



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LTD

**INVESTOR
PRESENTATION
MARCH 2018**



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Overview

City Union Bank Ltd, the oldest private sector bank in India, was founded on October 31, 1904 and is headquartered at Kumbakonam, Tamil Nadu, India.

The main focus of the Bank – lending to MSME, Retail / Wholesale Trade with granular asset profile including providing short term and long term loans to agricultural sector.

Facts & Figures

Position as on 31.03.2018

Deposits



INR 32,853 Cr

Advances



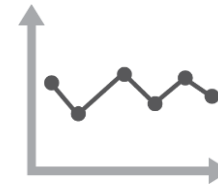
INR 28,239 Cr

Net Interest Margin



4.42%

Net NPA



1.70%

Employees



5,319

Branches



600

ATM's



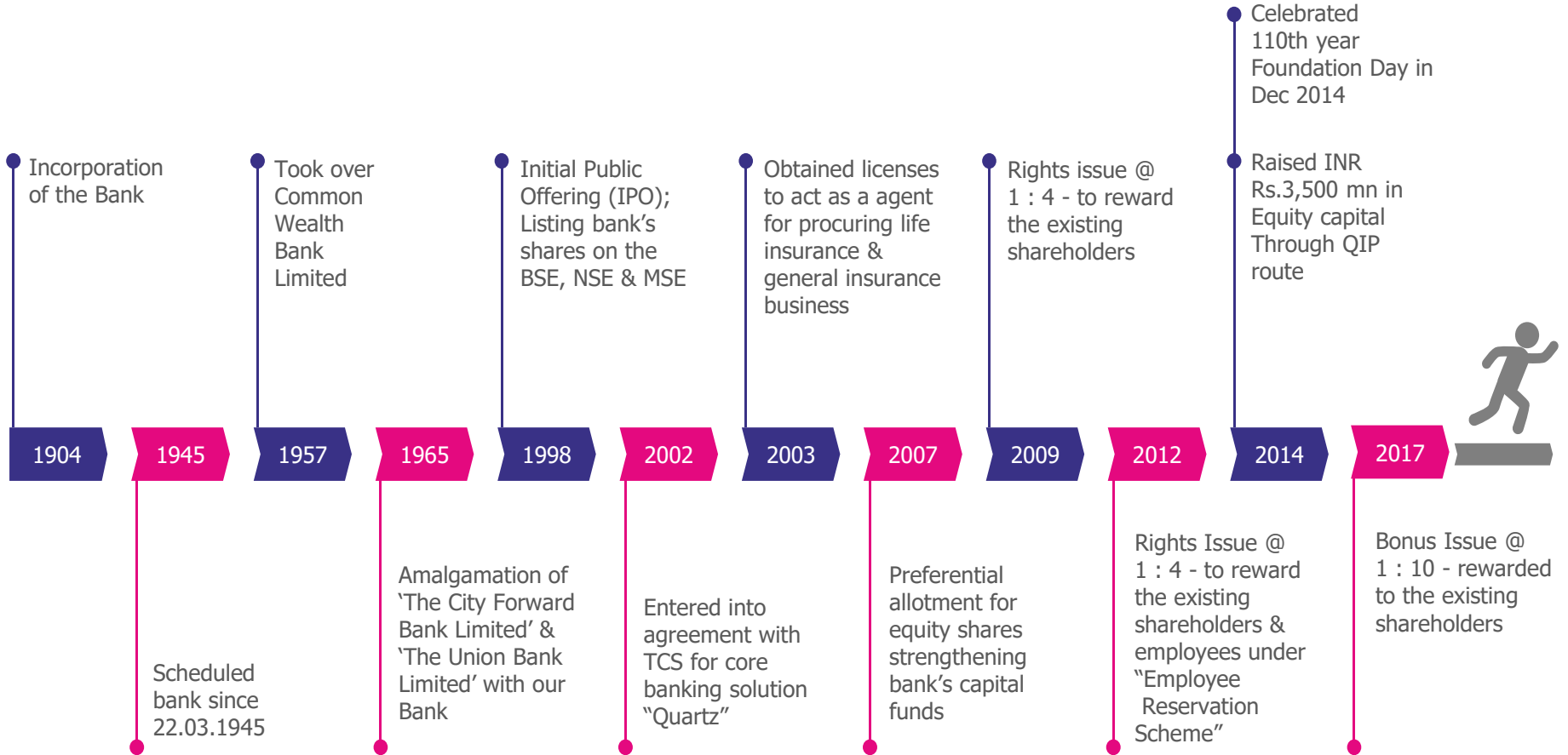
1,621

Efficiency Ratio



38.46%

Key milestones



City Union Bank – A specialized banking model aligned to Target Segment – SME/MSME



Competitive Advantages

Strong track record

- Continuous profitability and dividend payout in all 110+ years of operations
- Business growth of 20% CAGR in last 10 years

Robust corporate governance practices

- Strong board with majority of directors being independent directors
- Consistency in management with only 7 CEOs appointed in 100+ years

Diversified asset profile

- Granular asset profile with advances to top 20 borrowers contributing around 9%
- Lower ticket size lending backed by adequate collaterals

Higher yielding loan portfolio

- Trading and MSME loan segments earning high yields constitute about 52% of advances

Adequately capitalised

- Strong Capital Adequacy ratio of 16.22% out of which Tier 1 constitutes 15.79%

Network

- Pan India presence with 600 branches
- Strong presence in South India (538 branches) of which 415 are in Tamil Nadu alone

Q4 & FY 2017-18 Performance – A snapshot

- ✓ Deposits increased by 9% from Rs.301 Bn to Rs.329 Bn Y-o-Y
- ✓ Advances registered a growth of 17% from Rs.241 Bn to Rs.282 Bn Y-o-Y
- ✓ Total business grown by 13% to Rs.542 Bn from Rs.611 Bn Y-o-Y
- ✓ Gross Profit registered a growth of 19% from Rs.2,476 Mn to Rs.2,943 Mn (Q4-Vs-Q4) and 22% from Rs.9,937 Mn to Rs.12,077 Mn (Y-o-Y)
- ✓ Net Profit increased by 18% from Rs.1,289 Mn to Rs.1,521 Mn (Q4-Vs-Q4) and 18% from Rs.5,028 Mn to Rs.5,920 Mn (Y-o-Y)

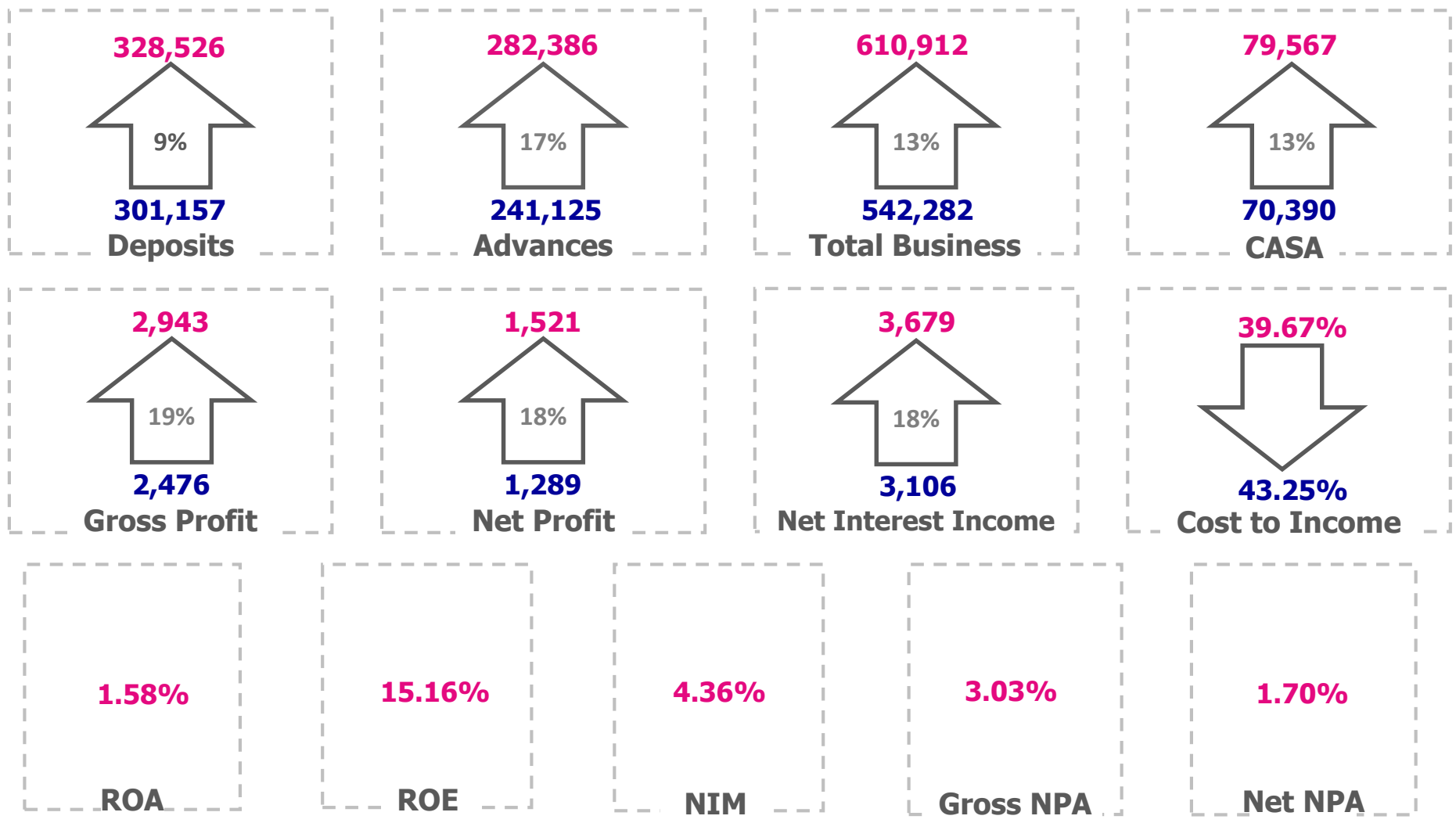
- ✓ Profitability and efficiency ratios – at par with the best in industry:

