,800	NIL
Total Number of Options in Force	1,16,99,048	2,80,100	24,85,600
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 intrinsic value and if fair value of options had 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	₹ 10.71	₹ 6.95	₹ 12.15

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.

## 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 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 :-

- i) Adhere to the Laws and Regulations both in letter and spirit.
- ii) To be transparent and maintain a high degree of disclosure levels.
- iii) 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.
- iv) Strict adherence to prudent banking norms and values in the conduct of day - to - day banking operations.

Towards transparency in operations, bank provides vital details to all the stakeholders in the Bank's website [www.cityunionbank.com](http://www.cityunionbank.com)

### 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 31.03.2013 is 9 Directors comprising of Non Executive Chairman, Managing Director & CEO and 7 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	1105077
Dr. N Kamakodi	Banking	Managing Director & CEO	Nil	1306251
Shri. S Bernard	Accountancy	Non-Executive Director	Nil	2756
Shri. N Kantha Kumar	Rural Economy, Agriculture Finance & Banking	Non-Executive Director	Nil	3862
Shri. R G Chandramogan	Agriculture & Rural Economy	Non-Executive Director	3	20267
Shri. T K Ramkumar	Law	Non-Executive Director	Nil	38385
Shri. C R Muralidharan	Banking	Non-Executive Director	3	1287
Justice S R Singaravelu	Agriculture & Rural Economy	Non-Executive Director	Nil	4119
Prof. V Kamakoti	Technology	Non-Executive Director	Nil	1250

The details of Directorship / Membership or Chairmanship of the committees for each director of the bank in other Companies as on 31<sup>st</sup> March, 2013 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. S Bernard	NIL	NIL
4	Shri. N Kantha Kumar	NIL	NIL
5	Shri. R G Chandramogan	(i) Hatsun Agro Products Ltd  (ii) Tonokya Food Pvt. Ltd  (iii) Angel Equity Management Pvt Ltd	Share Transfer Committee and Core Committee - (Chairman) Sub Committee - Member  NIL  NIL
6	Shri. T K Ramkumar	NIL	NIL
7	Shri. C R Muralidharan	(i) PTC India Financial Services Ltd  (ii) ICICI Prudential AMC Ltd  (iii) Universal Sompo General Insurance Co Ltd	IT / ALM / Risk Management Committee / Audit Committee - Member  NIL  NIL
8	Justice S R Singharavelu	NIL	NIL
9	Prof. V Kamakoti	NIL	NIL

#### Directors seeking appointment / re-appointment

Shri. S. Mahalingam, has been co-opted by the Board at its meeting held on 22/07/2013. He is aged 65 years, B.Com (Honours) and Associate member of Institute of Chartered Accountants of India. He has retired as Chief Financial Officer and Executive Director of Tata Consultancy Services. In his 43 years career with TCS, Shri. S. Mahalingam has been involved in myriad aspects of the company's operation and growth and also played a key role in helping TCS become a \$ 11.60 billion global company with over 2,76,000 employees. At present he is a Director in Nani Palkhivala Arbitration Centre, Tata Reality and Infrastructure Limited, CMC Limited, CSI Publications and National Skill Development Corporation. Shri. S. Mahalingam is an Independent Non Executive Director and he has been appointed to our Board under the majority sector. He is holding 6250 shares of the Bank.

Prof. V Kamakoti aged 44 years, B.E. M.S., Ph.D, is a professor in the Department of Computer Science and Engineering in Indian Institute of Technology, Chennai. Prof. V. Kamakoti is an Independent Non Executive Director. He has been appointed to our Board under the majority sector of Technology. He is holding 1250 shares of the Bank.

Justice S. R. Singharavelu, aged 65 years, B.Sc., BL., is a former Judge of High Court of Madras and High Court of Orissa. He has vast experience of 36 years in the Judiciary. Justice S R Singharavelu is an Independent Non Executive Director. He is holding 4119 shares of the Bank.

Shri. C. R. Muralidharan, aged 65 years, B.Sc., CAIIB, has held various positions in Reserve Bank of India. Shri. C. R. Muralidharan is an Independent Non Executive Director. He retired as Chief General Manager, Reserve Bank of India. He has extensive experience in regulatory Banking. He was also a whole time member of Insurance Regulatory and Development Authority (IRDA). He is holding 1287 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.

### AGM, Board and Committee Meetings held during Financial Year 2012 - 13

Name of the Director	Attendance in the last Annual General Meeting held on 31.08.2012	Board Meetings	
		Held during the Tenure	Attendance
Shri. S Balasubramanian	Yes	14	14
Dr. N Kamakodi	Yes	14	14
Shri. K S Raman (upto 27.11.2012)	Yes	8	8
Shri. S Bernard	Yes	14	13
Shri. N Kantha Kumar	Yes	14	14
Shri. R G Chandramogan	Yes	14	12
Shri. T K Ramkumar	Yes	14	14
Shri. C R Muralidharan	Yes	14	12
Justice S R Singharavelu	Yes	14	14
Prof. V Kamakoti	Yes	14	14

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 forwarded 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:

28.04.2012, 18.05.2012, 22.06.2012, 03.08.2012, 31.08.2012, 29.09.2012, 03.11.2012, 27.11.2012, 28.12.2012, 28.01.2013, 08.02.2013, 26.02.2013, 28.02.2013 and 22.03.2013.

### 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 offices, branches and ATM's.
- 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, Investment 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 ₹ 3,500 lakhs with aggregate per borrower exposure of ₹ 7,500 lakhs) 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	11	11
Dr. N Kamakodi	11	11
Shri. K S Raman (upto 27.11.2012)	7	7
Shri. S Bernard	11	11
Shri. N Kantha Kumar	11	11
Shri. R G Chandramogan	11	9

Dates of Meeting held : 28.04.2012, 22.06.2012, 03.08.2012, 31.08.2012, 29.09.2012, 03.11.2012, 27.11.2012, 28.12.2012, 28.01.2013, 26.02.2013 and 22.03.2013.

### 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 and 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 four 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	13	13
Shri. S Bernard	13	13
Shri. C R Muralidharan	13	12
Justice S R Singharavelu	13	13

Dates of Meeting held: 28.04.2012, 18.05.2012, 21.06.2012, 03.08.2012, 31.08.2012, 28.09.2012, 03.11.2012, 27.11.2012, 27.12.2012, 28.01.2013, 08.02.2013, 26.02.2013 and 21.03.2013.

### III. Committee to review NPA & Suit Filed Accounts

The Committee reviews NPA, suit filed accounts 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 (upto 27.11.2012)	2	2
Shri. N Kantha Kumar	4	4
Shri. T K Ramkumar	4	4
Justice S R Singharavelu	4	4

Dates of the Committee Meeting to review Irregular Advances held: 21.06.2012, 28.09.2012, 27.12.2012 and 21.03.2013.

#### 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 and Board.
- To recommend to the Board in defining risk appetite, tolerance and to initiate risk mitigation techniques.
- To review systems of risk management framework, internal control and compliance to identify, measure, 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 a 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 - II 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.
- To consider any major regulatory issues that may have bearing on the risks and risk appetite of the Bank.

The Risk Management Committee consists of the following 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
Shri. C R Muralidharan	4	4
Prof. V Kamakoti	4	4

Dates of Meeting held : 21.06.2012, 31.08.2012, 27.12.2012 and 21.03.2013

#### V. Customer Service Committee

The customer service committee has been constituted for achieving the following objectives.

- 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.

- iv. Exploring innovative measures towards enhancing the quality of customer service and improving the level of customer satisfaction of all categories of the bank's 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.
- ix. To review the details and basis of awards, if any, passed by the Banking Ombudsman on our bank.

The committee met twice on 03.08.2012 and 28.12.2012 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 (upto 27.11.2012)	1	1
Shri. T K Ramkumar	2	2
Prof. V Kamakoti	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	2	2
Shri. K S Raman (upto 27.11.2012)	2	2
Shri. S Bernard	2	2

Dates of Meeting held : 28.04.2012 and 22.06.2012.

#### 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 of 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 Shri. 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 Sigharavelu	1	1

The committee met once during the year on 28.01.2013.

#### VIII. Compensation Committee

The Compensation committee is headed by Shri. S. Balasubramanian and has been constituted to administer the Employee Stock Option Scheme in the Bank and to over see the framing, review and implementation of Compensation policy. The committee met 1 time during the year on 03.08.2012.

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S Balasubramanian	1	1
Dr. N Kamakodi	1	1
Shri. K S Raman (upto 27.11.2012)	1	1
Shri. N Kantha Kumar	1	1

#### IX. Remuneration

As approved by the Reserve Bank of India and the Board of Directors, a remuneration of ₹ 12,00,000/- was paid to Shri. S. Balasubramanian, Non-Executive Chairman for the period from 01.04.2012 to 31.03.2013.

Remuneration (Gross) paid to the Managing Director & CEO during the period from 01-04-2012 to 31-03-2013.

Name	Period	Remuneration (in ₹)
Dr. N. Kamakodi	01.04.2012 to 31.03.2013	24,90,000/-

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

#### X. Shareholders Grievance Committee

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

Meetings, dates and attendance during the year :-

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. K S Raman (upto 27.11.2012)	3	3
Shri. S Bernard	4	4
Prof. V Kamakoti	4	4
Shri. T K Ramkumar	4	4

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

Dates of Meeting held : 28.04.2012, 03.08.2012, 03.11.2012 and 08.02.2013.

There were 2 complaints and 4144 information and services in all, pertaining to the transfer, transmission, non-receipt of dividend warrant, non-receipt of share certificates, non-receipt of rights issue application form etc., and all the complaints have been redressed.

#### 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
Shri. S Balasubramanian	2	2
Dr. N Kamakodi	2	2
Shri. K S Raman (upto 27.11.2012)	2	2
Shri. S Bernard	2	2

Meetings held on : 28.04.2012 & 18.05.2012

#### XII. Rights Issue Committee

The Rights Issue committee was constituted to decide and appointment of Lead Managers, Legal Advisors, Registrars and Auditors to the issue, pricing and fixing of appropriate record date for the Rights Issue and finally post issue deciding the basis of allotment of rights shares to the shareholders.

Name of the Director	No. of Meetings held during the tenure	Attendance
Shri. S Balasubramanian	4	4
Dr. N Kamakodi	4	4
Shri. S Bernard	4	4

Meetings held on : 16.07.2012, 17.07.2012, 28.11.2012 and 11.01.2013.

### XIII. Information Technology Strategy Committee

Pursuant to the Directions of Reserve Bank of India vide their Circular No . DBS. CO. ITC.BC.No.6/31.02.008/2010-11 dated 29-04-2011, Information Technology (IT) Strategy Committee of the Board has been 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.
- Supervising the 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 in implementing IT strategies.
- Assessing if IT architecture has been designed in a manner to derive maximum 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
Shri. S Balasubramanian	5	5
Dr. N Kamakodi	5	5
Shri. N Kantha Kumar	5	5
Shri. T K Ramkumar	5	5
Shri. C R Muralidharan	5	4
Prof. V. Kamakoti	5	5

Meetings held on : 28.04.2012, 18.05.2012, 03.08.2012, 03.11.2012 and 28.01.2013

#### 4. General Body Meetings

i) Location and time where last 3 AGMs were held

Sl.No	Date of AGM	Location	Time
1.	11.08.2010	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.
2.	27.08.2011	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.35 a.m.
3.	31.08.2012	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.15 a.m.

**ii) Special Resolution Passed through AGM**

Date	Special Resolution
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, 1999, the Companies Act, 1956, and other laws, rules, guidelines prescribed by concerned authorities, the registered FII's, 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 FII's, 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 ₹ 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 ₹ 300 crore by issue of equity shares of ₹ 1 each at such price or prices including premium on each share.
31.08.2012	(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 ₹ 350 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**

11.06.2012	(i) Amendment to the Article 4 (vi) of the Articles of Association pursuant to Sec.31 of the Companies Act, 1956.  (ii) To offer, issue and allot shares by way of Reservation of shares to Employees under Rights Issue under sec. 81 (1A) of the Companies Act, 1956.
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**5. Disclosures**

- a. There were no significant "related party transactions" of any material, financial and commercial nature with the Bank by the directors and their relatives that would have potential conflict with the interest of the Bank at large.
- b. The Bank has complied with all the requirements regarding capital market related matters and has not been imposed any penalty or stricture by the Stock Exchanges or SEBI or any other Statutory 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 Central Auditor M/s. Jagannathan & Sarabeswaran, Chartered Accountants is annexed.

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

<p>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.</p>	<p>The Bank has put in place a Whistle Blower policy</p>
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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.

