

CITY UNION BANK LIMITED
ANNUAL GENERAL MEETING 22-08-2024

CHAIRMAN'S SPEECH

Esteemed Shareholders of City Union Bank, my Colleagues on the Board of the Bank, Statutory Central Auditors, Secretarial Auditors and all the Shareholder's participating in this e-AGM today, through Video Conferencing.

Namaskarams and a very Good Morning and a Warm Welcome to you all ! I hope all of you and your family members are keeping fine !

At the outset, let me thank you all for your presence, continued support and the faith reposed on the Bank and its Management and appreciate your continued patronage to the Bank.

As you may appreciate, this is an important annual event for the Bank, where it engages itself with its shareholder's. As in the previous year, this year also the Ministry of Corporate Affairs and SEBI has extended the guidelines for holding the Annual General Meeting, through Video Conferencing / Other Audio Visual Means, for all the AGM's to be conducted till September 30, 2024. The Bank has provided the Annual Report together with the Notice of the Annual General Meeting for the year ended March 31, 2024 in electronic mode to all the shareholders who have registered their e-mail ids with the Bank. With your kind permission, I shall consider it as read.

Being an e-AGM, considering technical factors and restrictions on participation, I would like to be brief in my speech, giving more focus on the financial performance of the Bank for FY 24 and our Bank's continued efforts in overcoming the difficulties, posed by the economy at macro level.

GLOBAL ECONOMY

The world continued to witness the negative effects of the ongoing Russia - Ukraine war in the beginning of FY 24. This was further aggravated in October 2023 when another catastrophe in the form of Israel - Palestine war erupted. Regular clashes between Israeli forces and Hamas in the West Bank area cast a severe adverse impact on the trade and commerce in the Asian region, displacing many people from their homes, robbing them of their livelihood. Frequent attacks by Pirates in the Red Sea Zone on Merchant Ships have resulted in trade being re-routed along the 'Cape of Good Hope' leading to cost escalation for shipping companies. As per the estimate of Organization for Economic Co-operation and Development, the re-alignment of shipping routes has affected 9% of world maritime trade and 18% of long distance ocean trade especially between Europe and Asia. The drought in the Panama Canal area of Latin America has also affected the journey time and escalated cost by 60% compared to 2023.

On the Economic front according to the U.S. Bureau of Economic Analysis (BEA), the real gross domestic product (GDP) for the United States increased 2.8% annually in the second quarter of 2024, reaching a level of USD 28.63 trillion. This is an increase of USD 360 billion from the previous quarter. The current-dollar GDP also increased 5.2% annually, reaching USD 28.63 trillion. In the Emerging Market Economies, there is a boom in consumer confidence especially in India, Indonesia, Vietnam and Mexico. Asian emerging economies and Indonesia are expected to experience stable and rapid growth, while inflation is expected to moderate further, provided food prices remain insulated from extreme weather events. Internationally there is a growing optimism that India is on the cusp of a long awaited economic takeoff. The International Monetary Fund (IMF) has revised India's GDP growth by 2 percentage points for 2023-24, echoing the similar opinion of the World Economic Outlook (WEO) which has predicted a robust economic growth for India, supported by a growth in domestic demand and a rising working age population.

INDIAN ECONOMY

The domestic economy is experiencing a strong positive momentum. The Gross Domestic Product (GDP) expanded at 7.6 per cent in FY 2023-24, from 7.0 per cent in FY 2022-23, supported by robust fixed investment. On the supply side, economic activity was lifted by the boost to the manufacturing sector's profitability from the correction in input prices. While the services activity sustained momentum, the agricultural sector activity exhibited a slowdown.

The Manufacturing sector is expected to maintain the momentum on the back of sustained profitability. The headline inflation increased to 5.1 percent in June 2024 after remaining steady at 4.8 per cent during April-May 2024. The core (CPI excluding food and fuel) inflation stood at 3.1 per cent in May-June 2024. The steady progress in monsoon, pick-up in Kharif sowing, adequate buffer stocks of food grains and easing of global food prices are positives for containing food price pressures.

The services exports were predominantly driven by software exports and travel exports during FY 2023-24. The new phenomenon of Global Capability Centres (GCC) in India which has been set up in FY 2025, has provided a significant boost to our software exports. India with an expected 15.2 percent share in world remittances in the year 2024 continues to be the largest recipient of remittances globally. Overall the current account deficit in FY 25 is expected to remain well within its sustainable level. India's Foreign Exchange reserves stood at US\$ 670 billion as of August 09, 2024.

Performance of the Indian Financial Sector

During FY 2023-24, while the global banking institutes faced testing times, Indian banks displayed great resilience. They have held their ground in the face of uncertain global macroeconomic environment and interest rate volatility, posting record levels of profitability. The deposits of Scheduled Commercial Banks have shown a healthy increase of 13.5 per cent during FY 2023-24. Within the total Deposits, the Term Deposits of Scheduled Commercial Banks exhibited a faster growth of 13.7 per cent compared to the 12.1 per cent growth observed in Demand Deposits.