		Q4 FY 2018	Q4 FY 2017	FY 2017-18	FY 2016-17
➤	Return on Assets	- 1.58%	1.50%	1.60%	1.50%
➤	Net Interest Margin	- 4.36%	4.20%	4.42%	4.17%
➤	Return on Equity	- 15.16%	14.97%	15.37%	15.26%
➤	Earnings per share	- Rs.2.29	Rs.2.14	Rs.9.18	Rs.8.39

- ✓ Gross NPA – 3.03% and Net NPA – 1.70%
- ✓ Provision Coverage Ratio – 64%
- ✓ CRAR – 16.22% (Basel III) of which core CRAR – 15.79%

Q4 FY 2018 Vs Q4 FY 2017 Performance – A snapshot

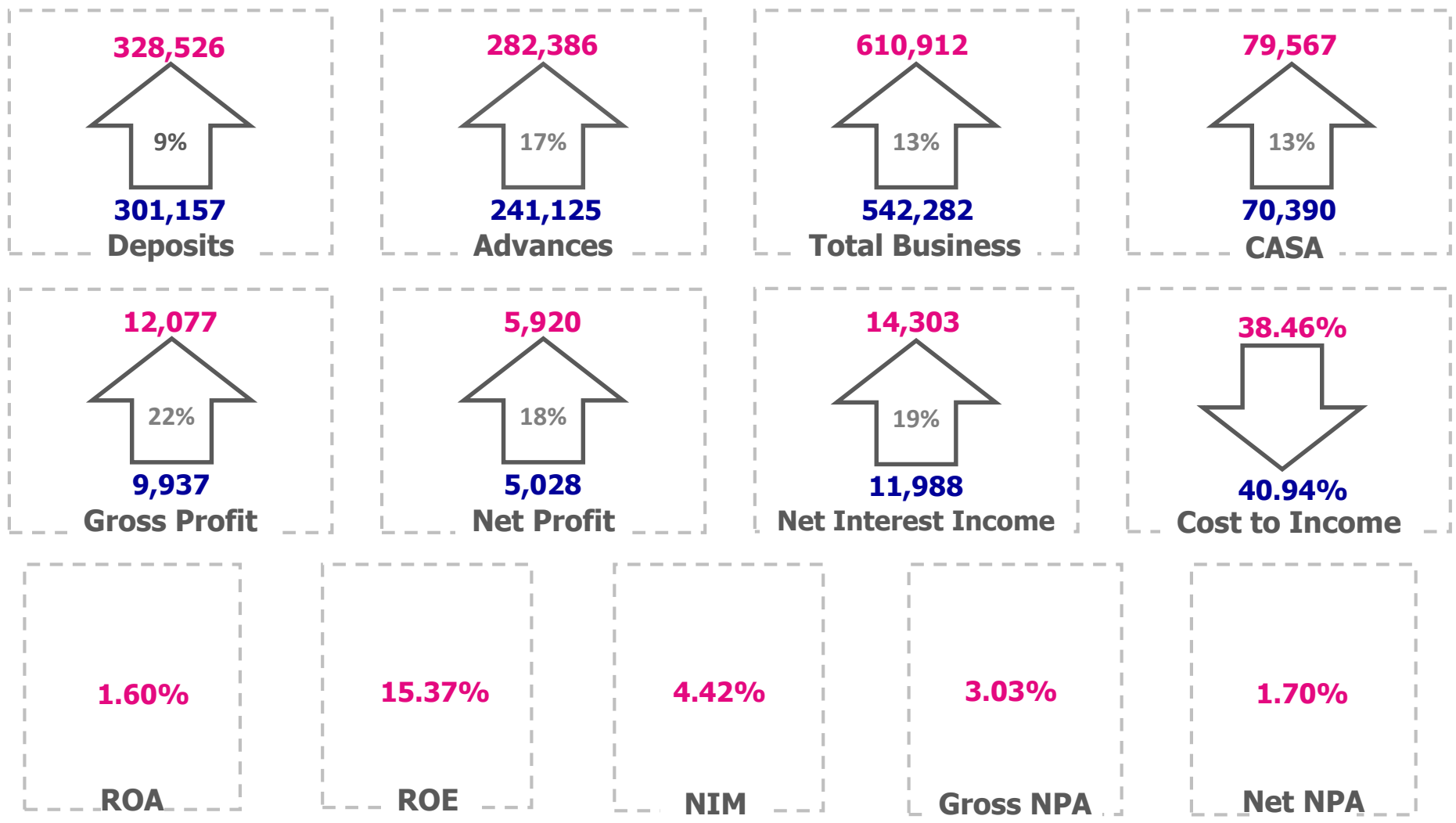
(All figures in INR Mn)



■ Q4 FY18 ■ Q4 FY17

FY 2018 Vs FY 2017 Performance – A snapshot

(All figures in INR Mn)



■ FY18 ■ FY17

FY 18 Vs FY 17 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	FY 2018	FY 2017	Inc / (Dec)	Growth	Growth %
Deposits	328,526	301,157	↑	27,369	9%
Advances	282,386	241,125	↑	41,261	17%
Total Business	610,912	542,282	↑	68,630	13%
Demand Deposits	27,863	24,092	↑	3,771	16%
Saving Deposits	51,705	46,298	↑	54,07	12%
CASA	79,567	70,390	↑	91,77	13%
Gross NPA	8,566	6,820	↑	1,746	26%
Net NPA	4,748	4,083	↑	665	16%
Gross NPA (%)	3.03%	2.83%			
Net NPA (%)	1.70%	1.71%			
C R A R (BASEL – III)	16.22%	15.83%			
- Of which Tier I	15.79%	15.36%			
CD Ratio	86%	80%			
PCR	64%	61%			

Q4 FY 18 Vs Q4 FY 17 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	Q4 FY 2018	Q4 FY 2017	INC / (DEC)	Growth %	Q3 FY 2018
Net Interest Income	3,680	3,105	575	18%	3,651
Other Income	1,198	1,259	-61	-ve	1,217
Operating Expenses	1,935	1,888	47	3%	1,903
Gross Profit	2,943	2,476	467	19%	2,965
Provisions & Contingencies	1,422	1,187	235	20%	1,417
Net Profit	1,521	1,289	232	18%	1,548
Return on Assets	1.58%	1.50%			1.64%
Return on Equity	15.16%	14.97%			15.70%
Net Interest Margin	4.36%	4.20%			4.41%

FY 18 Vs FY 17 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	FY 2018	FY 2017	INC / (DEC)	Growth %
Net Interest Income	14,303	11,988	2,315	19%
Other Income	5,321	4,839	482	10%
Operating Expenses	7,547	6,890	657	10%
Gross Profit	12,077	9,937	2,140	22%
Provisions & Contingencies	6,157	4,909	1,248	25%
Net Profit	5,920	5,028	892	18%
Return on Assets	1.60%	1.50%		
Return on Equity	15.37%	15.26%		
Net Interest Margin	4.42%	4.17%		

Q4 FY 18 Vs Q4 FY 17 – Income and Expenses – Breakup

(in INR Mn)

Interest Income Breakup

Particulars	Q4 FY 2018	Q4 FY 2017	Growth (%)
Interest on Loans	7,236	6,520	11%
Interest on Investments	1,375	1,355	1%
Other Interest Income	96	124	-ve
Total Interest Income	8,707	7,999	9%

Interest Expenses Breakup

Particulars	Q4 FY 2018	Q4 FY 2017	Growth (%)
Int Exp on Deposits	4,821	4,844	-ve
Other Int Expenses	206	50	312%
Total Interest Expenses	5,027	4,894	3%

Other Income Breakup

Particulars	Q4 FY 2018	Q4 FY 2017	Growth (%)
CEB & Charges	680	582	17%
Treasury Income	301	357	-ve
Other Inc incl recoveries in written off a/cs	217	320	-ve
Total Other Income	1,198	1,259	-ve