<p><b>Declaration of Compliance with the Code of Conduct.</b></p>	
<p>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.</p>	
<p>Place : Kumbakonam Date : 31.03.2013</p>	<p>Dr. N. Kamakodi Managing Director &amp; CEO</p>

### 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

<p>Date Time and Venue of AGM</p>	<p>30.08.2013 10.15 a.m. Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.</p>
<p>Financial Year</p>	<p>1st April, 2012 to 31st March, 2013.</p>
<p>Listing on Stock Exchange</p>	<p>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.</p>
<p>Stock Code</p>	<p>Madras Stock Exchange - CUB National Stock Exchange - CUB Bombay Stock Exchange Ltd. - 532210</p>

**Market Price Data - Low / High during each month of the Financial Year 1st April, 2012 to 31st March, 2013.**  
(in ₹)

Month	National Stock Exchange of India Limited (NSE)		Bombay Stock Exchange Limited (BSE)	
	Low	High	Low	High
Apr, 2012	47.05	51.00	45.00	51.20
May, 2012	44.55	49.50	44.80	49.50
Jun, 2012	45.25	52.95	45.40	53.00
July, 2012	51.10	54.75	51.05	54.80
Aug, 2012	49.00	58.50	49.60	55.35
Sep, 2012	49.80	54.70	49.70	54.70
Oct, 2012	47.50	60.00	52.50	60.00
Nov, 2012	48.20	62.35	48.20	62.40
Dec, 2012	46.70	60.70	52.30	60.60
Jan, 2013	56.00	63.25	56.15	65.60
Feb, 2013	54.10	64.60	54.05	63.90
Mar, 2013	51.00	57.95	51.50	60.00

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 15 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.

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

Dates of meeting held : 18.04.2012, 26.05.2012, 18.06.2012, 28.06.2012, 26.07.2012, 16.08.2012, 22.08.2012, 01.09.2012, 26.09.2012, 20.10.2012, 07.11.2012, 21.01.2013, 31.01.2013, 12.02.2013, 18.02.2013, 25.02.2013, 08.03.2013 and 19.03.2013.

Total No. of shares transferred in physical form during the year 1st April, 2012 to 31st March, 2013.

No. of Transfers	No. of Shares
108	1108136

**Distribution of Shareholding**
**(i) Share Distribution Schedule as on 31.03.2013**

Sl. No	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Upto 5000	78702	89.84	51887063	9.63
2.	5001 - 10000	4607	5.26	36679279	6.81
3.	10001 - 20000	2351	2.68	32189538	5.97
4.	20001 - 30000	581	0.66	14315689	2.66
5.	30001 - 40000	346	0.39	12092789	2.24
6.	40001 - 50000	199	0.23	8933028	1.66
7.	50001 - 100000	432	0.49	30511149	5.66
8.	100001 & above	391	0.45	352331323	65.37
<b>TOTAL</b>		<b>87609</b>	<b>100.00</b>	<b>* 538939858</b>	<b>100.00</b>

**(ii) Shareholding Pattern as on 31.03.2013**

Sl. No	Category	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Banks	4	0.00	1239957	0.23
2.	Bodies Corporate	1008	1.16	61315860	11.37
3.	Clearing Members	99	0.11	241336	0.04
4.	Directors	15	0.02	2483254	0.46
5.	F.I.I.'s	57	0.07	121128296	22.48
6.	Indian Financial Institutions	4	0.00	25425305	4.72
7.	Mutual Fund	30	0.03	11959999	2.22
8.	Non Resident Indians	901	1.03	15252533	2.83
9.	Relatives of Directors	11	0.01	15316172	2.84
10.	Resident Individuals	85473	97.56	261045324	48.44
11.	Trusts	6	0.01	94322	0.02
12.	Corporate Body-Foreign	1	0.00	23437500	4.35
<b>TOTAL</b>		<b>87609</b>	<b>100.00</b>	<b>* 538939858</b>	<b>100.00</b>

\* includes party paid up shares - 12,89,87,972 equity shares of which ₹ 0.50 paise paid up.

**Dematerialisation of shares**

48,25,01,634 shares (89.53 % of paid-up share capital) of the Bank stood dematerialized as on 31.03.2013.

Unclaimed shares kept under Share Suspense Account

As required under Clause 5A of the Listing Agreement we have identified unsettled partly paid shares to the extent of 4,31,380 shares as on 31.03.2013 and the same is kept under suspense account. The shares will be credited as per the claim application received after carrying out the due diligence on the claim.

**Address for Correspondence**

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

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

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

Ph: 040 - 44655115  
 Fax: 040 - 23420814  
 E-Mail: karisma@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, 2013, as stipulated in Clause 49 of the Listing Agreement of the Bank with stock exchanges.

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

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

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

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

Place: Chennai  
Date : 20<sup>th</sup> May, 2013

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

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### A. ECONOMIC SCENARIO

#### GLOBAL ECONOMY

Global prospects have improved again but the road to recovery in the advanced economies will remain uneven. The IMF in its survey titled World Economic outlook (Hopes, Realities, and Risks) published in April 2013 expects the global economy to grow at 3.25% in 2013 and 4% in 2014. In major advanced economies, activity is expected to gradually accelerate, following a weak start in 2013, with United States in the lead. The euro zone crisis and fiscal cliff in US have been successfully defused. However the old dangers remain and new risks have come to the fore. In the short term, risks mainly relate to development in euro area and in the medium term prolonged stagnation.

Most of the central banks in the developed economies expanded their asset purchase program and kept their monetary policies in expansionary mode by maintaining exceptionally low interest rates in financial year 2012-13 in order to stimulate growth amid ongoing fiscal austerity. The expansionary mode may head for pause or reversal process in the year 2013 especially in the US. However, the low rate interest regime will continue. The growth prospects of US appears to moderate and if it picks up pace will act as stimulant to world economic growth. The Euro zone has diffused major crisis but the simmering continues. The key to accelerating the world growth depends on whether today's fast-growing, dynamic, low income countries are likely to maintain their momentum and avoid the reversals that afflicted many such countries in the past.

The economic activity has stabilized in advanced economies and has picked up in emerging markets and developing economies supported by policies and renewed business confidence. It is the financial markets that have led the reacceleration in activity. Since the second half of 2012 there have been broad markets rally. Inflation pressure is projected to remain contained in emerging and developing economies supported by lower metal and energy prices. The global inflation has fallen to about 3.25% from 3.75% in early 2012 and is projected to stay around this level through 2014.

The Reserve Bank of India in its latest financial stability report published in June 2013 expect the risks which have been building up over the last five years of excess liquidity in the global system will surface now and the markets especially in the emerging economies need to be prepared for spells of high volatility and uncertainty going ahead.

The global financial market is still fragile. It is disturbing to note that the Federal Reserve acting alone can impact the market in broad, sweeping strokes. A mere statement of intention of scaling back the bond purchase programme by US Fed Chairman Ben Bernanke was more than enough to trigger a sell-off in the world markets. Not a single asset remained unaffected including precious metal and bonds. More than a trillion dollar has been wiped out from the World Capital Markets on a single day.

#### INDIAN ECONOMY

The Indian economy which was growing at a near double digit in the last few years saw the rate coming down to 6.2% in 2011-12 and to 5% in 2012-13 touching a decade low. The growth remains subdued and recovery is multi-faced, says RBI. Policy actions in advanced economies had reduced the risk of tail events. Macro economic risks facing the economy have increased in the last six months, mainly on account of current account deficit, performance of external and corporate sectors. Domestic supply bottlenecks, policy uncertainty consequential dampened investment sentiments and slackening of demand contributed significantly to the slow down. However the fall in inflation and the fiscal consolidation have provided some relief. The stress point for the Indian economy is the current account deficit as evident from the depreciation of rupee resulting from flight of forex to safety triggered by apprehensions of global liquidity contracting with Federal Reserve indicating a phased withdrawal from its bond purchasing programme commencing later in 2013. Going forward the economy is expected to grow at 5.70% for the year 2013-14. The growth rate projected by RBI is higher than other BRICS nations excluding China.

A number of policy measures such as liberalization of FDI policy, rationalization and simplification of FII investment in debt market, deregulating interest rate on NRE deposits etc have been taken to boost investor sentiments and augment capital flows to address the stress point of current account deficit triggered by surging gold and oil imports. Additional measures were taken to curb the demand for gold including raising of import duty, curb on imports by banks and restriction on lending against gold coins to name a few.

On the fiscal front, high fiscal deficit, which is another area of concern for the economy, efforts were taken to bring down the same. The deficit which was projected to be at 5.20% of the GDP for the year 2012-13 has been estimated to be 4.90% and has been pegged at 4.80% for the next year.

The headline inflation moderated to an average of 7.30% for the year 2012-13 compared to 8.90% in the previous year. Notwithstanding the moderation in overall inflation, the food inflation and the fuel inflation were near the double digit numbers. The inflation for the year 2013-14 is projected to be 5.50%.

The gross domestic savings as a proportion to GDP has fallen from 36.80% to 30.80% in 2011-12 due to decline in reduction in savings by house hold. The house hold saving which was 11.60% of the GDP came down to 8% in the corresponding period. A clear shift from financial assets to real estate and gold was witnessed. Inflation and negative/low real interest were the major reasons for the fall in house hold savings.

The liquidity conditions in the banking system exhibited mixed trend of tightness and comfort. The comfort zone of +/-1% of the NDTL of the banking system was breached on a number of occasions prodding RBI intervention. The liquidity conditions were much tighter in the second half as compared to the first half of FY 2012-13.

## B. BANKING SCENARIO

The Indian financial market is dominated by banks. The aggregate deposits for all scheduled commercial banks as of March 22, 2013 stood at ₹ 67.50 lakh crores and loans and advances was at ₹ 52.60 lakh crores registering a year on year growth of 14.30% and 14.10% respectively. The credit deposit ratio stood at 77.90% as of March 22, 2013. A study of the growth in deposit and credit shows a positive bias in favour of the last quarter of the year.

During the FY 2013 the banking sector witnessed a major deterioration of asset quality on the back of economic slowdown. The gross NPA of public sector banks increased at a higher rate as compared to the growth rate of NPA's as a whole in the banking system. Financial performance of the banks came under pressure during the FY 2013 due to increased cost of deposits in the elevated interest rate market scenario. Despite accelerated growth in total income the consolidated net profit of the banking sector increased at a slower rate compared to the previous year mainly due to steep increase in interest costs.

Money supply (M3) growth was 14% during Q1 of 2012-13 but decelerated thereafter by end December to 11.20% as time deposit growth slowdown. During Q4 of 2012-13 there was some pick up in deposit and the growth was at 14.30% by end of March 2013. M3 growth reached to 13.30% by end of March 2013 slightly above the revised indicative trajectory of 13%.

Liquidity remained under pressure throughout the year due to persistent high government cash balances with the Reserve Bank and elevated incremental credit to deposit ratio. The net average liquidity injection under the daily liquidity adjustment facility (LAF) at ₹ 730 billion during the first half of the year increased to ₹ 1,012 billion during the second half. Reserve Bank of India injected liquidity to the tune of ₹ 1,546 billion through open market purchase auctions. The net injection of liquidity under the LAF peaked at ₹ 1,808 billion on March 28, 2013 reflecting year end demand and reversed sharply to ₹ 842 billion by end of April 2013. The ten year benchmark yield eased from 8.79% on April 3, 2012 to 7.79% on April 30, 2013.

The current account deficit (CAD) came in at an all time high of 6.70% of GDP in Q3 of 2012-13 and lowered to 3.70% in Q4 of 2012-13 on account of trade deficit declining with exports returning to positive growth after contraction in the first three quarters due to the decline in imports particularly in gold.

As reported by RBI in the systemic risk survey report conducted in April 2013 the perception of the participants has changed from the earlier report in Sept 2011 where it was perceived that the two major factors that will influence the financial systems were the deterioration in asset quality and market volatility. In the recent survey the global and macro economic risks have replaced the two earlier factors.

The capital adequacy of the Indian banking system is sound. The system level Basel II capital to risk weighted assets as on 31st March 2013 is 13.80% . The Tier I capital dominates the overall capital in most of the banks. The asset quality which was deteriorating till the third quarter recorded marginal improvement in the last quarter.

The process of exiting from the crisis driven expansionary policy in Oct 2009 continued with the policy repo rate revised 13 times by a total of 375 basis points between Jan 2010 and Oct 2011. In view of the slowdown in growth and moderation in inflation there was a pause in upward revision of policy rate in Dec 2011. The tightening cycle was reversed in Jan 2012 and a reduction of 200 basis point in CRR, 100 basis point in SLR and 125 basis point reductions in policy rates were made since then to stimulate growth.

During the financial year 2012-13 the policy repo rate was reduced by 100 basis points, SLR by 100 basis points and CRR by 75 basis points. Further liquidity support operation in the form of OMO resulted in injection of ₹ 1.5 lakh crores in to the system.

After reducing the policy rate for three times continuously there was a pause in June 2013 due to widening current account deficit, falling rupee and ebbing of inflation.

The monetary policy stance intended to :

- continue to address the accentuated risks to growth.
  - guard against the risk of inflation pressures re-emerging and adversely impacting inflation expectations even corrections in administered prices release suppressed inflation.
- and
- appropriately manage liquidity to ensure adequate credit flow to the productive sectors of the economy.