The Credit growth during FY 2023-24 hit a decadal high of around 16 per cent, despite high interest rates, on the back of higher capacity utilization by the private sector. Credit growth is expected to remain healthy at 13 to 15 per cent in FY 25, driven by strong demand in the services and retail segments. Rising government and private capex in FY 25 will also lead to increased demand for corporate credit. The Monetary Policy Committee of the Reserve Bank of India (RBI) at its meeting held on August 08, 2024, based on the assessment of the current and evolving macroeconomic situation, decided the following:

- ❖ Policy repo rate kept unchanged at 6.50 per cent under Liquidity Adjustment Facility
- ❖ Marginal Standing Facility kept at 6.75 per cent
- ❖ Standing Deposit Facility rate kept unchanged at 6.25 per cent & Bank Rate at 6.75 percent

The MPC decided to remain focused on gradual withdrawal of the accommodation, to ensure that going ahead inflation remains within the target and at the same time supporting and augmenting growth.

MOVING TO PERFORMANCE OF YOUR BANK

In the midst of war and economic turmoil impacting the world economy at large, your Bank adopted a cautious approach and recorded a reasonable growth rate during the year. Despite the various challenges, your Bank was able to post 6% growth in its total business with Deposits growing by 6% to ₹ 55,656.64 crore and Advances growing by 6% to ₹ 46,481.47 crore.

The total business of the Bank as on March 31, 2024 stood at ₹ 1,02,138.11 crore, surpassing the figure of ₹ 1,00,000 crore which is a landmark achievement in the history of the Bank. This achievement holds a special significance as the Bank has entered the **120th** year of its existence.

PROFITABILITY

The performance of the Bank during the financial year ended March 31, 2024 largely remained stable with the total income of the Bank at ₹ 6,012.22 crore as compared to ₹ 5,524.70 crore last year recording a growth of 9%. The Net Interest Income stood at ₹ 2,123.46 crore as compared to ₹ 2,162.80 crore during the previous year. The Net Interest Margin (NIM) of the Bank stood at 3.65% for the year ended March 31, 2024 as against 3.89% in the previous year. The yield on advances increased to 9.72% from 9.23% during the financial year. The Bank's Operating Profit decreased from ₹ 1,817.98 crore in FY 23 to ₹ 1,516.73 crore in FY 24 mainly due to increase in Operating Expenses. The Operating Profit to NII constitutes 71.43%. The total provisions for FY 2024 stood at ₹ 501 crore against ₹ 880.50 crore in FY 23. The Bank recorded a Net Profit of ₹ 1,015.73 crore as on March 31, 2024 as against ₹ 937.48 crore in March 31, 2023 registering a growth of 8%.

Return on Assets of the Bank for the FY 24 stood at 1.52% as against 1.46% last year and Return on Equity was at 12.86% for FY 24 as against 13.42% for FY 2023. The basic earnings per share stood at ₹ 13.72 per share as compared to ₹ 12.67 per share last year.

INVESTMENTS / TREASURY OPERATIONS

The investment portfolio of the Bank rose to ₹ 15,672.66 crore in FY 24 as against ₹ 14,360.18 crore in FY 23 recording a growth of 9%. Out of this, the investments in Government Bonds remained at ₹ 15,520.32 crores constituting 99.03% of the total Investment. During the year, the Bank booked a profit of ₹ 32.64 crore by sale of securities as against ₹ 7.63 crore in the previous year and the, profit from our foreign exchange operation stood at ₹ 71.80 crore as against ₹ 151.60 crore during the previous financial year. During the year, the total yield on investments increased to 6.27% from 5.89%.

NET OWNED FUNDS & CAPITAL ADEQUACY RATIO

The paid-up Share Capital of the Bank increased to ₹ 74.07 crore as on March 31, 2024 from ₹ 74.04 crore as on March 31, 2023. During the reporting period, the Bank has allotted 2,55,519 equity Shares to employees under Employee Stock Options pursuant to CUB ESOS Scheme 2008 & CUB ESOS Scheme 2017.

The Net worth of the Bank stands improved to ₹ 8,374.23 crore as on March 31, 2024 from ₹ 7,420.92 crore as on March 31, 2023. As per Basel III regulations, Banks are required to maintain a minimum Pillar 1 Capital (Tier I + Tier II) to Risk Weighted Assets Ratio (CRAR) of 9% on an ongoing basis. The Bank has maintained Tier I CRAR of 22.69% and total CRAR of 23.73% as at March 31, 2024 which are well above the norms prescribed by the RBI.

REWARDING SHAREHOLDERS

In pursuance of your Bank's consistent philosophy of rewarding the shareholders, your Directors have recommended a dividend of 150% for FY 23-24, [including a Special Dividend of ₹ 0.50 paise per equity share on account of commemoration of **120th** year of operations of the Bank]. The dividend payout for FY 24 is in accordance with the Dividend Distribution Policy of the Bank framed in terms of the SEBI Listing Regulations.