Operating Expenses Breakup

Particulars	Q4 FY 2018	Q4 FY 2017	Growth (%)
Employee Cost	768	778	-ve
Other Operating Expenses	1,167	1,110	5%
Total Expenses	1,935	1,888	3%

FY 18 Vs FY 17 – Income and Expenses – Breakup

(in INR Mn)

Interest Income Breakup

Particulars	FY 2018	FY 2017	Growth (%)
Interest on Loans	28,404	25,902	10%
Interest on Investments	5,228	5,385	-ve
Other Interest Income	392	451	-ve
Total Interest Income	34,024	31,738	7%

Interest Expenses Breakup

Particulars	FY 2018	FY 2017	Growth (%)
Int Exp on Deposits	19,271	19,418	-ve
Other Int Expenses	450	332	36%
Total Interest Expenses	19,721	19,750	-ve

Other Income Breakup

Particulars	FY 2018	FY 2017	Growth (%)
CEB & Charges	2,561	2,176	18%
Treasury Income	1,682	2,056	-ve
Other Inc incl recoveries in written off a/cs	1,078	608	77%
Total Other Income	5,321	4,840	10%

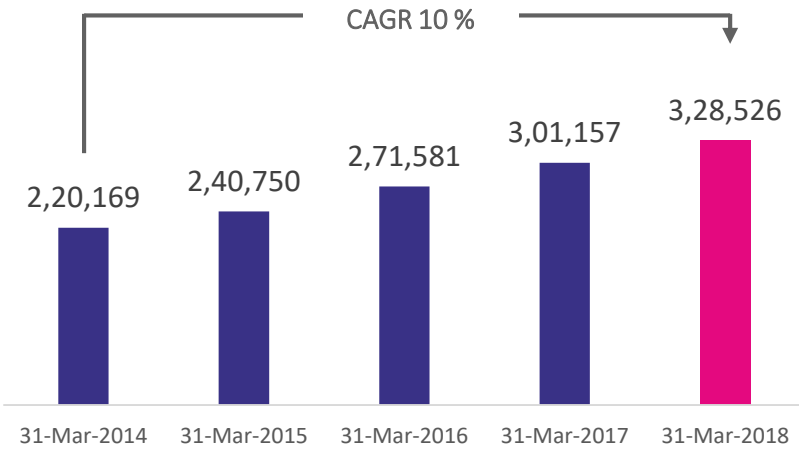
Operating Expenses Breakup

Particulars	FY 2018	FY 2017	Growth (%)
Employee Cost	3,159	2,982	6%
Other Operating Expenses	4,388	3,908	12%
Total Expenses	7,547	6,890	10%

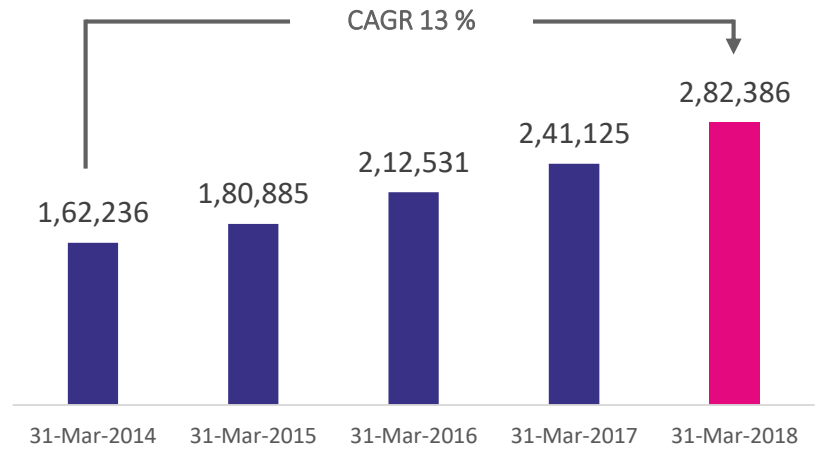
Strong Deposits and Advances growth

(in INR Mn)

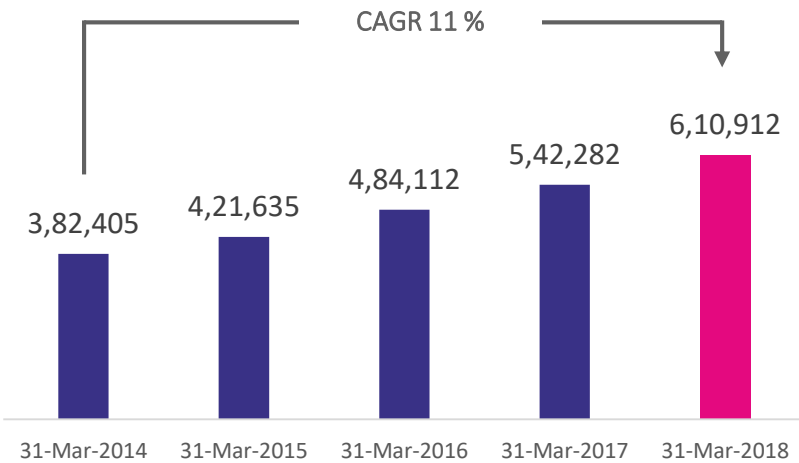
Deposits



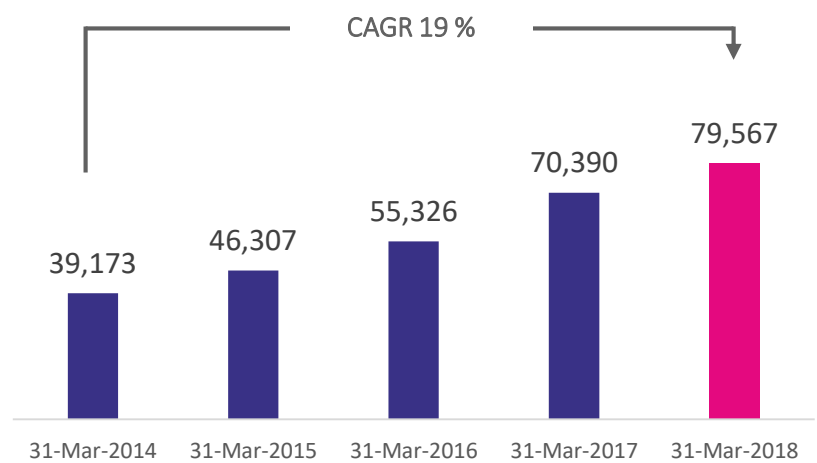
Advances



Business



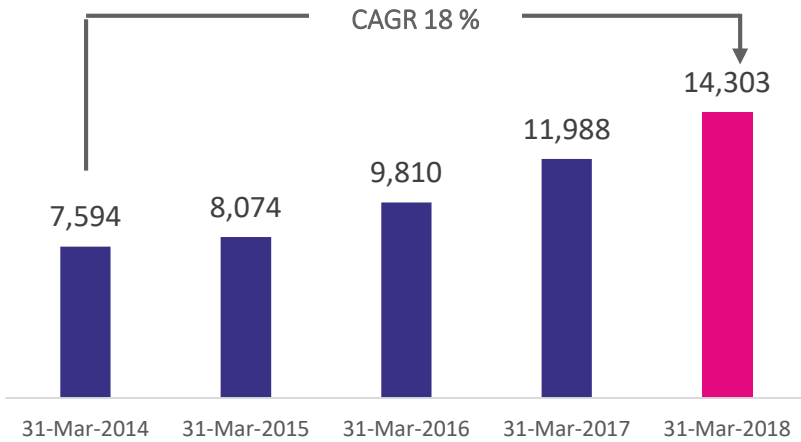
CASA



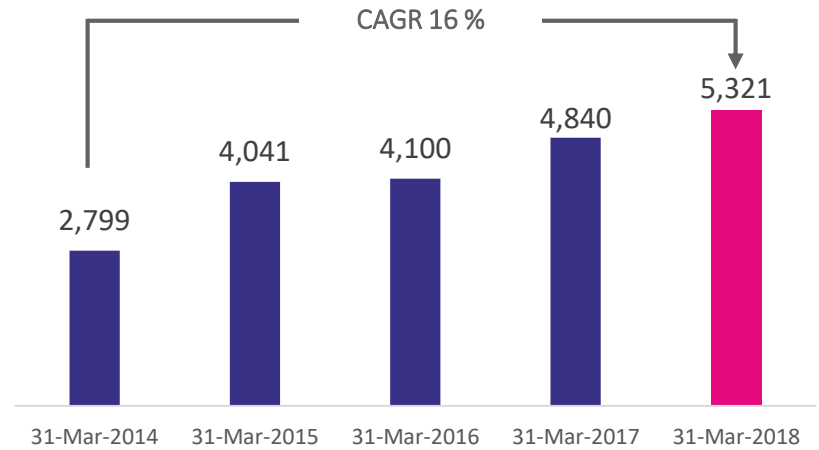
Income Growth over the years...