In the guidance part of the policy note RBI has called for removal of supply bottlenecks, improving governance, stepping up public investment while continuing fiscal consolidated from the government side to stimulate growth with the monetary policy acting as catalyst for furthering the growth. RBI has also indicated that the balance of risks stemming from the growth inflation dynamics yields little space for further monetary easing.

### C. OPPORTUNITIES AHEAD

Your Bank imbibes a culture of professional entrepreneurship where every employee plays an important role in the Bank's growth. Your Bank incorporates highly professional practices into its business processes to generate added efficiencies and long term growth. These processes ensure a culture of continuous improvement through ongoing feedback from employees as well as customers, continuous upgradation of products and services with the help of advanced information technology.

Your Bank recorded strong growth in business by crossing ₹ 35,500 crore mark as at the end of the financial year 2012-13 compared to ₹ 28,500 crore in the last financial year, a jump of 25% as reflected by enlarged balance sheet size of ₹ 22,977 crore. The Bank could achieve this by providing seamless banking experience to all its customers through customer centric approach backed by state of the art branch infrastructure. Bank branches are highly accessible and facilitate warmth, coherent communication and a consistent customer experience across all locations. Your Bank could achieve the potential growth by satisfying to the delight of customers through service excellence and futuristic solutions, building a motivated and high performance team.

During the year total income of the Bank increased by 29.33% to ₹ 2,462.39 crore while the operating profit increased by 22.57% to ₹ 523.45 crore. As on March 31, 2013 the total assets of the Bank stood at ₹ 22,977.08 crore increasing by 25.21% over last year. The deposits of the bank increased to ₹ 20,304.76 crore as on March 31, 2013 compared to ₹ 16,340.76 crore as on March 31, 2012. The total demand deposits (CASA) increased by 15% to ₹ 3,405 crore.

The bank continues to enhance shareholder value with the diluted earnings per share of the Bank for the year increasing to ₹ 6.59 from ₹ 5.74 last year. The earnings per share has been arrived at after considering the rights adjustment factor as provided in AS 20. Consequently the weighted number of shares outstanding prior to the issue has been increased by 0.19 times (Right Adjustment factor) for this year as well as for the previous year ended 31st March 2012 as per the prescription of the Accounting Standards.

The bank strives to deliver variety of products as per the customers needs and has been able to service the customers through multiple channels with utmost satisfaction and this has proved in continued growth in retail segment in the present challenging environment.

Your bank has leveraged on state of the art technology and innovative practices by offering wide range of products across deposits, advances, investment solutions to suit to the customer needs enabling to build its retail business. Any Counter Any Transaction was introduced, Kiosk Desk as well as Xpress Desk was introduced where customers can deposit and withdraw money easily without any hassle.

The number of branches has increased by 75 in the previous year to reach 375 mark and has on its vision to open more number of branches and ATMs to reach out large number of customers. Your Bank has proposed to open 125 new branches & 300 ATMs during this financial year increasing the total network of branches & ATMs to 500 and 1,000 respectively.

#### D. SEGMENTWISE PERFORMANCE

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

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total
1.	Demand Deposit	1335.34	6.57
2.	Savings Deposit	2069.27	10.20
3.	Term Deposit	16900.15	83.23
<b>Total</b>		<b>20304.76</b>	<b>100.00</b>

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

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total
1.	Govt Securities	4564.36	86.66
2.	Other approved securities	Nil	Nil
3.	Shares, Debentures / Bonds and Mutual funds	69.75	1.32
4.	NABARD RIDF	632.69	12.02
<b>Total</b>		<b>5266.80</b>	<b>100.00</b>

### III. Performance of various Business Segments

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

Segments	Gross Profit (₹ in crore)	Percentage to total
Treasury	92.99	17.76
Corporate Banking	207.14	39.57
Retail Banking	214.24	40.94
Other Banking Operations	9.08	1.73
<b>Total</b>	<b>523.45</b>	<b>100.00</b>

### E. RISK MANAGEMENT

Effective management of risk is integral part of banking business and the objective of risk management is to balance the tradeoff between risk and return and ensure optimum return on 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 established by the active involvement and supervision of Board of Directors. 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 establishing the frame work of risk management. Under the Board level Committee, the Risk Management Committee of Executives functions 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 timelines indicated by RBI. An independent Risk Management Department is functioning for effective Enterprise-wide Risk Management.

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 measure, monitor and control all the enterprise-wide risks 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. Internal Capital Adequacy Assessment Process (ICAAP) Policy.
10. Credit Risk Mitigation and Collateral Management Policy.

The Risk Management Systems are in place to identify, measure, analyze and control 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 risk 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. The Bank is well placed in meeting the requirements under Basel III Capital Regulation and also the maintenance of leverage ratio with effect from April 1, 2013.

## F. INTERNAL CONTROLS

Your bank recognizes the importance of good internal control mechanism which is the key to persistent growth and profitability. The bank has well laid systems and internal controls to keep a check in order that quality compliance is maintained by the operating units. The system ensures that all internal regulations and regulatory guidelines are strictly complied and adhered to by all the business units while achieving the targeted business and profitability parameters. The inspection department of the bank is in charge of ensuring that adherence to laid out systems and procedures are regularly followed by the branches. There is a system of periodical overall inspection of the branches, special credit inspection, jewel loan inspection and concurrent audit. The compliance of KYC & AML regulations 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 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 including 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. Proper record maintenance, customer confidentiality, strong vigilance and alert system, zero tolerance policy of fraud, corruption and financial irregularities which receive focused attention of the top management as per the bank's internal control policy.

As per Reserve Bank of India's guidelines risk based internal audit system has been introduced in all the branches 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. Identified 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 the 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

Your Bank believes in the truth that human resources are the greatest assets and investment in training and development will render organizational excellence in the long run. The dedicated and loyal human resources working for the Bank across length & breadth of the country are provided with friendly working atmosphere, by extending mutual trust, rewarding the smart working and sincere employees by recognizing their talents, motivating them at regular intervals of time to achieve the vision and goals of the organization. The policies followed by the bank are embedded with engagement of the employee, imparting knowledge through training, workshop & development of leadership styles & qualities, integrating with new generation employees. The Bank has in house training and also arrange for seminar and training through reputed institutions for aligning their behavioural skill and personality trait to suit the fast changing business environment. Sharpening of operational skills and capability to function and adopt to the working scenario is always the focus of the human resource department. The industrial relations in the Bank have been very cordial and harmonious. Continuous performance measurement along with annual review, identifying employee's knowledge, skill and capacity to achieve the defined targets through innovative approach has been the prime motive and towards this performance linked incentive on annual basis apart from rewarding them with certificates and awards for their achievements has been followed by the Bank. The number of employees on roll of the Bank as on 31st March 2013 was 3785.

## 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	3963.99	3426.47
Cost of deposits	8.44%	8.11%
Gross advances rose by	3121.00	2892.74
Yield on Advances	13.49%	13.56%
Yield on Investments	7.52%	7.08%
Net Interest Income rose by	124.26	79.72
Owned funds of the Bank rose by	397.57	236.48
Number of branches increased to	375	300
Staff productivity increased to	9.38	8.47

## I. CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility ( CSR ) of the Bank seeks to recognize obligations towards society and aims to integrate the CSR ideals into its mission for optimizing both business and social performance. The contribution to CSR is considered as an asset rather than expenditure.

Your Bank has been extending its support by way of donations and sponsorship for various humanitarian activities in the field of education, health and other social causes as a part of its commitment towards Corporate Social Responsibility.

The Bank extended donations towards funding the following activities :

- Contributed a sum of ₹ 5.00 lakhs to Kanchi Kamakoti Childs Trust Hospital, Chennai for purchase of Maruti ambulance.
- Contributed a sum of ₹ 10.00 lakhs for construction of classrooms and the principal's chamber at the Madras Sanskrit College, Chennai.
- A sum of ₹ 0.50 lakh was donated to Sri Ramakrishna Mission Ashrama, Salem Branch for various services provided by them in educational field.
- A sum of ₹ 2.00 lakhs was donated to Naradha Gana Sabha, Karur towards renovation of the building.
- A sum of ₹ 3.00 lakhs was contributed for construction of Annadhana Koodam and providing shed at Srimath Venkatramana Bhagavatha Swamigal Jayanthi Committee, Ayyampettai towards noble cause for propagating the Karnatic music.
- A sum of ₹ 0.50 lakh was donated to Single Teacher Schools, a unit of Swami Vivekananda Rural Development Society for educating the poorest of poor students in selective rural hamlets of Tamilnadu.

Your Bank is also regularly contributing to Lions Club of Kumbakonam for conducting health check up, eye camp and medical camp at various centers in Tamilnadu besides sponsoring for maintenance of Gandhi Park situated near our central office at Kumbakonam and other parks at various places.

## J. OUTLOOK

The outlook for Indian economy for the FY 14 is expected to show mild improvement and estimated to grow around 6%. The average WPI inflation is estimated to moderate. The Government has also budgeted for a reduction in fiscal deficit to 4.80% of GDP in FY 14 over and above the number of 4.90% achieved in FY13 compared to the budgeted estimate of 5.20%.

Assuming a normal monsoon agriculture growth which suffered from a deficient monsoon in 2012 is expected to recover from 1.80% in FY 13 to 3.50% in FY 14. Industry growth that fell to an 11 year low of 3.10% in FY 13 is expected to show an improvement to reach the level of 5.50% in FY 14 as the impact of past monetary easing unfolds gradually and with government adopting a reformist policy to remove the hurdles in the path for increasing investments.

Your Bank has an ambitious plan of adding 125 more branches and 300 more ATMs to garner a higher percentage of growth in the coming years.

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## 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.

## INDEPENDENT AUDITORS' REPORT

To,

### The Shareholders of CITY UNION BANK LIMITED

#### Report on the Financial Statements:

1. We have audited the accompanying financial statements of CITY UNION BANK LIMITED as at 31st March 2013, which comprises the Balance Sheet as at 31st March 2013; the Profit and Loss Account and the Cash Flow Statement for the year then ended; and a summary of significant Accounting Policies and other explanatory information. Incorporated in these financial statements are the returns of 3 branches audited by us and balance 372 branches and 3 offices audited by Branch Auditors. The Branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued by the Reserve Bank of India.

#### Management's responsibility for the Financial Statements:

2. Management is responsible for the preparation of these financial statements in accordance with the Banking Regulation Act, 1949. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility:

3. Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion:

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and 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 the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2013;
  - (ii) in the case of the Profit and Loss Account, of the profits for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.

**Report on other legal and Regulatory requirements:**

7. The Balance Sheet and the 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;
8. Subject to the limitations of the audit indicated in paragraph 1 to 5 above, 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 purposes of our audit and have found them to be satisfactory.
  - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - c. the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
9. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
10. We further report that:
  - (i) the Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts and returns;
  - (ii) in our opinion, proper books of accounts as required by law have been kept by the bank so far as appears from our examination of those books;
  - (iii) 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;
  - (iv) as per information and explanation given to us the Central Government has, till date, not prescribed any cess payable under section 441A of the Companies Act., 1956.
  - (v) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Place: Chennai  
Date : 20<sup>th</sup> May, 2013

**BALANCE SHEET AS ON 31.03.2013**

(₹ in thousands)

	Sch.No	As on 31.03.2013	As on 31.03.2012
<b>CAPITAL AND LIABILITIES</b>			
Share Capital	1	47,44,46	40,82,13
Reserves and Surplus	2	1593,22,39	1202,27,56
Deposits	3	20304,75,52	16340,75,62
Borrowings	4	476,73,91	348,70,27
Other Liabilities & Provisions	5	554,91,94	418,10,21
<b>Total</b>		<b>22977,08,22</b>	<b>18350,65,79</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	1016,33,64	814,66,61
Balances with Banks & Money at Call and Short Notice	7	754,14,95	321,44,32
Investments	8	5266,80,33	4586,19,24
Advances	9	15246,05,73	12137,46,03
Fixed Assets	10	141,27,93	97,73,38
Other Assets	11	552,45,64	393,16,21
<b>Total</b>		<b>22977,08,22</b>	<b>18350,65,79</b>
Contingent Liabilities	12	6043,41,04	9701,69,61
Bills for Collection		165,79,82	368,85,28

**R. MOHAN**  
Chief General Manager

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

**S. BALASUBRAMANIAN**  
Chairman

**S. SUNDAR**  
SGM & CFO

**S. BERNARD**  
**N. KANTHA KUMAR**  
**R.G. CHANDRAMOGAN**

**C.R. MURALIDHARAN**  
**Justice S.R. SINGHARAVELU**  
**Prof. V. KAMAKOTI**

**V. RAMESH**  
DGM & Company Secretary

**T. K. RAMKUMAR**

Directors

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

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

Chennai  
20.05.2013

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2013**

(₹ in thousands)