BRANCHES

During the financial year, your Bank expanded its branch network by adding 48 new branches totaling 800 branches and 1,677 ATM's as on March 31, 2024. I am happy to share that your Bank has opened its 800th branch at Ayodhya in FY 24 and we are making a good business therefrom.

TECHNOLOGY & AUTOMATION

The concept of Digital Banking, which has gained prominence in recent years, has been at the forefront of the bank's growth. Considering the cyber security aspects while operating in digital environment, your Bank has been consistently improving its existing digital products and building new digital products, to enhance customer experience. I must mention here that since the recent past your Bank had been working on automation of loan process and that in the FY 24, Digital Loan processing for Retail, MSME and non-MSME loans has been implemented with the help of tie-ups with NEWGEN Software Technologies Ltd and Boston Consulting Group.

It gives me immense satisfaction to inform everyone that, during the year, your Bank received 24 awards and accolades from various institutions like Indian Banks Association, Indian Chamber of Commerce, Economic Times, Global Fintech, IBEX etc. in Small Banks category.

RISK MANAGEMENT

The Bank has in place, a sound Risk Management Architecture, established by the active involvement and supervision of Board of Directors. The Board of the Bank has constituted a Risk Management Committee of Directors which assesses the Bank's risk profile and key areas of risk in particular. The Bank's Risk Management team is headed by the Chief Risk Officer who reports directly to MD & CEO and Risk Management Committee of the Board.

The Risk Management practices of your Bank have been aligned with the industry practices and are adaptable to the dynamic operating environment and market conditions.

CSR AND SUSTAINABILITY PRACTICES

Coming to our responsibility towards the society, I must say that CSR has always remained an integral part of the Bank. The Bank's CSR wing "Cub Foundation" is continuing to play a vital role, in supporting the community in the vital areas like Swachh Bharat, Health care, Literacy, Rural sports, Community Development and Environment sustainability, particularly water resource management, sanitation and literacy. It is noteworthy that CUB's CSR activities, have created a behavioural change among the stakeholders, especially in the governance of water bodies and also, education system which is supported by smart classes in schools at rural areas.

During FY 24, your Bank spent ₹ 16.44 crore towards CSR activities.

Besides our focus on CSR, we are also concentrating on adapting to environment friendly sustainability practices at all our offices subject to feasibility. During the FY 24, your Bank has installed energy-efficient equipment at most of its offices using renewable resources to minimize the environment impact. This includes upgrading to LED lighting, energy efficient air conditioners which not only reduce carbon footprint but also lower operational costs and support broader sustainability goals.

Your Bank is consistently taking measures to minimize the usage and disposal of plastics at its premises to the best possible extent. Further, as aforesaid, we have digitalized our lending process and minimized paper consumption to a greater extent blending the concept of sustainability in Banking business. Your Bank is focusing on integrating ESG factors into its business operations and we believe, this shift will help us to manage various risks, meet regulatory requirements and align with country's sustainability goals.

HUMAN RESOURCES

Human Resources Development and Industrial atmosphere play a prominent role in an organization's growth and our Bank has been maintaining cordial relationship with its employees at all times. The Bank provides various benefits to all its employees together with providing on the job and off the job trainings to constantly enhance employee skills and Bank's productivity. I take pride in expressing the fact that the Bank has maintained a healthy work environment right from its inception and that there are no instances of industrial unrest till date. During the reporting year, as part of succession planning, upcoming retirements in Executive cadre and the requirement of the Bank to have an external perspective in decision making process, your Bank has made lateral recruitments having sound industry experience, for various key functional areas. We believe that a mix of internal expertise and external experience will foster our Bank to adapt to the changing banking environment and customer needs, while keeping the culture intact. As on March 31, 2024, the total employee strength of the bank stands 7,188.

ACKNOWLEDGEMENT

Before I conclude, I hereby extend my sincere gratitude to the Reserve Bank of India, all Govt. bodies, Regulatory authorities, Shareholders, Customers, business associates, my colleagues on the Board of the Bank, Executives and Employees of the Bank, for all their continued support, guidance and patronage extended to the Bank in its growth process. My sincere appreciations to both Employees Union and Officers Association, for their role in ensuring a harmonious Industrial relationship. We always endeavor to improvise our products and enhance the operational efficiency employing the state of the art technology, to meet the growing needs of our customers. At the same time we ensure that our rich tradition of personalized customer service, well established by the founders of the Bank over more than a century, is maintained with no compromise on the core values.

Before I conclude, I on behalf of the Board, convey my gratitude and appreciation to Shri M. Narayanan, who demitted his office as Chairman of the Bank on 3rd May 2024 after completion of tenure, for the excellent services rendered by him during his tenure on the Board of the bank.

With the Grace of Almighty and with all your support, I am confident that on this memorable occasion of the 120th year of our Bank, we will continue to progress and flourish touching new horizons of growth and glory in the years to come.

My best wishes to you all once again.

Thank you,

G. Mahalingam

CHAIRMAN