(in INR Mn)

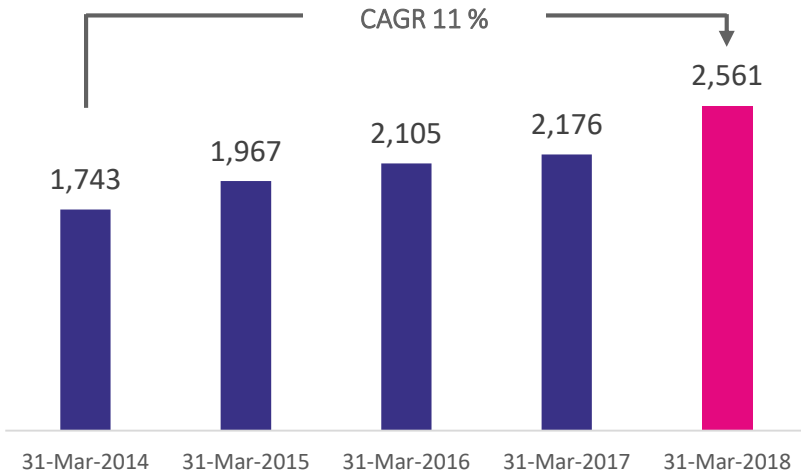
Net Interest Income Growth



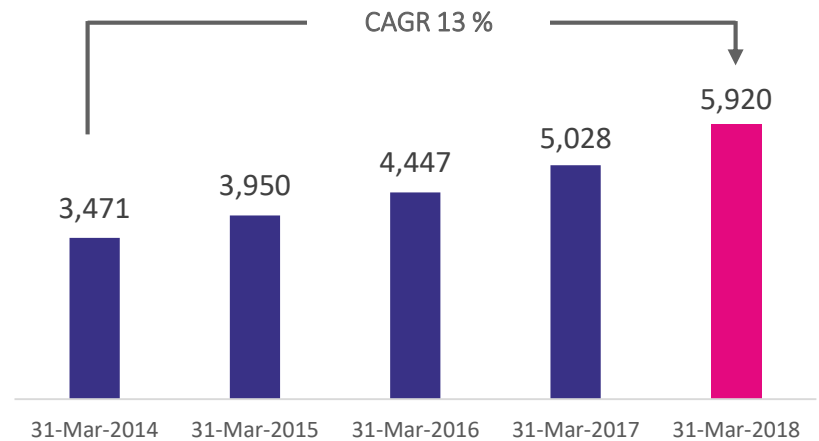
Other Income Growth



CEB Growth



Net Profit Growth

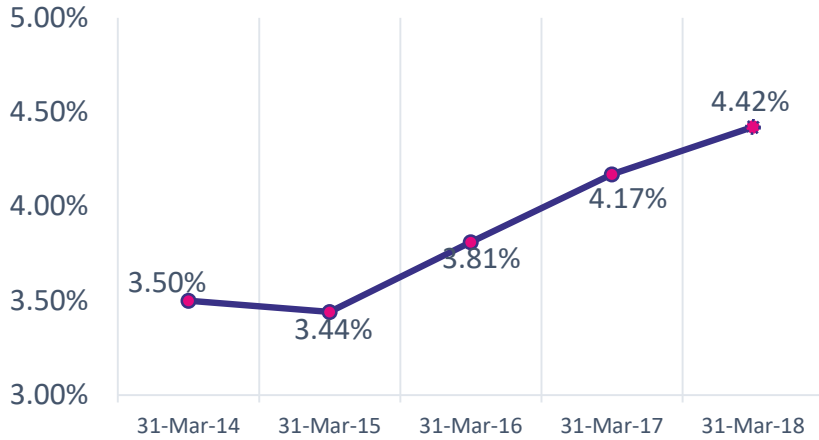


Key Business Indicators

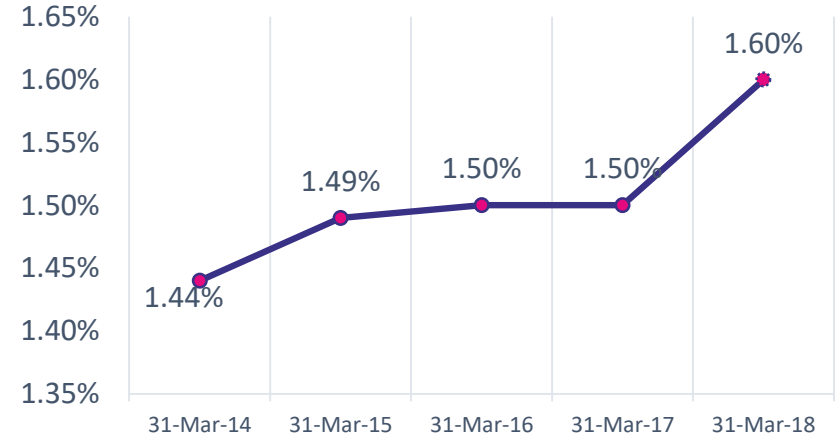
Particulars	Q4 FY 2018	Q4 FY 2017	FY 2017-18	FY 2016-17
Cost of Deposits	6.22%	6.62%	6.29%	6.82%
Yield on Advances	11.19%	11.86%	11.46%	12.10%
Yield on Investments	6.90%	7.20%	6.95%	7.23%
Net Interest Margin	4.36%	4.20%	4.42%	4.17%
Cost to Income	39.67%	43.25%	38.46%	40.94%
Cost of Funds	5.23%	5.70%	5.34%	5.89%
Yield on Funds	9.06%	9.31%	9.21%	9.47%
Per Employee Business (in INR Mn)	114.77	115.33	114.77	115.33
Per Employee Profit (in INR Mn) (Ann)	1.14	1.10	1.11	1.07
EPS (in INR) – FV INR 1/- share (Not Ann)	2.29	2.14	9.18	8.39