	Sch.No	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>I INCOME</b>			
Interest Earned	13	2188,75,00	1696,77,36
Other Income	14	273,63,68	207,13,44
<b>Total</b>		<b>2462,38,68</b>	<b>1903,90,80</b>
<b>II EXPENDITURE</b>			
Interest Expended	15	1564,73,97	1197,02,29
Operating Expenses	16	374,19,97	279,83,23
Provisions and Contingencies		201,43,03	146,80,10
<b>Total</b>		<b>2140,36,97</b>	<b>1623,65,62</b>
<b>III PROFIT / LOSS</b>			
Net Profit		322,01,71	280,25,18
Profit brought forward		6,60,21	5,56,13
<b>Total</b>		<b>328,61,92</b>	<b>285,81,31</b>
<b>IV APPROPRIATIONS</b>			
- Statutory Reserves		82,00,00	71,00,00
- Capital Reserve		1,90,26	6
- General Reserve		142,00,00	140,00,00
- Investment Reserve Account		33,78	72,96
- Special Reserve under IT Act, 1961		40,00,00	20,00,00
- Interim Dividend payable		47,44,46	Nil
- Interim Dividend tax payable		8,06,32	Nil
- Proposed Dividend		Nil	40,82,13
- Dividend Tax thereon		Nil	6,65,95
- Balance carried over to Balance Sheet		6,87,10	6,60,21
<b>Total</b>		<b>328,61,92</b>	<b>285,81,31</b>

**R. MOHAN**  
Chief General Manager

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

**S. BALASUBRAMANIAN**  
Chairman

**S. SUNDAR**  
SGM & CFO

**S. BERNARD**  
**N. KANTHA KUMAR**  
**R.G. CHANDRAMOGAN**

**C.R. MURALIDHARAN**  
**Justice S.R. SINGHARAVELU**  
**Prof. V. KAMAKOTI**

**V. RAMESH**  
DGM & Company Secretary

**T. K. RAMKUMAR**

Directors

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

Chennai  
20.05.2013

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

**SCHEDULES FORMING PART OF THE ACCOUNTS**

(₹ in thousands)

		<b>AS ON 31.03.2013</b>		<b>AS ON 31.03.2012</b>
<b>SCHEDULE - 1 CAPITAL</b>				
Authorised Capital (100,00,00,000 Equity shares of ₹ 1/- each)		<u><u>100,00,00</u></u>		<u><u>100,00,00</u></u>
Issued Capital (53,89,39,858 / 40,82,12,649 equity shares of ₹ 1/- each)		<u><u>53,89,40</u></u>		<u><u>40,82,13</u></u>
Subscribed and Paid-up Capital	<b>47,44,46</b>		40,82,13	
Current Year - 40,99,51,886 equity shares of ₹ 1/- each and 12,89,87,972 equity shares of 0.50 paise each and 40,82,12,649 equity shares of ₹ 1/- each - previous year				
Less: Calls unpaid	<b>Nil</b>	<u><u>47,44,46</u></u>	Nil	<u><u>40,82,13</u></u>
<b>Total</b>		<u><u>47,44,46</u></u>		<u><u>40,82,13</u></u>
<b>SCHEDULE - 2 RESERVES AND SURPLUS</b>				
I Statutory Reserves				
Opening Balance	<b>418,00,00</b>		347,00,00	
Additions during the year	<u><u>82,00,00</u></u>	<u><u>500,00,00</u></u>	<u><u>71,00,00</u></u>	418,00,00
II Capital Reserves				
Opening Balance	<b>43,87,55</b>		43,87,49	
Additions during the year	<u><u>1,90,26</u></u>	<u><u>45,77,81</u></u>	<u><u>6</u></u>	43,87,55
III Share Premium				
Opening Balance	<b>203,35,59</b>		199,97,11	
Additions during the year	<u><u>124,43,90</u></u>	<u><u>327,79,49</u></u>	<u><u>3,38,48</u></u>	203,35,59
IV Revenue and Other Reserves				
i) General Reserve				
Opening Balance	<b>479,40,00</b>		339,40,00	
Additions during the year	<u><u>142,00,00</u></u>	<u><u>621,40,00</u></u>	<u><u>140,00,00</u></u>	479,40,00
ii) Investment Reserve Account				
Opening Balance	<b>2,04,21</b>		1,31,25	
Additions during the year	<u><u>33,78</u></u>	<u><u>2,37,99</u></u>	<u><u>72,96</u></u>	2,04,21
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961				
Opening Balance	<b>49,00,00</b>		29,00,00	
Additions during the year	<u><u>40,00,00</u></u>	<u><u>89,00,00</u></u>	<u><u>20,00,00</u></u>	49,00,00
V Balance in Profit and Loss Account		<b>6,87,10</b>		6,60,21
<b>Total</b>		<u><u>1593,22,39</u></u>		<u><u>1202,27,56</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(₹ in thousands)

	AS ON 31.03.2013	AS ON 31.03.2012
<b>SCHEDULE - 3 DEPOSITS</b>		
A I. Demand Deposits		
i) From Banks	1,84,29	4,49,97
ii) From Others	<u>1333,49,95</u>	<u>1198,64,04</u>
II. Savings Deposits	<u>2069,26,54</u>	1768,45,53
III. Term Deposits		
i) From Banks	141,95,20	212,81,12
ii) From Others	<u>16758,19,54</u>	<u>13156,34,96</u>
<b>Total</b>	<u>20304,75,52</u>	<u>16340,75,62</u>
B i) Deposits of Branches in India	<u>20304,75,52</u>	16340,75,62
ii) Deposits of Branches outside India	Nil	Nil
<b>Total</b>	<u>20304,75,52</u>	<u>16340,75,62</u>
<b>SCHEDULE - 4 BORROWINGS</b>		
I. Borrowings in India		
i) Reserve Bank of India	Nil	30,00,00
ii) Other Banks	3,80	3,80
iii) Other institutions and agencies	382,41,61	278,66,47
iv) Subordinated debt	<u>40,00,00</u>	<u>40,00,00</u>
II. Borrowings from outside India	<u>54,28,50</u>	Nil
<b>Total</b>	<u>476,73,91</u>	<u>348,70,27</u>
III. Secured borrowings included in I	Nil	Nil
<b>SCHEDULE - 5 OTHER LIABILITIES &amp; PROVISIONS</b>		
I. Bills Payable	117,51,30	110,74,40
II. Inter-Office Adjustments (net)	Nil	Nil
III. Interest Accrued	78,43,26	62,38,55
IV. Others (including Provisions)	<u>358,97,38</u>	<u>244,97,26</u>
<b>Total</b>	<u>554,91,94</u>	<u>418,10,21</u>
<b>SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
I. Cash in Hand (including foreign currency notes)	92,30,71	174,55,85
II. Balances with Reserve Bank of India		
i) In Current Accounts	924,02,93	640,10,76
ii) In Other Accounts	Nil	Nil
<b>Total</b>	<u>1016,33,64</u>	<u>814,66,61</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(₹ in thousands)

	AS ON 31.03.2013	AS ON 31.03.2012
<b>SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
I In India		
i) Balances with Banks		
a) In Current Accounts	42,62,084	233,60,10
b) In Other Deposit Accounts	34,00,00	40,61,00
	<u>460,20,84</u>	<u>274,21,10</u>
ii) Money at Call and Short notice		
a) With Banks	57,50,00	Nil
b) With Other Institutions	149,76,88	24,96,91
<b>Total</b>	<u>667,47,72</u>	<u>299,18,01</u>
II Outside India		
In Current Accounts	32,38,73	22,26,31
In Deposit Accounts	54,28,50	Nil
<b>Total</b>	<u>86,67,23</u>	<u>22,26,31</u>
<b>Grand Total</b>	<u>754,14,95</u>	<u>321,44,32</u>
<b>SCHEDULE - 8 INVESTMENTS</b>		
I In India		
i) Government Securities	4564,35,95	3847,17,32
ii) Other Approved Securities	Nil	25,00
iii) Shares	37,42,75	33,34,54
iv) Debentures and Bonds	30,39,33	30,29,75
v) Subsidiaries / Joint Ventures	Nil	Nil
vi) Others	634,62,30	675,12,63
<b>Total</b>	<u>5266,80,33</u>	<u>4586,19,24</u>
<b>Gross Investments in India</b>	<u>5267,83,33</u>	4593,64,24
Less : Provision for Invt. Depn	1,03,00	7,45,00
<b>Net Investments in India</b>	<u>5266,80,33</u>	<u>4586,19,24</u>
II Outside India	Nil	Nil
<b>Grand Total</b>	<u>5266,80,33</u>	<u>4586,19,24</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(₹ in thousands)

	AS ON 31.03.2013	AS ON 31.03.2012
<b>SCHEDULE - 9 ADVANCES</b>		
A i) Bills Purchased and Discounted	294,37,04	321,53,72
ii) Cash Credits, Overdrafts and Loans repayable on Demand	9970,57,19	7527,16,98
iii) Term Loans	4981,11,50	4288,75,33
<b>Total</b>	<b>15246,05,73</b>	<b>12137,46,03</b>
B i) Secured by tangible assets (includes advances against book debts)	14681,11,25	11550,31,36
ii) Covered by Bank / Govt. Guarantees	268,45,70	199,88,20
iii) Unsecured	296,48,78	387,26,47
<b>Total</b>	<b>15246,05,73</b>	<b>12137,46,03</b>
C I) Advances in India		
i) Priority Sector	5740,17,19	4397,79,10
ii) Public Sector	268,45,70	199,88,20
iii) Others	9237,42,84	7539,78,73
<b>Total</b>	<b>15246,05,73</b>	<b>12137,46,03</b>
II) Advances outside India	Nil	Nil
<b>Grand Total</b>	<b>15246,05,73</b>	<b>12137,46,03</b>
<b>SCHEDULE - 10 FIXED ASSETS</b>		
I Premises		
i) At Cost as on 31st March of the preceding year	36,21,99	35,18,37
ii) Additions during the year	3,77,02	1,03,62
iii) Sales / adjustments during the year	Nil	Nil
<b>Total</b>	<b>39,99,01</b>	<b>36,21,99</b>
iv) Depreciation to date	8,33,59	7,83,15
<b>Total</b>	<b>31,65,42</b>	<b>28,38,84</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(₹ in thousands)

	AS ON 31.03.2013	AS ON 31.03.2012
II Other Fixed Assets ( including Furniture and Fixtures)		
i) At Cost as on 31st March of the preceding year	175,62,07	133,90,10
ii) Additions during the year	67,72,56	43,33,99
<b>Total</b>	<b>243,34,63</b>	<b>177,24,09</b>
iii) Deductions / adjustments during the year	3,26,99	1,62,02
<b>Total</b>	<b>240,07,64</b>	<b>175,62,07</b>
iv) Depreciation to date	130,45,13	106,27,53
<b>Total</b>	<b>109,62,51</b>	<b>69,34,54</b>
<b>Grand Total</b>	<b>141,27,93</b>	<b>97,73,38</b>

**SCHEDULE - 11 OTHER ASSETS**

I Inter office Adjustments	7,37,93	42,23,45
II Interest accrued	113,87,56	94,04,68
III Tax paid in Advance / Tax deducted at source	293,90,78	171,57,03
IV Stationery and stamps	43,61	45,95
V Others	136,85,76	84,85,10
<b>Total</b>	<b>552,45,64</b>	<b>393,16,21</b>

**SCHEDULE - 12 CONTINGENT LIABILITIES**

I Claims against Bank not acknowledged as debts	2,28,70	1,36,12
II Liability for partly paid Investments	Nil	Nil
III Liability on account of outstanding Forward Exchange Contracts	4496,44,71	8283,18,84
IV Guarantees given on behalf of constituents - In India	936,97,06	797,71,80
- Outside India	4,05,44	9,42,47
V Acceptances, endorsements and other obligations	600,59,23	610,00,38
VI Other items for which the Bank is contingently liable	3,05,90	Nil
<b>Total</b>	<b>6043,41,04</b>	<b>9701,69,61</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)**

(₹ in thousands)

	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>SCHEDULE - 13 INTEREST EARNED</b>		
I Interest / discount on Advances / Bills	1812,22,70	1388,57,31
II Income on Investments	372,29,29	303,56,32
III Interest on balances with Reserve Bank of India and other Inter-Bank funds	4,23,01	4,63,73
IV Others	Nil	Nil
<b>Total</b>	<b>2188,75,00</b>	<b>1696,77,36</b>
<b>SCHEDULE - 14 OTHER INCOME</b>		
I Commission, Exchange and Brokerage	41,35,08	34,48,91
II Profit/Loss on sale of Investments (net)	17,05,15	7,77,19
III Profit/Loss on revaluation (Amortization)	Nil	Nil
IV Profit on sale of Land,Bldgs and other assets	26,72	15,05
V Profit on Exchange transactions (net)	18,38,12	15,22,24
VI Miscellaneous Income	196,58,61	149,50,05
<b>Total</b>	<b>273,63,68</b>	<b>207,13,44</b>
<b>SCHEDULE - 15 INTEREST EXPENDED</b>		
I Interest on Deposits	1504,51,77	1166,46,21
II Interest on RBI/Inter-Bank Borrowings	24,90,57	17,66,96
III Others	35,31,63	12,89,12
<b>Total</b>	<b>1564,73,97</b>	<b>1197,02,29</b>
<b>SCHEDULE - 16 OPERATING EXPENSES</b>		
I Payments to and provision for employees	150,87,38	122,31,02
II Rent, taxes and lighting	56,36,21	39,36,05
III Printing and Stationery	9,42,14	7,35,66
IV Advertisement and publicity	18,52,60	19,58,92
V Depreciation on Bank's property	24,68,07	13,55,47
VI Directors' fees, allowances and expenses	39,70	35,29
VII Auditors' fees and expenses	1,84,49	1,11,94
VIII Law charges	46,94	16,70
IX Postage, Telegrams, Telephone, etc.	10,82,18	6,02,37
X Repairs and Maintenance	22,86,72	14,93,41
XI Insurance	17,82,86	14,61,10
XII Other expenditure	60,10,68	40,45,30
<b>Total</b>	<b>374,19,97</b>	<b>279,83,23</b>

