



Earnings Call for the quarter ended 30th September ,2014

Good evening every body and thank you for attending this City Union Bank's earnings call of Q2 FY 2015.

Our board has today adopted the Unaudited Financial Results for the second quarter ending 30.09.2014. The details have been already updated in our website and circulated.

Before going into details of quarterly results, I am extremely glad to inform that the bank has completed its 110 years of successful operations on 31.10.2014 and we have decided to celebrate the milestone as 110th year of Foundation day on 23rd of this month in Chennai. Shri R. Gandhi, Deputy Governor, RBI will be the Guest of Honour and deliver the Foundation day address. Dr C. Rangarajan, Former Chairman, Economic Advisory Council to the Prime Minister and Former Governor, RBI will be Chief Guest.

Let us get into the details of the last quarter results:

In a nutshell, the bank has shown a growth of 23% in Operating profit over the corresponding Q2 and 14% in the I half FY 2015 over H1 FY 2014. Similarly the Net Profit for the second quarter as well as first half of FY 2015 increased by 11% over the last year. Net NPA has increased 2 bps to 1.30% from 1.28% in June 2014 (Sequential quarter).

As I have explained in the last few quarters' conference call, we are not chasing the growth and our focus is more on quality and consolidation.

For the period ended 30.09.2014, Deposits increased by Rs.2096 crs from Rs.21056 cr to Rs.23152 cr, thereby registered a growth of 10% y-o-y basis.

On the advances front, we are hopeful of achieving 10% growth in the current financial year. For the period ended September 2014, our Advances increased by Rs.1059 crs (7%) from Rs.15849 cr to Rs.16908 cr. Although the advances has increased by 7% y-o-y on net basis, if we take into account the decrease in jewel loan portfolio of Rs.648 crs during the last one year,



the increase in non-jewel loan advances portfolio comes to 11% even after excluding payment of term loan installments and sale of NPAs to ARC.

Total business thus grew by 9% on a y-o-y basis. CASA has increased by Rs.750 cr from Rs.3531 cr to Rs.4281 cr, thereby registering a growth of 21%. The percentage of CASA in total deposits increased from 16.77% in September 2013 to 18.49% in September 2014.

The Cost of Deposits for Q2 decreased to 8.22% from 8.44% in last Q2. Cost of Deposits for the half year decreased to 8.24% from 8.44% which is 20 basis points lower than last year.

The yield on advances for Q2 stood at 13.57% and for the half year at 13.28% Vs 13.56% for the same period last year. The Yield on advances for Q2 increased to 13.57% from 13.00% shown in Q1 (sequential quarter). The interest reversals in Q1 on NPA additions resulted in lower yield in Q1 FY 2015.

The Yield on Investments has increased by 15 bps from 7.30% in last half September to 7.45%.

The net interest income for the Q2 stood at Rs.206.21 cr against Rs.189.84 cr in the corresponding quarter thereby registering a growth of 9%. The net interest income for the half year ended September 2014 stood at Rs.392.94 cr Vs 377.19 cr last year. On sequential basis, the NII increased by 10% from Rs.186.73 cr in Q1 to Rs.206.21 cr in Q2. The Net Interest Margin increased by 22 basis points from 3.32% in Q1 to 3.54% in Q2. We have consistently maintained the NIM of 3.55%, 3.51%, 3.62%, 3.34%, 3.32% and 3.54% for Q1, Q2, Q3, Q4 FY 2014 and Q1, Q2 FY 2015 respectively. Normally our NIM is around 3.30% - 3.40% on an average basis for the last many quarters within a range of 3.30% to 3.60%.

There is an increase of 59% in other income on Q2 to Q2 basis from Rs.56.76 crs to Rs.90.15 cr. The increase mainly arose from treasury operations of Rs.12.02 cr & increase in technical write off accounts collection to the tune of Rs.7.84 cr. The Non interest income for H1 FY 2015 increased by 48% to Rs.200.85 crs from Rs.135.66 crs as reported in the corresponding period last year because of the same reasons.



The Other operating expenditure has increased by 17% on Q2 Vs Q2 basis from Rs.105.82 cr to Rs.123.51 cr and for half year period it rose from Rs.210.50 crs to Rs.248.25 crs registering an increase of 18% due to normal increase in expenses like Salaries, Rent, Electricity, Insurance, Depreciation, etc.

The operating profit has thus increased by 23% on Q2 Vs Q2 basis from Rs.140.78 cr to Rs.172.85 cr. For the Half year period, the operating profit has increased by 14% from Rs.302.35 cr to Rs.345.54 cr.

For Q2 FY 2015, the total provisions has increased by 40% from Rs.56.43 crs in Q2 FY 2014 to Rs.79.10 cr. The total provisions for the first half increased by 19% from Rs.127.71 cr last year to Rs.152.30 cr. We have provided Rs.55 Cr towards taxation as against Rs.19 cr for the corresponding period. The Provision for NPA stood at Rs.95.80 cr Vs Rs.103 cr.

PAT for the Second quarter has increased by 11% from Rs.84.35 cr to Rs.93.75 cr. For H1 FY 2015 the same has increased by a similar percentage to Rs.193.24 cr from Rs.174.64 cr last year.

Return on Assets for H1 FY 2015 stood at 1.50% Vs 1.48% for the corresponding period and for Q2 the same was 1.42% vs 1.40%. The Return on equity was maintained at 17.70% for H1 FY 2015 when compared to 19.61% and it was 16.19% for Q2 FY 2015 compared to 19.40% in Q1 FY 2015 (sequential quarter). The decrease in ROE is due to capital infusion of Rs.350 crs by way of QIP in the beginning of Q2.

Cost to income ratio decreased to 41.68% for Q2 FY 15 from 42.91% in Q2 FY 14. For the half year period the same has marginally increased from 41.05% last half to 41.81% in H1 FY 15. As the branch opening will happen in the II half, the cost income ratio may increase upto 44% – 45%.

For Q2 FY 2015, the additions to NPA account were Rs.83.49 crs Vs Rs.149.91 cr in the corresponding Q2 last year. The NPA addition in Q2 FY 2015 was the lowest in the last 5 quarters. The recovery/upgradation of live NPA was Rs.22.00 cr in Q2 FY 2015. There was no



major addition of big ticket accounts during the last quarter. We could clearly see a decreasing trend in the pressure on asset quality and some signs of good sentiments could be observed. But the effect of changes in sentiments is yet to bring changes in fundamentals and it may take a few more quarters. Some improvement in the power situation was visible in the early October in Tamilnadu where we have 70% of business but whereas at the end of October the same has deteriorated. So we are awaiting the turnaround of economy. We have not sold any assets to ARC after the last earning call and there is no fresh sale to ARC. Our current SR stands at 318 crs. With this, the Gross NPA for Q2 FY 2015 stood at Rs.337.89 crs which is 2.00% of Gross Advances Vs 1.91% in the sequential quarter Q1 FY 2015. The Net NPA stood at Rs.218.66 crs which is 1.30% of Net Advances Vs 1.28% in the sequential quarter Q1 FY 2015.

No new accounts have been restructured in Q2 FY 2015 and you may remember we have not restructured in Q1 also. The restructured standard advances currently stands at Rs.250 cr which is 1.48% of our Gross advances. We have received a net payment of Rs.11 cr in restructured standard accounts during Q2 FY 2015. One account to the tune of Rs.45 cr – Rs.50 cr is in pipeline for restructuring.

Thank you all!