Key Business Ratios – Yearly trends

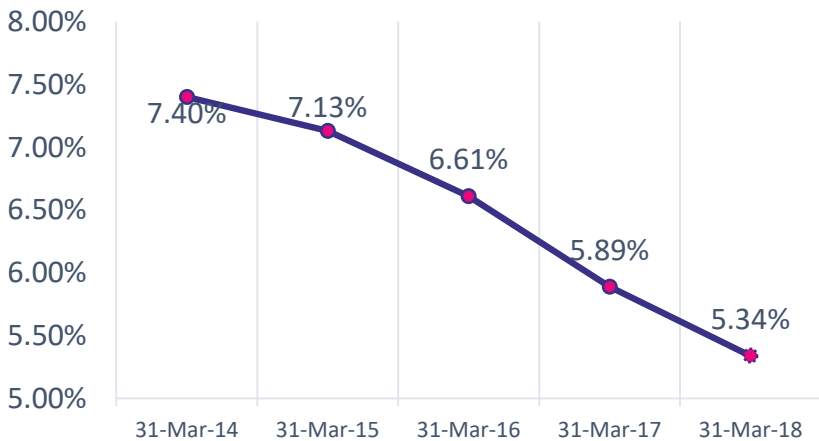
Net Interest Margin



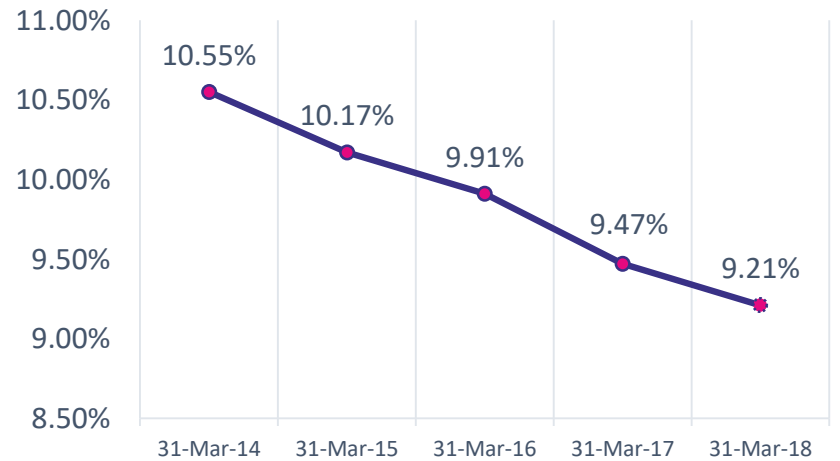
Return on Assets



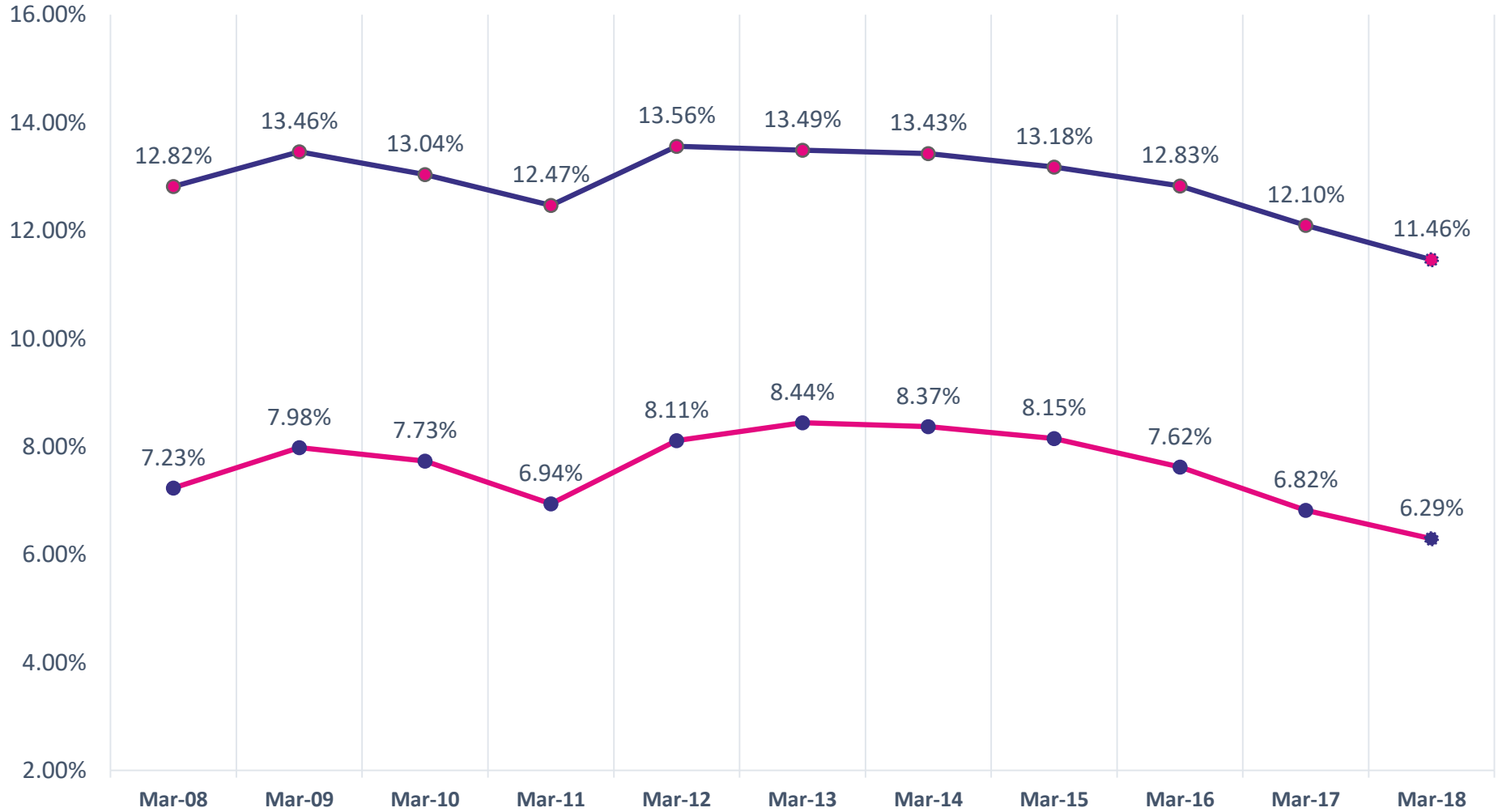
Cost of Funds



Yield on Funds



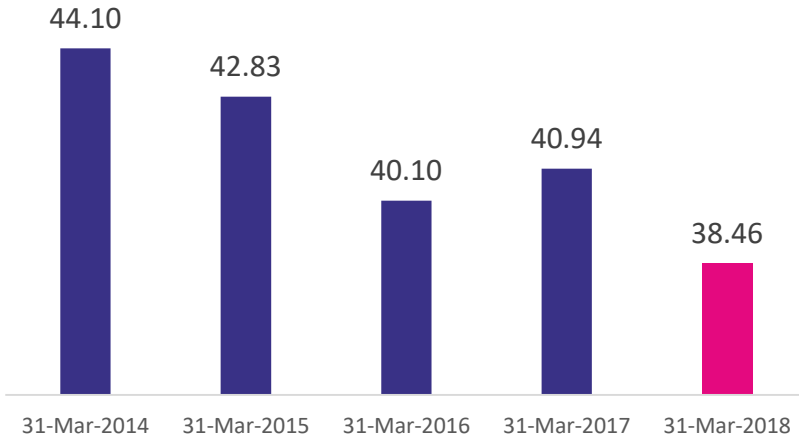
Cost of deposits & Yield on advances



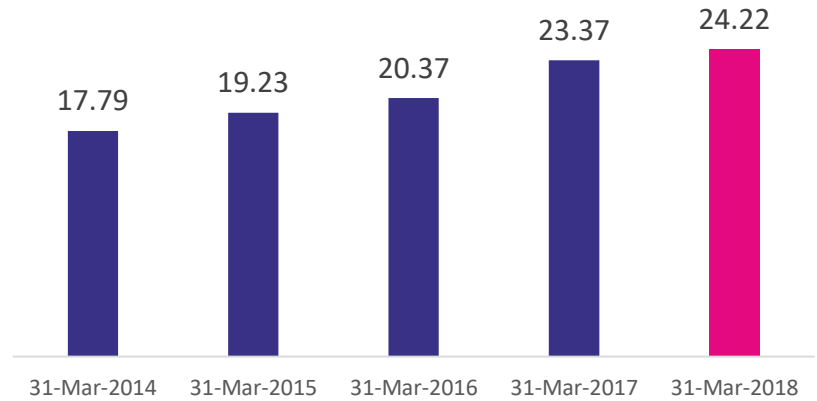
Spread between cost of deposits and yield on advances of our bank maintained in the last 10 years

Efficiency

Cost income ratio

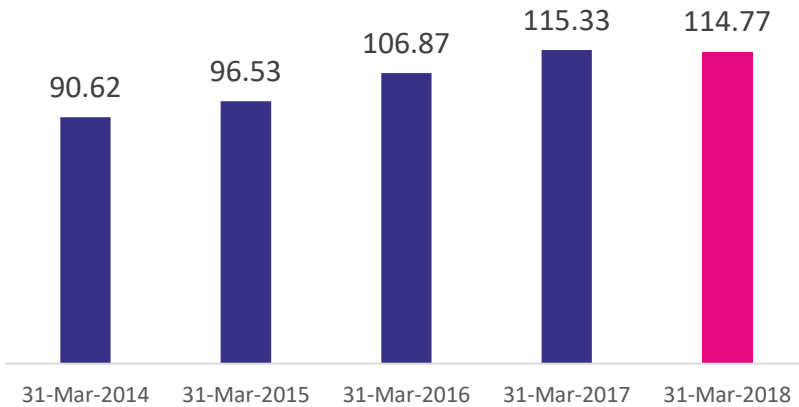


CASA Ratio



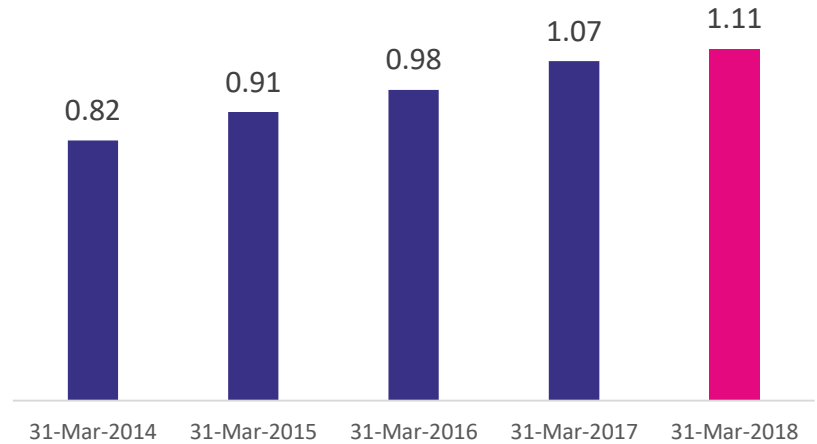
Business per Employee

(in INR Mn)

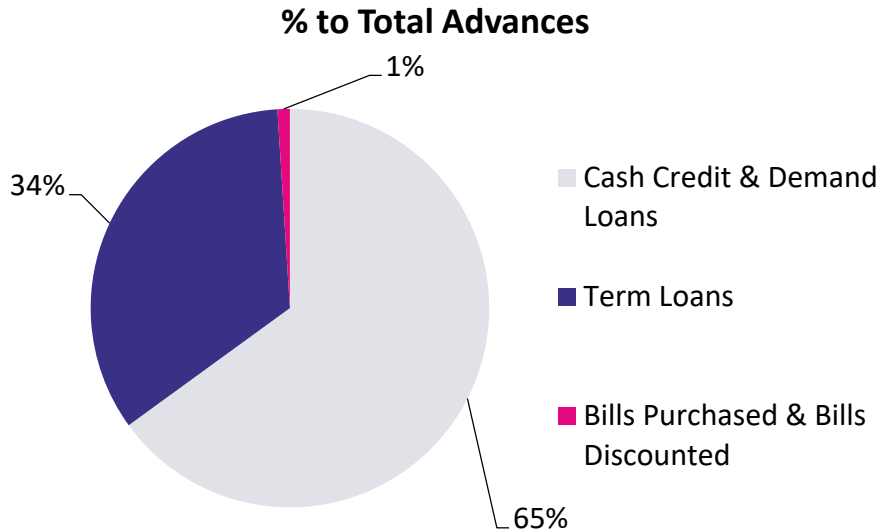


Profit per Employee

(in INR Mn)