**NOTES ON ACCOUNTS**
**1. CAPITAL**

Particulars	31 March 2013		31 March 2012	
	Basel I	Basel II	Basel I	Basel II
i) CRAR (%)	11.46%	13.98%	10.81%	12.57%
ii) CRAR - Tier I Capital (%)	10.88%	13.27%	10.06%	11.69%
iii) CRAR - Tier II Capital (%)	0.58%	0.71%	0.75%	0.88%
iv) Percentage of the shareholding of the Government of India in Nationalised Banks	NA	NA	NA	NA
v) Amount of subordinated debt raised during the year as Tier-II capital	Nil	Nil	Nil	Nil
vi) Amount raised by issue of IPDI	Nil	Nil	Nil	Nil
vii) Amount raised by issue of Upper Tier II instruments	Nil	Nil	Nil	Nil

**2. INVESTMENTS**

(₹ in crore)

Particulars	31 March 2013	31 March 2012
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	5267.83	4593.64
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	1.03	7.45
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	5266.80	4586.19
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	7.45	8.89
(ii) Add: Provisions made during the year	Nil	Nil
(iii) Less: Write-off/write-back of excess provisions during the year	6.42	1.44
(iv) Closing Balance	1.03	7.45

**2.1. Repo Transactions including LAF (FY 2012-13 - 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 2013
Securities sold under Repos				
i) Government Securities	52.50	525.00	141.39	288.75
ii) Corporate debt securities	Nil	Nil	Nil	Nil
Securities purchased under reverse repo				
i) Government Securities	26.25	52.50	0.62	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	11.94	Nil	Nil	Nil	Nil
2	Financial Institutions	5.57	Nil	Nil	Nil	1.00
3	Banks	32.42	14.50	Nil	Nil	Nil
4	Private Corporates	17.92	4.70	Nil	Nil	4.70
5	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6	Others	* 635.45	2.46	Nil	Nil	2.46
	<b>Total (1 - 6)</b>	<b>703.30</b>	<b>21.66</b>	<b>Nil</b>	<b>Nil</b>	<b>8.16</b>
7	Provision held towards depreciation	0.86				
	<b>TOTAL</b>	<b>702.44</b>				

\* includes deposits with NABARD (RIDF), SIDBI, NHB of ₹ 630.23 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 above period	Nil
Closing Balance	Nil
Total provisions held	Nil

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

(₹ in crore)

Particulars	31 March 2013	31 March 2012
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)

SI. 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 2013 (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)

SI. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) for hedging	154.55	Nil
	b) for trading	4341.89	Nil
(ii)	Marked to Market Positions (1)		
	a) Assets (+)	78.12	Nil
	b) Liability (-)	77.93	Nil
(iii)	Credit Exposure (2) @	168.06	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 ₹ 168.06 crore, credit exposure to the tune of ₹ 158.69 crore is out of Inter - Bank deals accepted for guaranteed settlement by Clearing Corporation of India Limited (CCIL), ₹ 5.43 crore is out of other Inter-Bank deals and the balance of ₹ 3.94 crore is out of forward contracts outstanding with customers.

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

(₹ in crore)

Sl. No.	Particulars	31 March 2013	31 March 2012
(i)	<b>Net NPAs to Net Advances (%)</b>	<b>0.63%</b>	0.44%
(ii)	<b>Movement of Gross NPAs</b>		
	Opening balance	<b>123.54</b>	112.48
	Additions during the year	<b>223.43</b>	144.41
	Reductions during the year	<b>173.87</b>	133.35
	Closing balance	<b>173.10</b>	123.54
(iii)	<b>Movement of Net NPAs</b>		
	Opening balance	<b>54.04</b>	48.42
	Additions during the year	<b>159.28</b>	77.42
	Reductions during the year	<b>116.93</b>	71.80
	Closing balance	<b>96.39</b>	54.04
(iv)	<b>Movement of provisions for NPAs</b> (excluding provisions on standard assets)		
	Opening balance	<b>68.41</b>	63.35
	Provisions made during the year	<b>* 106.00</b>	57.00
	Write-off of provisions	<b>98.00</b>	51.94
	Closing balance	<b>76.41</b>	68.41

\* → includes floating provision of Rs.9 crores

**4.2 Particulars of Accounts Restructured (during FY 2012-13)**

Annexed as Annexure I.

**4.3 Details of financial assets sold to Securitisation / Reconstruction company for Asset Reconstruction (during FY 2012-13):**

(₹ in crore)

Sl. No.	Particulars	31 March 2013	31 March 2012
a.	Number of Accounts	<b>4</b>	Nil
b.	Aggregate value (Net of provisions)	<b>Nil</b>	Nil
c.	Aggregate consideration	<b>6.75</b>	Nil
d.	Aggregate gain over net book value	<b>6.75</b>	Nil

**4.4 Details of Non-performing financial assets purchased / sold (during FY 2012-13)**

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 2013	31 March 2012
Provision towards Standard Assets	60.80	46.60

**5. BUSINESS RATIOS**

Particulars	31 March 2013	31 March 2012
Interest Income as percentage to Working Funds	10.71%	10.34%
Non-Interest Income as percentage to Working Funds	1.34%	1.26%
Operating Profit as percentage to Working Funds	2.56%	2.60%
Return on Assets	1.58%	1.71%
Business per employee (₹ in Crore)	9.38	8.47
Profit per employee (₹ in Crore)	0.09	0.08

**6. ASSET LIABILITY MANAGEMENT**
**Maturity Pattern of certain items of assets and liabilities - 31.03.2013**

(₹ in crore)

Period	Deposits	Advances	Investments	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	44.38	42.86	2.76	0.04	53.79	3.66
2 to 7 days	232.20	624.31	40.31	Nil	22.31	40.05
8 to 14 days	871.26	1271.22	4.81	Nil	10.85	0.49
15 to 28 days	122.80	232.32	352.62	Nil	27.42	1.09
29 days to 3 months	1098.56	827.75	849.26	54.28	1224.15	1279.17
Over 3 months & upto 6 months	611.20	977.01	759.04	15.08	618.85	509.30
Over 6 months & upto 1 year	2537.03	3078.91	1431.06	213.86	481.71	588.63
Over 1 year & upto 3 years	13860.37	5870.34	1306.24	55.45	0.47	15.62
Over 3 years & upto 5 years	846.98	1104.42	131.00	138.03	Nil	3.38
Over 5 years	79.98	1216.92	389.70	Nil	Nil	Nil
<b>Total</b>	<b>20304.76</b>	<b>15246.06</b>	<b>5266.80</b>	<b>476.74</b>	<b>2439.55</b>	<b>2441.39</b>

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

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

(₹ in crore)

Category	31 March 2013	31 March 2012
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; *	687.14	508.54
(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	858.00	717.89
(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)	5.55	7.72
<b>Total Exposure to Real Estate Sector</b>	<b>1550.69</b>	<b>1234.15</b>

\* includes Individual housing loans eligible for inclusion in priority sector advances amounting to ₹ 396.76 crore for the year ended 31.03.2013 and ₹ 333.85 crore for the previous year 31.03.2012.

**7.2 Exposure to Capital Market**

(₹ in crore)

Sl. No.	Particulars	31 March 2013	31 March 2012
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	40.21	35.89
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	0.51	1.05
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.	2.85	3.03
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;	69.75	100.55
5.	Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers	58.97	85.48
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
	<b>Total Exposure to Capital Market</b>	<b>172.29</b>	<b>226.00</b>

**7.3 Risk Category-wise Country Exposure**

(₹ in crore)

Risk Category	Exposure (net) as at March 2013	* Provision held as at March 2013	Exposure (net) as at March 2012	Provision held as at March 2012
Insignificant	136.66	Nil	83.19	Nil
Low	67.28	Nil	141.83	Nil
Moderately Low	1.24	Nil	0.11	Nil
Moderate	0.05	Nil	0.10	Nil
Moderately High	Nil	Nil	0.32	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
<b>Total</b>	<b>205.23</b>	<b>Nil</b>	<b>225.55</b>	<b>Nil</b>

\* 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. 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	17.63
Interest cost	1.40
Current service cost	0.59
Past service cost - (non vested benefits)	Nil
Past service cost - (vested benefits)	Nil
Benefits paid	(2.66)
Actuarial (gain) / loss on obligation	4.78
<b>Present value of obligation at year end</b>	<b>21.74</b>

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

(₹ in crore)

Particulars	Leave Encashment
Closing present value obligation	21.74
Fair value of Plan Assets	Nil
Difference	21.74
Unrecognised transitional liability	Nil
Unrecognised past service cost - non vested benefits	Nil
<b>Liability recognized in the balance sheet</b>	<b>21.74</b>

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

(₹ in crore)

Particulars	Leave Encashment
Current Service cost	0.59
Interest cost	1.40
Expected return on plan assets	Nil
Net Actuarial (gain) / loss recognised in the year	4.78
<b>Total expenses recognized in the Profit &amp; Loss Account</b>	<b>6.77</b>

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

Particulars	Leave Encashment
Discount factor	8.10%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on plan assets	Nil

**iv) 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	411.95	331.19	703.76	596.54	1335.49	955.68	11.19	20.50	2462.39	1903.91
Result	92.99	86.06	207.14	170.79	214.24	151.33	9.08	18.87	523.45	427.05
Unallocated Expenses									Nil	Nil
<b>Operating Profit</b>									<b>523.45</b>	<b>427.05</b>
Other Prov & Contingencies									120.43	83.80
Income Taxes									81.00	63.00
Extraordinary profit / loss	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Profit</b>									<b>322.02</b>	<b>280.25</b>
<b>Other Information:</b>										
Segment Assets	6433.27	5255.51	5356.25	4827.73	10658.17	7902.69	Nil	Nil	22447.69	17985.93
Unallocated Assets									529.39	364.73
<b>Total Assets</b>									<b>22977.08</b>	<b>18350.66</b>
Segment Liabilities	6295.87	5123.49	4910.49	4451.79	9771.08	7287.32	Nil	Nil	20977.44	16862.60
Unallocated Liabilities									358.97	244.97
<b>Total Liabilities</b>									<b>21336.41</b>	<b>17107.57</b>
Segment Capital	137.40	132.02	445.76	375.94	887.09	615.37	Nil	Nil	1470.25	1123.33
Unallocated Capital									170.42	119.76
<b>Capital Employed</b>									<b>1640.67</b>	<b>1243.09</b>

Part B - Geographic Segment:

The bank operates only in India.

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

## (i) Related Parties:

 Parent / Subsidiaries / Associates / JV - NIL  
 Key Management Personnel - Dr. N. Kamakodi

## (ii) Related Party Transactions:

 a) as Remuneration : ₹ 24,90,000/-  
 b) as Loan availed - outstanding as on 31.03.2013 : ₹ 41,43,378/-

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

The details of EPS computation is set out below:

Particulars	31 March 2013	31 March 2012
Earnings for the year (₹ in thousands)	322,01,70	280,25,16
Basic weighted average number of shares (Nos)	48,43,33,119	48,38,46,919
Basic EPS (₹)	6.65	5.79
Dilutive effect of stock options (Nos)	41,58,100	41,58,100
Diluted weighted average number of shares (Nos)	48,84,91,219	48,80,05,019
Diluted EPS (₹)	6.59	5.74
Nominal value of shares (₹)	1	1

The bank issued Rights shares during the year at the rate of 1 equity share for every four equity shares held at an issue price of ₹ 20 per equity share including a premium of ₹ 19 per share. The earnings per share (EPS) has been arrived at after considering the right adjustment factor as provided in AS 20. Consequently, the weighted number of shares outstanding prior to the issue has been increased by 0.19 times (right adjustment factor) for this year as well as for the previous year ended 31.03.2012, as per the prescription of the Accounting Standards.

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

The bank has no subsidiaries.