Loan Book – Products Composition



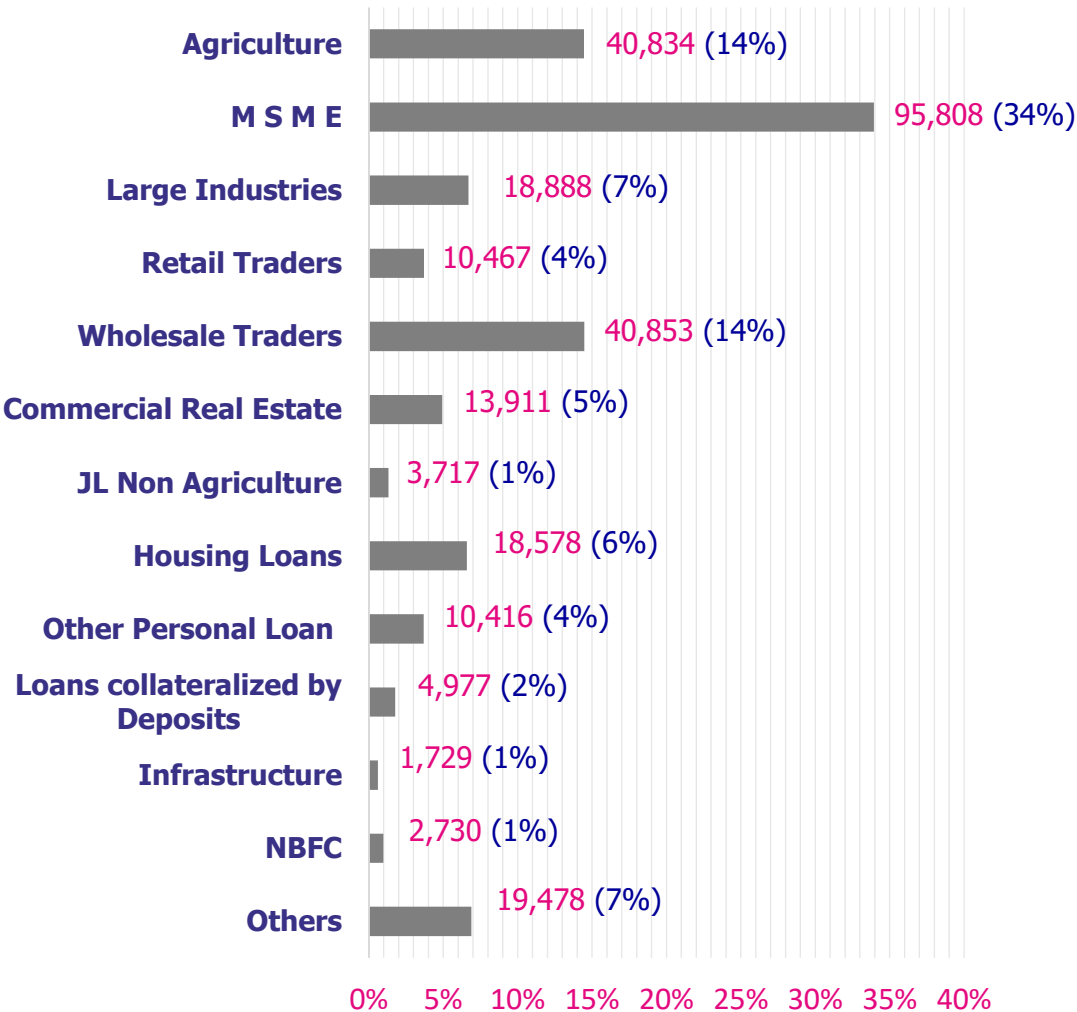
- Working capital loans yielding higher interest constitute 66% of advances
- **Re-pricing possible at short intervals thus reducing interest rate risk**
- ~95% of our loan book is on floating rate basis which reduces interest rate risk

Loan Book Products Composition	Amount (INR Mn)	% to Total Advances
Cash Credit & Demand Loans	186,317	66%
Term Loans	93,678	33%
Bills Purchased & Bills Discounted	2,391	1%
Gross Loans Total	282,386	100%

Loan Book – Sectoral Deployment – Position as on 31.03.2018

(in INR Mn)

Sectoral Deployment



Secured & Unsecured Advances

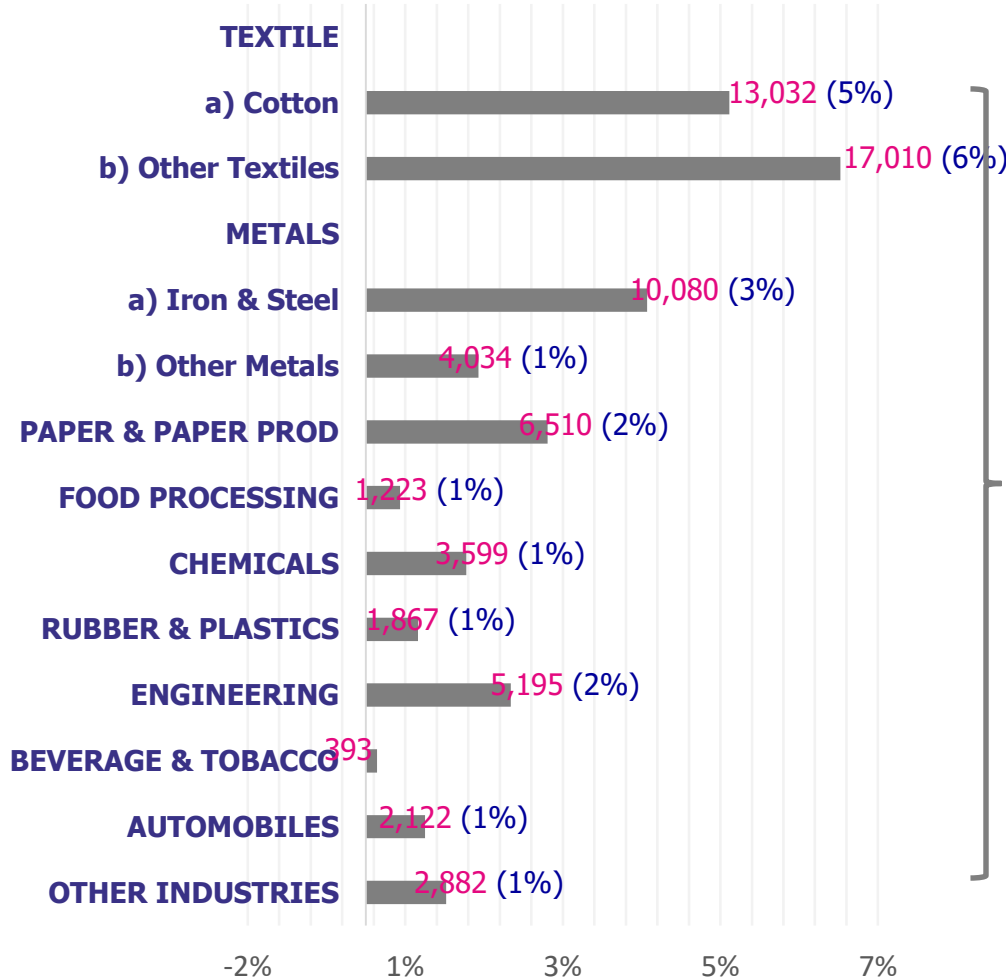
Particulars	Amount (INR Mn)	% to Total Advances
Secured Loans	278,953	99%
Unsecured Loans	3,433	1%
Total	282,386	100%

- ✓ Trading & MSME loans earning higher yield constitute about 52%.
- ✓ Diversified credit portfolio reduces credit risk and Lower ticket size backed by adequate collaterals
- ✓ Unsecured Advances aggregate to 1%
- ✓ Total Jewel Loan outstanding as on 31.03.2018 – Rs.23,436 Mn

Loan Book – Advances to Major Industries

(in INR Mn)