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

 The major components of the Deferred Tax Asset and Liabilities as at 31<sup>st</sup> March 2013 are as follows:

(₹ in crore)

Components	31 March 2013	31 March 2012
<b>Deferred Tax Liability:</b>		
Depreciation on Fixed Assets	1.62	2.30
Accrued Interest on Investments	21.18	16.15
<b>Total Deferred Tax Liability (A)</b>	<b>22.80</b>	<b>18.45</b>
<b>Deferred Tax Asset:</b>		
Provision for Advances	10.75	10.75
Leave encashment	9.02	6.81
Provision for FITL	1.30	Nil
<b>Total Deferred Tax Asset (B)</b>	<b>21.07</b>	<b>17.56</b>
<b>Net Deferred Tax Liability / (Asset) - (A-B)</b>	<b>1.73</b>	<b>0.89</b>

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

The bank has no Associates.

**x) Discontinuing Operations - AS 24**

The bank has not discontinued any operations.

**xi) 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.

**xii) 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.

**xiii) 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 2013	31 March 2012
Provision for Depreciation on Investments (net)	0.28	7.41
Provision towards NPA	97.00	57.00
Provision towards Standard Assets	14.20	12.56
Provision made towards Income Tax	81.00	63.00
Income Tax excess provision written back	0.00	(9.00)
Floating Provision for advances	0.00	9.00
Provision for Restructured Accounts	8.00	6.73
Provision for Debt Relief	0.00	(0.30)
Other Provisions	0.95	0.40
<b>Total</b>	<b>201.43</b>	<b>146.80</b>

**10.2.1 Movement in Countercyclical Provisioning Buffer for NPA**

(₹ in crore)

SI.No.	Particulars	31 March 2013	31 March 2012
a)	Opening Balance	19.30	19.30
b)	Additions during the year	Nil	Nil
c)	Deductions during the year	Nil	Nil
d)	Closing Balance	19.30	19.30

**10.2.2 Movement in Floating Provisions**

(₹ in crore)

SI.No.	Particulars	31 March 2013	31 March 2012
a)	Opening Balance	9.00	Nil
b)	Additions during the year	Nil	9.00
c)	Deductions during the year	Nil	Nil
d)	Closing Balance	9.00	9.00

**10.3 Drawdown from Reserves**

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

**10.4 Customer Complaints**

SI.No.	Particulars	
a)	No. of complaints pending at the beginning of the year	Nil
b)	No. of complaints received during the year	155
c)	No. of complaints redressed during the year	153
d)	No. of complaints pending at the end of the year	2

**10.5 Awards passed by the Banking Ombudsman**

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

**10.6 Letters of Comfort issued in respect of Subsidiaries during financial year 2012-13 : NIL**
**10.7 Provision Coverage Ratio (PCR)**

The Provision Coverage Ratio (PCR) of the bank as on 31.03.2013 is 70.56%.

**10.8 Bancassurance Business**

Income from Bancassurance Business for the financial year 2012-13 : ₹ 4.97 crore.

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

(₹ in crore)

Total Deposits of twenty largest depositors	2943.91
Percentage of Deposits of twenty largest depositors to total Deposits of the bank	14.50%

**10.9.2 Concentration of Advances**

(₹ in crore)

Total Advances to twenty largest borrowers	1944.05
Percentage of Advances to twenty largest borrowers to total Advances of the bank	10.25%

**10.9.3 Concentration of Exposures**

(₹ in crore)

Total Exposure to twenty largest borrowers / customers	1944.05
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the bank on borrowers / customers	10.25%

**10.9.4 Concentration of NPAs**

(₹ in crore)

Total Exposure to top four NPA accounts	51.89
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**10.10 Sector-wise NPAs**

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	1.41
2	Industry (Micro & Small, Medium and Large)	0.53
3	Services	0.93
4	Personal Loans	1.05

**10.11 Movement of NPAs**

(₹ in crore)

Particulars	Amount
<b>Gross NPAs as on 1<sup>st</sup> April 2012</b>	<b>123.54</b>
Additions (Fresh NPAs) during the year	223.43
<b>Sub-total (A)</b>	<b>346.97</b>
Less:-	
(i) Upgradations	23.20
(ii) Recoveries (excluding recoveries made from upgraded accounts)	48.66
(iii) Write-offs	102.01
<b>Sub-total (B)</b>	<b>173.87</b>
<b>Gross NPAs as on 31<sup>st</sup> March 2013 (A-B)</b>	<b>173.10</b>

**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 Disclosures on remuneration**
**Qualitative Disclosures :**

(a)	Information relating to the compensation and mandate of the Remuneration Committee.	Compensation Committee comprising of three members constituted to oversee the framing, review and implementation of Compensation Policy.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<p><u>Key Features:</u></p> <p>i) Board oversees the design of the compensation package and operations</p> <p>ii) Compensation commensurate with the responsibility and accountability</p> <p><u>Objectives:</u></p> <p>a) Alignment of compensation with prudent risk taking</p> <p>b) Effective Supervisory oversight</p> <p>c) Sound Compensation Practices</p>
(c)	Description of the ways in which current and future risks are taken in to account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	Compensation related to the types of risks and symmetric with risk outcomes
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	Qualitative features such as skills, knowledge and abilities are factored in.
(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	<p>i) ESOP and Reservation in Rights Issue to be the components of share based payment</p> <p>ii) Exgratia payment to be denied only in extreme cases of indiscipline, misuse of trust etc.</p>
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	Financial incentives, Exgratia and ESOPs form part of variable remuneration components

**Quantitative Disclosures :**

(g)	Number of meeting held by the remuneration committee during the financial year and remuneration paid to its members.	Five meetings were held during the financial year (4 - Rights Issue Committee and 1 - Compensation Committee) and the total remuneration paid during the year - ₹ 60,000/-
(h)	<p>(i) Number of employees having received a variable remuneration award during the financial year.</p> <p>(ii) Number and total amount of sign-on awards made during the financial year.</p> <p>(iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus.</p> <p>(iv) Details of severance pay, in addition to accrued benefits, if any.</p>	N I L

(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in financial year.	N I L
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	N I L
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to Ex-post explicit and/or implicit adjustments. (ii) Total amount of reductions during the financial year due to Ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to Ex-post implicit adjustments.	N I L

#### 10.16 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 necessary for earlier years towards disputed tax liability since for the tax claim of ₹ 213.30 cr (under Appeal by the Bank), the bank has to its support appellate orders decided in its favour on similar issues.

#### 10.17 Inter Branch Reconciliation

Reconciliation of Central Office accounts maintained by branches has been completed upto 31.03.2013. 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.

#### 10.18 Employees Stock Option

The bank has allotted 17,39,237 shares during the year to its eligible employees who have exercised their options granted under ESOS of the Bank.

#### 10.19 Rights Issue

During the year, the bank allotted 10,43,34,379 equity shares to existing shareholders and 2,46,53,593 Equity Shares to employees under "Employee Reservation Portion" at an issue price of ₹ 20/- per equity share (including premium of ₹ 19/-) by way of Rights Issue of which ₹ 10/- per equity share has been received as application money and the balance of ₹ 10/- per equity share is receivable as call money in the first quarter of FY 2013-14.

**10.20** 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.

**10.21** There are no dues to Micro and Small Enterprises calling for disclosure as at 31st March 2013 as per the records available.

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

**ANNEXURE - I**  
**PARTICULARS OF RESTRUCTURED ACCOUNTS**

(₹ in crore)

No	Type of Restructuring **	Under CDR MECHANISM					Under SME Debt Restructuring Mechanism					OTHERS					TOTAL				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	No. of borrowers	1	Nil	Nil	Nil	1	29	1	7	Nil	37	9	Nil	5	Nil	14	39	1	12	Nil	52
	Restructured Accounts as on April 1 of the FY (opening figures)*	14.04	Nil	Nil	Nil	14.04	93.43	0.07	14.03	Nil	107.53	139.07	Nil	2.20	Nil	141.27	246.54	0.07	16.23	Nil	262.84
	Provision thereon	3.49	Nil	Nil	Nil	3.49	0.70	Nil	0.21	Nil	0.91	6.56	Nil	0.22	Nil	6.78	10.75	Nil	0.43	Nil	11.18
2	No. of borrowers	1	Nil	Nil	Nil	1	5	Nil	Nil	5	3	3	Nil	Nil	3	9	Nil	Nil	Nil	9	
	Fresh restructuring during the year	14.01	Nil	Nil	Nil	14.01	21.40	Nil	Nil	21.40	143.27	143.27	Nil	Nil	143.27	178.68	Nil	Nil	Nil	178.68	
	Provision thereon	2.02	Nil	Nil	Nil	2.02	0.53	Nil	Nil	0.53	4.94	4.94	Nil	Nil	4.94	7.49	Nil	Nil	Nil	7.49	
3	No. of borrowers	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Upgradations to restructured standard category during the FY	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Amount outstanding	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
4	No. of borrowers	Nil	Nil	Nil	Nil	Nil	76.00	Nil	Nil	76.00	73.00	73.00	Nil	Nil	73.00	149.00	Nil	Nil	Nil	149.00	
	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	Nil	Nil	Nil	Nil	Nil	331.58	Nil	Nil	331.58	143.35	143.35	Nil	Nil	143.35	474.93	Nil	Nil	Nil	474.93	
	Provision thereon	Nil	Nil	Nil	Nil	Nil	3.75	Nil	Nil	3.75	6.36	6.36	Nil	Nil	6.36	10.11	Nil	Nil	Nil	10.11	
5	No. of borrowers	Nil	Nil	Nil	Nil	Nil	Nil	4	Nil	4	Nil	Nil	1	Nil	1	Nil	Nil	5	Nil	Nil	5
	Downgradations of restructured accounts during the FY	Nil	Nil	Nil	Nil	Nil	Nil	1.79	Nil	1.79	Nil	Nil	32.50	Nil	32.50	Nil	34.29	Nil	Nil	34.29	
	Provision thereon	Nil	Nil	Nil	Nil	Nil	Nil	0.02	Nil	0.02	Nil	Nil	0.05	Nil	0.05	Nil	0.07	Nil	Nil	0.07	
6	No. of borrowers	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Write-offs of restructured accounts during the FY	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	Amount outstanding	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
7	No. of borrowers	2	Nil	Nil	Nil	2	9	4	4	17	2	2	1	3	6	13	5	7	Nil	25	
	Restructured Accounts as on March 31 of the FY	31.65	Nil	Nil	Nil	31.65	51.29	1.80	5.11	58.20	110.77	110.77	32.50	2.00	145.27	193.71	34.30	7.11	Nil	235.12	
	Provision thereon	3.83	Nil	Nil	Nil	3.83	1.02	0.02	0.12	1.16	4.90	4.90	0.05	0.04	4.99	9.75	0.07	0.16	Nil	9.98	

a) Provision thereon\* figures represents erosion in Fair value

b) Includes a Borrower's account restructured as per FRP formulated by CEA

**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 Individual scrips 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, 2013**

(₹ in thousands)

	2012-2013	2011-2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit as per P&amp;L account</b>	<b>322,01,71</b>	280,25,18
Adjustments for		
Depreciation	24,68,07	13,55,47
Provisions & Contingencies - Tax	81,00,00	63,00,00
Provisions & Contingencies - Others	120,43,03	83,80,10
Profit on sale of Investments	(17,05,15)	(7,77,19)
Profit on sale of Assets	(26,72)	(15,05)
Foreign exchange fluctuations	(18,38,12)	(15,22,24)
<b>Operating Profit before working capital changes</b>	<b>512,42,82</b>	417,46,27
Adjustments for		
Funds advanced to Customers	(3210,96,70)	(2944,23,00)
Other Operating Assets	(12,06,74)	(85,84,74)
Deposits from Customers	3963,99,90	3426,47,11
Borrowings from Banks	128,03,64	162,54,79
Other operating liabilities	25,78,51	(151,71,06)
Purchase and sale of investments (Net)	(663,84,30)	(969,60,64)
<b>Cash generated from Operations</b>	<b>743,37,13</b>	(144,91,27)
Taxation - Income Tax and FBT	(125,33,03)	73,53,35
<b>Net cash flow from Operating activities - A</b>	<b>618,04,10</b>	(71,37,92)
Cash flow from Investing Activities		
Purchase of Fixed Assets	(71,49,58)	(44,37,61)
Sale of Fixed Assets	3,53,71	1,77,07
<b>Net cash used in Investing Activities - B</b>	<b>(67,95,87)</b>	(42,60,54)
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	6,62,33	31,82
Proceeds from share premium	124,43,90	3,38,48
Dividend Paid	(40,11,76)	(34,06,61)
Tax on distributed profits	(6,65,04)	(5,86,19)
<b>Net cash flow from Financing Activities - C</b>	<b>84,29,43</b>	(36,22,50)
Net increase in Cash and Cash equivalents A+B+C	634,37,66	(150,20,96)
Cash and Cash equivalents at 31.03.2012	1136,10,93	1286,31,89
<b>Cash and Cash equivalents at 31.03.2013</b>	<b>1770,48,59</b>	1136,10,93

 Chennai  
20.05.2013

For and on behalf of the Board

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

As per our separate report of even date

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

 Chennai  
20.05.2013

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

### Details of Nostro Accounts

Sl. No.	Bank Name	Place	Currency
1	HSBC Bank	New York	USD
2	Wells Fargo Bank	New York	USD
3	Standard Chartered Bank	New York	USD
4	Commerz Bank	Frankfurt	USD
5	J.P. Morgan Chase	New York	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 : CIUBIN5M**

## LIST OF BRANCHES

**ANDHRA PRADESH**

ADILABAD  
ADONI  
AMALAPURAM  
ANAKAPALLI  
ANANTAPUR  
BHIMAVARAM  
CHILAKALURIPET  
CHIRALA  
CHITTOOR  
CUDDAPAH  
DHARMAVARAM  
ELURU  
GUDIVADA  
GUNTUR  
GUNTUR - II  
GUDUR  
HINDUPUR  
HYDERABAD - AMEERPET  
HYDERABAD - BASHEER BAGH  
HYDERABAD - BODUPPAL  
HYDERABAD - DILSUKHNAGAR  
HYDERABAD - KUKATPALLY  
HYDERABAD - MALKAJGIRI  
HYDERABAD - MEERPET  
HYDERABAD - SECUNDERABAD  
HYDERABAD - SIDAMBAR BAZAAR  
KAKINADA  
KAMAREDDY  
KARIMNAGAR  
KAVALI  
KHAMMAM  
KURNOOL  
MACHILIPATNAM  
MEDCHAL  
NANDYAL  
NARASARAOPET  
NELLORE  
NIZAMABAD  
ONGOLE  
PRODATTUR  
RAJAMUNDRY  
SRIKAKULAM  
TANUKU  
TENALI  
TIRUPATI  
VIJAYAWADA  
VIJAYAWADA - II  
VISHAKAPATINAM  
WARRANGAL

**CHATTISHGARH**

RAIPUR

**GUJARAT**

AHMEDABAD  
BHAVNAGAR  
RAJKOT  
SURAT  
SURAT II  
VADODARA (BARODA)

**KARNATAKA**

BANGALORE - BANASHANKARI  
BANGALORE - BANASWADI  
BANGALORE - BOMMASANDRA  
BANGALORE - DOD BALLAPUR  
BANGALORE - INDIRA NAGAR  
BANGALORE - J. P. NAGAR  
BANGALORE - JAYA NAGAR  
BANGALORE - KORAMANGALA  
BANGALORE - MALLESWARAM

BANGALORE - PEENYA  
BANGALORE - RAJAJINAGAR  
BANGALORE - SULTANPET  
BANGALORE - VIJAYNAGAR  
BANGALORE - WHITE FIELD  
BELGAUM  
BELLARY  
DAVENGERE  
HUBLI  
MANGALORE  
MYSORE  
RAMANAGARA  
TIPTUR  
TUMKUR  
YELAHANKA

**KERALA**

ALAPPUZHA  
CHAVAKKAD  
ERNAKULAM  
KANNUR  
KOLLAM  
KOTTAYAM  
KOZHIKODE  
PALGHAT  
TRIPUNITHARA  
THIRUVALLA  
THIRUVANANTHAPURAM  
THRISSUR

**MADHYA PRADESH**

INDORE

**MAHARASTRA**

AMRAVATHI  
AURANGABAD  
CHALKARANJI  
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 - LAJPAT NAGAR  
NEW DELHI - MAYUR VIHAR  
NEW DELHI - ROHINI

**ORISSA**

BHUVANESWAR

**PONDICHERRY**

KARAIKAL  
PONDICHERRY

**PUNJAB**

AMRITSAR  
CHANDIGARH  
JALANDHAR  
LUDHIANA

**RAJASTAN**

BILWARA  
JAIPUR

**TAMIL NADU**

ADUTHURAI  
ALANGUDI  
AMBASAMUDRAM  
ARAKKONAM  
ARANI  
ARIYALUR  
ARUPUKOTTAI  
AVINASHI  
ATHANKOTTAI  
ATTUR  
AYYEMPETTAI  
BHAVANI  
BODINAYAKANUR  
CHENNAI - ABIRAMAPURAM  
CHENNAI - AMBATTUR  
CHENNAI - ANAKAPUTHUR  
CHENNAI - ANNA NAGAR  
CHENNAI - ASHOK NAGAR  
CHENNAI - AVADI  
CHENNAI - AYYAPPANTHANGAL  
CHENNAI - CHENGALPET  
CHENNAI - CHINMAYA NAGAR  
CHENNAI - CHITLAPAKKAM  
CHENNAI - CHROMPET  
CHENNAI - GEORGE TOWN  
CHENNAI - GUDUVANCHERY  
CHENNAI - GURUGAMBAKKAM  
CHENNAI - ILLALUR  
CHENNAI - JALLADIAMPET  
CHENNAI - K K NAGAR  
CHENNAI - KARAPAKKAM  
CHENNAI - KELAMBAKKAM  
CHENNAI - KOTTIVAKKAM  
CHENNAI - KUNDRATHUR  
CHENNAI - MADHAVARAM  
CHENNAI - MADIPAKKAM  
CHENNAI - MADURAVOYIL  
CHENNAI - MANALI  
CHENNAI - MANAPAKKAM  
CHENNAI - MANDAVELI  
CHENNAI - MANGADU  
CHENNAI - MARAIMALAI NAGAR  
CHENNAI - MEDAVAKKAM  
CHENNAI - MINJUR  
CHENNAI - MOUNT ROAD  
CHENNAI - MUDICHUR  
CHENNAI - MYLAPORE  
CHENNAI - NANGANALLUR  
CHENNAI - NANMANGALAM  
CHENNAI - NUNGAMBAKKAM  
CHENNAI - PADAPPALAI  
CHENNAI - PAMMAL  
CHENNAI - PERAMBUR  
CHENNAI - PERUNGALATHUR  
CHENNAI - POLICHALUR  
CHENNAI - POONAMALLEE  
CHENNAI - PURASAWALKAM  
CHENNAI - RENGARAJAPURAM  
CHENNAI - SELAIYUR  
CHENNAI - SEMMANJERI  
CHENNAI - SINGAPERUMAL KOIL  
CHENNAI - SITHALAPAKKAM  
CHENNAI - SRIPERUMBUDUR  
CHENNAI - T NAGAR  
CHENNAI - TAMBARAM  
CHENNAI - THIRUVALLUR  
CHENNAI - THIRUVERKADU

**LIST OF BRANCHES (Contd.)**

CHENNAI - THIRUVOTTIYUR  
 CHENNAI - THORAIPAKKAM  
 CHENNAI - TIRUVANMIYUR  
 CHENNAI - TRIPLICANE  
 CHENNAI - URAPAKKAM  
 CHENNAI - VALASARAVAKKAM  
 CHENNAI - VELACHERY  
 CHEYYARU  
 CHIDAMBARAM  
 COIMBATORE - OPPANAKARA STREET  
 COIMBATORE - P N PALAYAM  
 COIMBATORE - PANNIMADAI  
 COIMBATORE - PERIYANAIPALAYAM  
 COIMBATORE - PERUR  
 COIMBATORE - R.S.PURAM  
 COIMBATORE - RAM NAGAR  
 COIMBATORE - RAMANATHAPURAM  
 COIMBATORE - SAIBABA COLONY  
 COIMBATORE - SARAVANAMPATTI  
 COIMBATORE - SINGANALLUR  
 COIMBATORE - VADAVALLI  
 COIMBATORE - VILANKURICHI  
 CUDDALORE  
 CUMBUM  
 DARAPURAM  
 DEVAKOTTAI  
 DHALAVOIPURAM  
 DHARASURAM  
 DHARMAPURI  
 DINDIGUL  
 ELLAMPILLAI  
 ERAVANCHERY  
 ERODE  
 GOBICHETTIPALAYAM  
 GUDIYATHAM  
 GUMMIDIPOONDI  
 HOSUR  
 IDAPPADI  
 JALAKANDAPURAM  
 JAYANKONDAM  
 KADAYANALLUR  
 KALLAKURICHI  
 KANCHEEPURAM  
 KANGAYAM  
 KARAIKUDI  
 KARAMADAI  
 KARUR  
 KATPADI  
 KATTUMANNARKOIL  
 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 - OTHAKADAI  
 MADURAI - S.S. COLONY  
 MADURAI - T V S NAGAR  
 MADURAI - THIRUNAGAR

MADURAI - VILAKKUTHOON  
 MADURAPAKKAM  
 MADURAPURI  
 MANAPPARAI  
 MANJAKUDI  
 MANJANAYACKANPATTI  
 MANNARGUDI  
 MAYILADUTHURAI  
 METTUPALAYAM  
 MELVISHARAM  
 MUSIRI  
 NACHAR KOIL  
 NADUKKADAI  
 NADUPATTY  
 NAGAPATTINAM  
 NAGERKOIL  
 NAGORE  
 NAMAKKAL  
 NANNILAM  
 NEYVELI  
 ODDANCHATRAM  
 PALANI  
 PALAVATHANKATTALAI  
 PALAYAMKOTTAI  
 PALLADAM  
 PALLIPALAYAM  
 PANRUTI  
 PARAMAKUDI  
 PATTUKOTTAI  
 PERAMBALUR  
 PERIYAKULAM  
 PERUNDURAI  
 PULIYANKUDI  
 POLLACHI  
 PORAYAR  
 PUDUKKOTTAI  
 PULIYUR  
 RAJAPALAYAM  
 RAMANATHAPURAM  
 RANIPET  
 RASIPURAM  
 RISHIVANDIYAM  
 SAKKOTTAI  
 SALEM - FAIR LANDS  
 SALEM - MAIN  
 SALEM - SHEVAPET  
 SANANALLUR  
 SANKARANKOIL  
 SATHUVACHARI  
 SATTUR  
 SEMBANARKOIL  
 SENGURICHI  
 SILLATUR  
 SIRKALI  
 SIVAGANGAI  
 SIVAKASI  
 SOMANUR  
 SRIVILLIPUTHUR  
 SULUR  
 SURAMPATTI  
 TENKASI  
 THALAIYUTHU  
 THAMARANGKOTTAI  
 THANJAVUR - MAIN  
 THANJAVUR - MEDICAL COLLEGE ROAD  
 THENI  
 THIMMACHIPURAM  
 THINDAL  
 THIRUCHENGODU  
 THIRUMANGALAM  
 THIRUNAGESWARAM  
 TIRUPATHUR

THIRUTHURAIPOONDI  
 THOGUR  
 THONDAMUTHUR  
 TINDIVANAM  
 TIRUKKATTUPALLI  
 TIRUKOILUR  
 TIRUMAKOTTAI  
 TIRUMARUGAL  
 TIRUNELLIKAVAI  
 TIRUNELVELI  
 TIRUPANANDAL  
 TIRUPOONDI  
 TIRUPPUR - MAIN  
 TIRUPPUR - VEERAPANDY  
 TIRUVANNAMALAI  
 TIRUVARUR - TOWN  
 TIRUVARUR - VIJAYAPURAM  
 TIRUIDAIMARUTHUR  
 TRICHY - CANTONMENT  
 TRICHY - K K NAGAR  
 TRICHY - MAIN  
 TRICHY - SRIRANGAM  
 TRICHY - THILLAINAGAR  
 TRICHY - THUVAKUDI  
 TUTICORIN  
 UDUMALPET  
 ULLIKOTTAI  
 USILAMPATTI  
 UTHUKULI  
 VALANGAIMAN  
 VALLAM  
 VEDARANYAM  
 VEERAPANDI  
 VEERAPERUMANALLUR  
 VELLAKOVAL  
 VELLORE  
 VEPPAMPATTU  
 VILLUPURAM  
 VIRUDHACHALAM  
 VIRUDHUNAGAR

**HARYANA**  
 GURGAON

**UTTAR PRADESH**  
 ALLAHABAD  
 VARANASHI  
 LUCKNOW

**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	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Paid up Capital	24.00	24.00	24.00	25.20	32.00	32.00	39.96	40.50	40.82	47.44
Reserve fund and Other Reserves	178.85	216.72	262.15	340.51	534.86	628.92	785.68	966.12	1202.28	1593.22
Deposits	2846.65	3095.24	3517.74	4699.33	6424.96	8206.62	10284.59	12914.29	16340.76	20304.75
Advances	1546.98	2012.96	2549.53	3329.23	4537.06	5645.25	6833.46	9255.46	12137.46	15246.06
Investments	1279.00	1102.24	1057.48	1307.00	1717.96	2397.46	3210.43	3616.23	4586.19	5266.80
Net Profit	57.04	46.32	56.37	71.81	101.73	122.13	152.76	215.05	280.25	322.02
Dividend	60%	40%	40%	40%	50%	75%	75%	85%	100%	** 100%
No. of Branches	128	134	142	161	180	207	222	246	300	375
Total No. of Staff	1396	1434	1606	1871	2171	2452	2628	2836	3347	3785
Intrinsic value of Shares (Rs.)	84.52	100.30	119.23	145.12	* 17.78	20.65	20.64	24.85	30.45	# 30.44
Earning Rate (%)	237.67	193.00	234.88	299.21	317.91	381.66	381.90	530.95	686.55	# 597.51

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

\*\* Interim dividend of 100% paid for the Financial year 2012-13.