Advances to Major Industries 31st March 2018

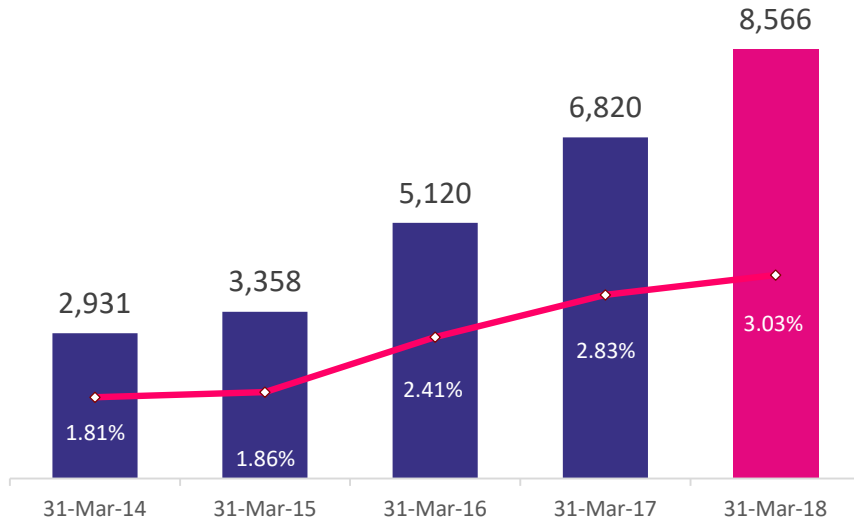


Industry Name	Amount (in INR Mn)	% to Total Advances
Advances to Major Industries	67,947	24%
All other advances (Agri, Trade, Service, Gold Loan, etc.)	214,439	76%
Total Gross Advances	282,386	100%

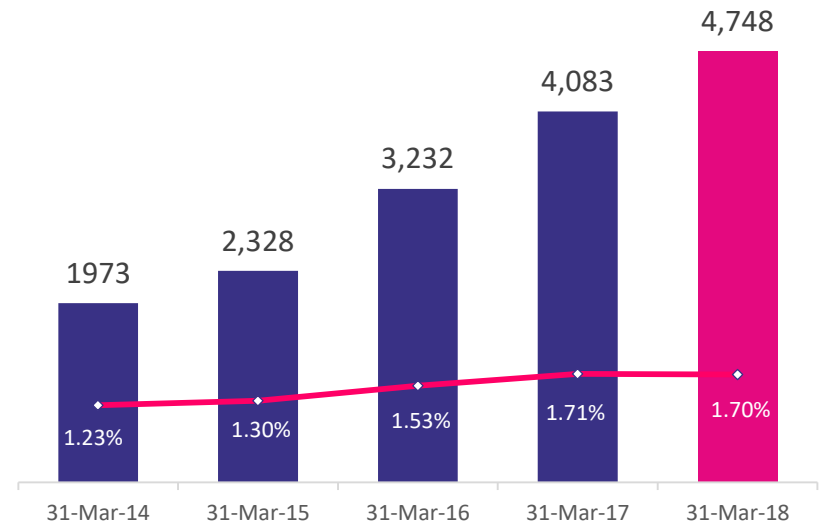
Asset Quality

(in INR Mn)

Gross NPA Qtm & Gross NPA %



Net NPA Qtm & Net NPA %



Asset Quality Position – Movement over the years

(Rs in Mn)		FY Mar - 14	F Y Mar - 15	FY Mar - 16	FY Mar - 17	Q4 FY 2018	FY 2018
NPA Opening balance		1,731	2,931	3,358	5,120	8,598	6,820
Additions	A	4,562	4,250	4,290	4,796	1,482	5,749
Recovery / SR		1,865	2,118	734	905	579	1,623
Upgradations		168	227	546	556	91	433
Net Addition	B	2,529	1,905	3,010	3,335	812	3,693
Write-off		1,329	1,478	1,248	1,635	845	1,948
NPA Closing balance		2,931	3,358	5,120	6,820	8,565	8,565
Technical Write-off (TW) during the period		1,226	618	1,189	1,564	790	1,836
Provision made during the period	C	1,485	1,650	2,050	2,515	550	3,030
T W recovery	D	544	750	370	470	180	704
Provision made net of TW Recovery	E = C-D	941	900	1,680	2,045	370	2,326
Gross Advance	F	1,62,236	1,80,885	2,12,531	2,41,125	2,82,386	2,82,386
Additions % of Gross Advance	A / F	2.81	2.35	2.02	1.99	0.52	2.04
Net Addition % of Gross Advance	B / F	1.56	1.05	1.42	1.38	0.29	1.31
Credit cost	E / F	0.58	0.50	0.79	0.85	0.13	0.82
Gross NPA %		1.81	1.86	2.41	2.83	3.03	3.03
Net NPA %		1.23	1.30	1.53	1.71	1.70	1.70

Disclosure on Divergence in Asset Classification and Provisioning for NPAs

In terms of RBI circular DBR.BP.BC.No.63/21.04.018/2016-17 dated 18th April 2017, banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts wherever either

- a) the additional provisioning requirements assessed by RBI exceed 15% of the published net profits after tax for the reference period (or)
- b) the additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period, or both.

RBI inspection has been concluded with position relating to **31.03.2017** and **“we do not have requirement of reporting divergence as per RBI / SEBI guidelines for the said period”** and the same was informed to stock exchanges through our filing dated 30.01.2018.

Restructured Accounts

Balance outstanding as on 31.03.2018 in respect of Restructured Standard borrowers

- ✓ No account has been restructured during Q4 FY 2018 & FY 17-18
- ✓ There were no sale to ARC on SR basis in the previous two years

Type Restructuring	No. of Borrowers	Amount (in INR Mn)
Under CDR Mechanism	0	0
Under SME Debt Restructuring Mechanism	8	14
Under Other Debt Restructuring Mechanism	4	67
Total	12	81

- ✓ The above disclosure is in respect of Restructured Standard Accounts excluding NPA.
- ✓ Restructured Standard Advances to Gross Advances - 0.03% as on Mar-18 Vs 0.56% in Mar-17
- ✓ No fresh sale to ARC during FY 2017-18 and amount outstanding in Security Receipts - 3413 Mn. During FY 2017-18, the repayment received from ARC in SR amounted to Rs.59 Mn. The bank has provided Rs.815 Mn during FY 17-18 and as at 31st Mar 2018 the total outstanding provision towards SR is Rs.1320 Mn in connection with probable shortfall in the future realisation of Security Receipts.
- ✓ Amount serviced during FY 2018 in restructured standard accounts is Rs.89 Mn.
- ✓ During Q4 FY 2018, two accounts have slipped to NPA to the tune of Rs.17 Mn.

Investments – At a Glance

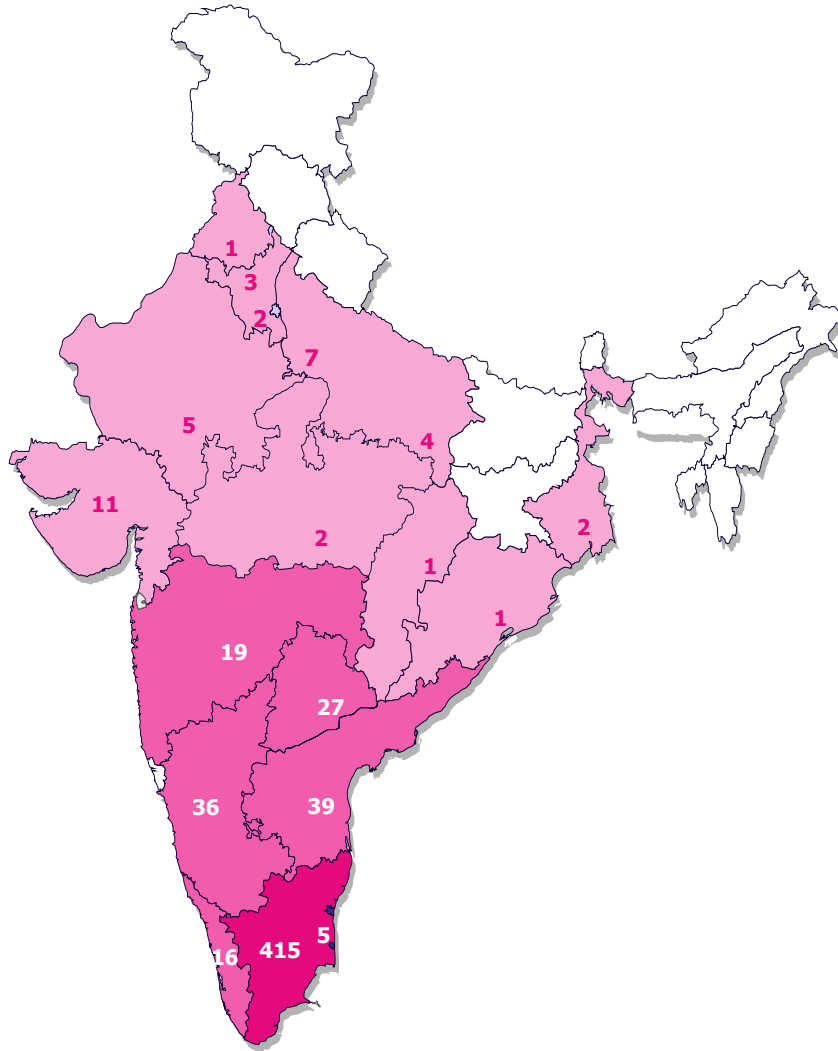
Investments Breakup and Categorywise

(in INR Mn)