# Total number of shares including partly paid has been taken for calculation.

## NEW CAPITAL ADEQUACY FRAMEWORK – BASEL II DISCLOSURES UNDER PILLAR - 3 AS ON 31.03.2013

### 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 – 31.03.2013

#### Qualitative Disclosures:

- (a) Summary

Type of Capital	Features
<b>Equity - Tier I Capital</b>	During the year 2012-13, the Bank had allotted 17,39,237 equity shares to its eligible employees who have exercised their options granted under ESOS of the Bank and Rights Issue of shares to the tune of 12,89,87,972 equity shares partly paid up @ ₹ 0.50 paise per share on face value of ₹ 1 each allotted to the existing share holders including employees of our Bank. The Equity Capital of the Bank as on 31.03.2013 stood at ₹ 47.44 crore.
<b>Tier II Capital</b>	The Bank has not raised Tier II capital during the current year 2012-13. 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 crore)	
01.	Tier - I Capital		1640.67
	- Paid-up Share Capital - Total	47.44	
	- Reserves & Surplus - Total	1593.23	
	Amount deducted from Tier I Capital (if any)		
	- Intangible Assets	9.30	
	- Statutory Deduction (Spl. Reserve tax deduction)	28.88	
	- Investment Reserve trfd to Tier II Capital	2.38	40.56
	Total eligible Tier I Capital		<b>1600.11</b>
02.	Tier - II Capital		<b>85.88</b>
	a) Revenue Reserves (Investment Reserve)	2.38	
	b) Other General Provisions		
	c) Lower Tier II - Subordinated Debts *	22.70	
	d) Provision for Standard Assets	60.80	
03.	Total Eligible Capital (net of deductions from Tier I & Tier II Capital)		<b>1685.99</b>

\* Total Tier II Bonds of ₹ 40 crore less inadmissible / discount of ₹ 17.30 crore.

**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, 2013. 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 13.98% as on March 31, 2013 (as against 9%). The Tier I CRAR stands at 13.27% as against RBI's prescription of 6%.

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	978.53
• Securitisation exposures	Nil
(b) Capital requirements for market risk:	
• Standardised duration approach	23.54
- Interest rate risk	11.71
- Foreign exchange risk	1.71
- Equity risk	10.12
(c) Capital requirements for operational risk:	
• Basic indicator approach;	83.18
Total capital required @ 9%	1085.25
(d) Total and Tier 1 capital ratio :	
Total CRAR	13.98%
Tier I CRAR	13.27%

**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 31.03.2013	Domestic	Overseas	Total
Fund based	16869.99	Nil	16869.99
Non-fund based	2026.40	Nil	2026.40
Total	18896.39	Nil	18896.39

### Industry type distribution of exposures :

#### Details on Industry wise exposures - 31.03.2013

(Total advances to Small, Medium & Large Industries)

(₹ in crore)

S.No	Industry / Activity	Funded Exposure (I)	Non Funded Exposure (II)	Total Exposure (I+II) = III
1	Mining and Quarrying	36.28	3.05	39.33
2	Iron and Steel	914.86	460.08	1374.94
3	Other Metal and Metal Products	219.75	49.66	269.41
4	Non-metalic mineral products	29.16	16.63	45.79
5	Electronics	19.46	8.01	27.47
6	Others (incl Electrical & Home Appliances)	193.14	76.12	269.26
7	Cotton Textiles	896.99	69.93	966.92
8	Other textiles	389.66	15.59	405.25
9	Food Processing	237.45	32.77	270.22
10	Beverages and Tobacco	89.73	0.15	89.88
11	Leather and Leather products	10.05	2.07	12.12
12	Wood and Wood Products	22.19	20.34	42.53
13	Paper and Paper Products	350.72	22.46	373.18
14	Petroleum, Coal Products and Nuclear Fuels	6.64	0.23	6.87
15	Drugs and Pharmaceuticals	83.90	6.47	90.37
16	Chemicals and Chemical Products (Dyes, Paints, etc.)	117.56	41.29	158.85
17	Rubber, Plastic and their Products	93.30	34.24	127.54
18	Glass & Glassware	1.52	0.00	1.52

(₹ in crore)

S.No	Industry / Activity	Funded Exposure (I)	Non Funded Exposure (II)	Total Exposure (I+II) = III
19	Cement and Cement Products	11.72	0.00	11.72
20	Vehicles, Vehicle Parts and Transport Equipments & autoparts	52.36	3.42	55.78
21	Gems and Jewellery	20.66	11.00	31.66
22	Construction (Commercial Real Estate)	848.78	9.22	858.00
23	Infrastructure	174.88	24.43	199.31
24	Publication & Printing	81.38	9.47	90.85
25	Computer Software	32.58	0.09	32.67
26	Other Industries	22.21	28.29	50.50
<b>All Industries Total</b>		4956.93	945.01	5901.94
Residuary other advances		11913.06	1081.39	12994.45
<b>Gross Exposure (funded + non-funded)</b>		16869.99	2026.40	18896.39

The exposures to the following two industries are above 5% of Gross Credit Exposure as on 31.03.2013:

- 1) Iron & Steel Industry - 7.26%
- 2) Cotton Textile Industry - 5.10%

**Residual contractual maturity breakdown of assets as on 31.03.2013**

(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	780.44	42.86	2.76	11.67	837.74
2 to 7 Days	19.00	624.31	42.31	21.33	706.95
8 to 14 Days	0.00	1271.22	4.81	24.37	1300.40
15 to 28 Days	63.32	232.32	352.61	6.28	654.54
29 Days to 3 Months	255.13	827.75	849.26	8.78	1940.92
Over 3 Months & upto 6 Months	148.04	977.01	759.04	104.34	1988.43
Over 6 Months & upto 1 Year	248.65	3078.90	1431.06	142.58	4901.20
Over 1 Year & upto 3 Years	226.19	5870.34	1306.25	129.99	7532.77
Over 3 Years & upto 5 Years	21.82	1104.41	131.00	0.00	1257.24
Over 5 Years	7.88	1216.92	387.70	244.39	1856.89
<b>Total</b>	<b>1770.49</b>	<b>15246.06</b>	<b>5266.80</b>	<b>693.74</b>	<b>22977.08</b>

**Amount of NPAs (Gross)**

(₹ in crore)

Sub-standard	119.01
Doubtful 1	26.21
Doubtful 2	18.14
Doubtful 3	2.65
Loss	7.09
<b>Gross NPA Total</b>	<b>173.10</b>

The Amount of Net NPAs is ₹ 96.39 crore

**The NPA ratios are as under**

- Gross NPA to Gross Advances 1.13%
- Net NPAs to Net Advances 0.63%

**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 (01.04.12)	123.54
ii. Additions made during the year (4 quarters)	223.43
iii. Reductions during the year (4 quarters)	173.87
iv. Closing balance at the end of year 31.03.13 ( i + ii - iii)	173.10

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

(₹ in crore)

i. Opening balance at the beginning of the year (01.04.12)	68.41
ii. Provisions made during the year (4 quarters)	106.00
iii. Write-off/Write-back of excess provisions (4 quarters)	98.00
iv. Closing Balance at the end of quarter 31.03.13 ( i + ii - iii)	76.41

**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 (01.04.12)	7.45
ii. Provisions made during the year (4 quarters)	0.05
iii. Write-off (4 quarters)	5.80
iv. Write-back of excess provisions (4 quarters)	0.67
v. Closing Balance at the end of quarter 31.03.2013 ( i + ii - iii - iv)	1.03

**TABLE DF - 5**
**CREDIT RISK: DISCLOSURES FOR PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH**
**Qualitative Disclosures :**

The Bank is using the services of External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL, b) ICRA, c) CARE and d) FITCH India 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 %	719.35	11645.28	12364.63
100 %	254.65	5700.37	5955.02
More than 100 %	338.06	576.39	914.45
Total outstanding after mitigation	1312.06	17922.04	19234.10
Deducted (as per Risk Mitigation)	0.62	4781.78	4782.40

**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 27.70% 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	795.39
2. Funded - Credit	Gold jewels	3436.37
3. Funded - Credit	LIC/KVP/NSC	5.82
3. Non Funded	Bank's own deposits	439.91

- 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	207.37
2. Funded Credit	AP State Government	5.55
3. Funded Credit	CGTSI	34.23

**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 31.03.2013 (₹ in crore)

- Interest Rate Risk - 11.71
- Equity Position Risk - 10.12
- Foreign Exchange Risk - 1.71

**Total - 23.54**

## 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. 2009-10, 2010-11 and 2011-12 is considered for computing the capital charge. The required capital is ₹ 83.18 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 31.03.2013 is ₹ 61 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2013 is 10.85%.

EXPANDING NETWORK



325th Branch - Srivilliputtur



350th Branch - Tirupati



375th Branch - Madurai - Thirunagar

**GREEN INITIATIVE APPEAL TO SHAREHOLDERS****TO GET NOTICES / ANNUAL REPORTS & OTHER COMMUNICATION THROUGH E-MAIL**

Shareholders holding Shares in Demat accounts are requested to register their email ID in their Demat Accounts through Depository Participant (DP).

**Shareholders holding Shares in Physical form are requested to :**

send their consent by filing up and signing the perforated portion of this communication to our Registrars at their address given hereunder :

Karvy Computershare Private Limited (Unit : CITY UNION BANK LIMITED)

Plot No : 17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

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

**Appeal to Shareholders for Efficient & Prompt Services :**

1. Please Demat your Physical Shares.
2. Please register your ECS Mandate for direct credit of Dividend amount in your A/c.
3. Please register your e-mail ID for receiving communications through e-mail.

**Benefits of Dematerialization :**

1. No threat of loss of share certificate.
2. No share transfer fees or stamp.
3. Easy / hassle free transfer / transmission.
4. Nomination possible.
5. Dividend directly credited to your Bank A/c.
6. ASBA / IPO application possible.

**ECS Mandate :**

1. Direct credit of dividend on Dividend payment date itself.
2. No problem of late / non-receipt / revalidation of Dividend Warrants.

**E-mail ID :**

1. Be a part of Green initiative of Government of India (GOI).
2. Immediate receipt of Corporate communication including Notice of AGM & EGM / Annual Reports.

**GREEN INITIATIVE OF CITY UNION BANK LIMITED**

M/s Karvy Computershare Private Ltd (Unit: CITY UNION BANK LIMITED)  
Plot No : 17-24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

Dear Sir,

I/We .....holding ..... shares of CITY UNION BANK LIMITED in physical form, intend to receive all communication from CITY UNION BANK LIMITED through our email ID given hereunder, as a part of Green Initiative under Corporate Governance of CITY UNION BANK LIMITED.

Folio No : ..... Email ID : .....

I/We also undertake that the communication received through my/our email ID will be treated as proper, legal and sufficient delivery of documents sent to me / us by CITY UNION BANK LIMITED. I/We further undertake that I/We would not hold CITY UNION BANK LIMITED any of its employees, Registrars or its employees, responsible in case the communication is not properly received at my/our email ID due to any technical / other failures.

.....  
Signature of Share / First Holder

From :

Date :

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 the First / shareholder						
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 Branch						
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)





New Administrative Office "Narayana" at Kumbakonam



**CUB**

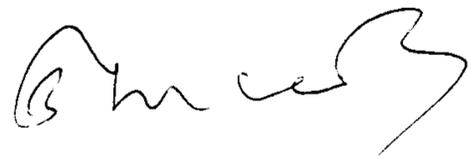
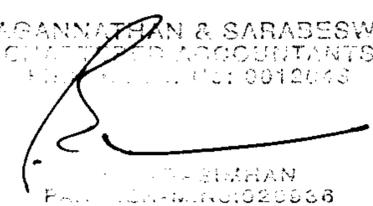
**CITY UNION BANK LIMITED**

Registered Office : Kumbakonam - 612 001, Tamil Nadu.

Phone : 0435 - 2402322 Fax : 0435 - 2431746

Website : [www.cityunionbank.com](http://www.cityunionbank.com)

**FORM A**  
**Format of covering letter of the annual audit report to be filed with the stock exchanges**

1.	Name of the Company:	City Union Bank Ltd
2.	Annual financial statements for the year ended	31st March 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	<p>To be signed by-</p> <p><input type="checkbox"/> CEO/Managing Director : </p> <p><input type="checkbox"/> CFO : </p> <p><input type="checkbox"/> Auditor of the company :   <small>For JAGANNATHAN &amp; SARABESWARAN  CHARTERED ACCOUNTANTS  REG. NO. 101/0012643  JAGANNATHAN  PARTICULARS: 1020036</small></p> <p><input type="checkbox"/> Audit Committee Chairman : </p>	