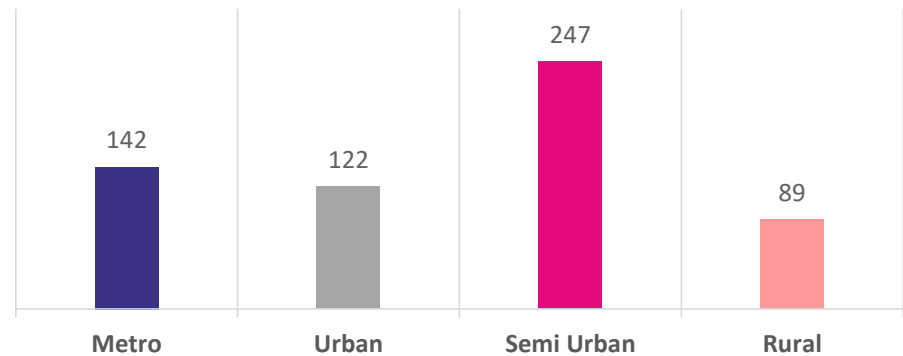
Particulars	MAR 2018	MAR 2017
SLR Securities	76,380	66,978
Non-SLR Securities	3,770	3,840
Total Investments	80,150	70,818
Yield on Investments	6.95%	7.23%
Investments Breakup:		
- A F S	20,129 (25%)	12,590 (18%)
- H T M	60,021 (75%)	58,228 (82%)
- H F T	-	-
Total Investments	80,150	70,818
Modified Duration:		
- A F S	1.50	2.77
- H T M	5.09	5.01
- H F T	-	-
- Overall Portfolio	4.31	4.71

Strong presence in the South

As of Mar-2018 - 600 branches. 538 branches are located in South India out of which 415 in Tamil Nadu



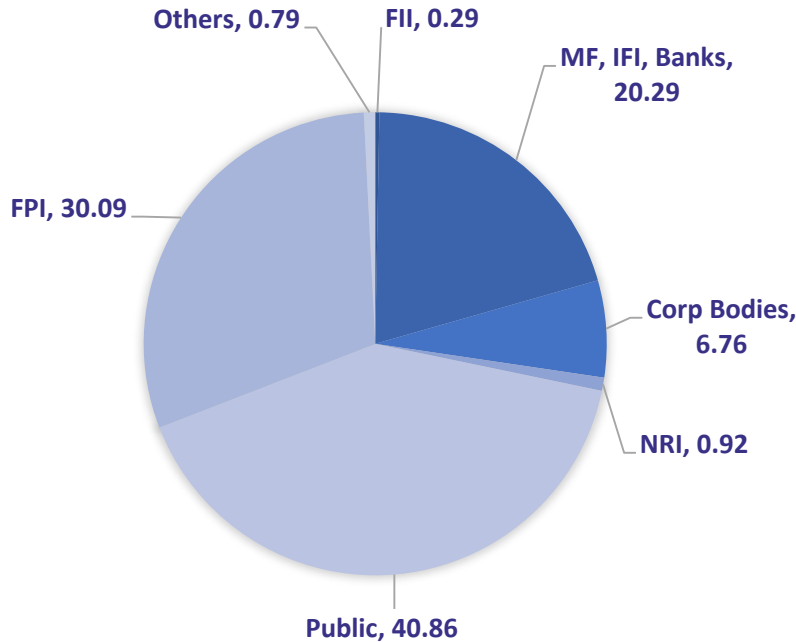
State	No. of Branches	% of Deposits	% of Advances	% of Business
Tamilnadu	415	78	63	71
Andhrapradesh	39	3	9	6
Telengana	27	3	6	5
Karnataka	36	6	5	5
Maharashtra	19	3	3	3
Kerala	16	2	3	2
Gujarat	11	1	4	2
Others	37	4	7	6
Total	600			



A well diversified investor base

as of 31st Mar 2018

Ownership profile



Major Institutional Shareholders

Shareholders	% of Holding
HDFC Midcap Opportunities Fund	4.40
NT Asian Discovery Master Fund	3.97
Life Insurance Corporation of India	3.68
Smallcap World Fund INC (Capital Group)	3.30
GKFF Ventures (Argonaut Ventures)	2.78
Aberdeen Global – Asian Smaller Companies Fund	2.10
TVF Fund Ltd	1.54
HDFC Standard Life Insurance Company Ltd	1.52
Bank Muscat India Fund	1.24
Franklin Templeton Mutual Fund	1.13
Faering Capital India Evolving Fund	1.10
Wasatch Core Growth Fund	1.10

Well diversified ownership of shareholders around 96,000 Approx

Long term investors ensuring stability and support to management

Higher Participation from FPI's

Limit on FII / FPI ownership increased to 40%

Head room available for FII / FPI ... 9.62%

Transparent 'Corporate Governance' practices

Board consists of 9 Independent Directors and 1 Non-Independent Director

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

Disclosure norms strictly adhered to

KYC / AML norms strictly complied with

Code of conduct for Directors and Senior Management put in place

WE HAVE EMINENT PERSONALITIES ON OUR BOARD

Chairman – Chartered Accountant -
Retd. CFO & ED from
Tata Consultancy Services

Professor of IIT, Chennai

Career Banker with 4
Decades of banking experience

Chartered Accountant & First
woman director of the Bank

Practicing Chartered Accountant

Practicing Chartered Accountant

Private Equity Fund Manager

Practicing Advocate

Retired IAS Officer

A well experienced and strong Board



**Shri. S. Mahalingam | B.Com (Honours), FCA
Non Executive Chairman**

Mr. S. Mahalingam retired as CFO and ED of Tata Consultancy Services and was involved in myriad aspects of the company's operation and growth. He is a graduate in Commerce and Fellow member of Institute of Chartered Accountants of India. He is serving as Non Executive Part Time Independent Chairman w.e.f. 04.05.2016



**Dr. N. Kamakodi | B.Tech., MBA., PhD., CAIIB
M.D. & C.E.O.**

Dr. N. Kamakodi is serving as MD & CEO of the Bank from May 2011. He joined the Bank as DGM in the year 2003 and was elevated as GM in 2005 and later as Executive Director in 2006.



**Prof. V. Kamakoti | BE., M.S. Phd.
Director**

Dr. Veezhinathan Kamakoti holds a Bachelor of Engineering and Ph.D. in Computer Science. His forte is Information Technology related Secured Systems Engineering and Security related Software Engineering.



**Shri. R. Mohan | B.Sc., MBA, CAIIB
Director**

Mr. R. Mohan is a bachelor of Science, Master of Business Administration and a CAIIB. Prior to joining the Board, he served as Chief General Manager of our Bank.



**Smt. Abarna Bhaskar | BA., FCA
Director**

Smt. Abarna Bhaskar is a qualified Chartered Accountant by profession and the first woman director of the Bank. She has served in senior positions with Foreign Banks abroad and a large private sector bank in India.



**Shri. M. Narayanan | B.Sc. FCA, Grad CWA, DISA
Director**

Mr. M. Narayanan is a practising Chartered Accountant by profession and has handled Finance, Accounts and Taxation at various levels upto CFO while in service for over 20 years in companies of repute viz. BHEL, Dalmia Cements, Fenner, Ramco Cements and Dishnet etc. He is also an agriculturist.



**Shri. S. Bernard | B.Com., FCA,
Director**

Mr. S. Bernard is a graduate in Commerce and Fellow member of the Institute of Chartered Accountants of India. Having worked as an accountant/divisional accountant in Eastern Coal Fields (subsidiary of Coal India Ltd.) and Best & Crompton Engineering for a period of 6 years, he is a practicing Chartered Accountant since 1984.



**Shri. Subramaniam Narayanan | PGDM-IIM(A), FCA, FCS, CWA
Director**

Mr. Subramaniam Narayanan possesses rich experience in the area of Finance, Accountancy and Portfolio Managerial Operations in Security Market. He has held the position of CEO of First India Asset Management Co. Ltd. and handled Treasury services for Bank of America and Abu Dhabi Commercial Bank, UAE. He is also the founder Chairman of the Venture Capital Association of India (VCAI).



**Sri. V.N. Shiva Shankar | B.Com, ACS, AICWA, BL
Director**

Sri. V.N. Shiva Shankar is a qualified Lawyer, Company Secretary and Cost / Management Accountant with 25 years of rich experience in Indian Corporate Law. He is also the founder of M/s VNS Legal Corporate Law firm based in Chennai which focuses on legal advisory services on Capital Market Regulation, Takeover Offers, Corporate Litigation, etc. He is a member of the Executive Committee in Southern India Chamber of Commerce.



**Dr. T.S. Sridhar | M.A., Phd., IAS (Retd)
Director**

Dr. T.S. Sridhar is a Retd IAS officer having 35 years of vast experience in all levels of administration and as Principal Secretary, he has expertise and knowledge on Rural economy, farm sector and Industries especially MSME. He was a Director on the Board of NABARD.



CITY UNION BANK LTD

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