

ANNUAL REPORT 2009 - 2010



CUB
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SINCE 1904

CITY UNION BANK LIMITED

**Inauguration of Coin & Soiled Note Exchange Mela
at Coimbatore on 26.03.2010 by Shri. K.R. Ananda, Regional Director
Reserve Bank of India, Chennai.**



A moment of Pride - Grant of ESOS



Contents	Page No.
Directors' Report	04
Corporate Governance Report	11
Management Discussion & Analysis Report	20
Auditor's Report	24
Balance Sheet	26
Profit & Loss Account	27
Schedules to Accounts	28
Cash Flow Statement	49
List of Branches	51
Performance Highlights	53
Decade of Progress	54
BASEL II Disclosures	56

Statutory Central Auditors

Jagannathan & Sarabeswaran
Chartered Accountants
Chennai

Share Transfer Agents

Integrated Enterprises (India) Ltd.,
II Floor, " Kences Towers",
No.1, Ramakrishna Street,
Off-North Usman Road, T.Nagar,
Chennai - 600 017.
Phone : 28140801 to 28140803
Fax : 28142479
Website : www.iepindia.com

Registered Office

149, T.S.R. (Big) Street, Kumbakonam - 612 001.
Phone : 0435 - 2402322, 2401622, 2402412 Fax : 0435 - 2431746
www.cityunionbank.com

BOARD OF DIRECTORS

P. VAIDYANATHAN
B.Com., F.C.A., A.I.C.W.A., A.C.S.
Chairman



S. BALASUBRAMANIAN
M.Sc., CAIB., PGDFM.
M.D & C.E.O



V. JAYARAMAN, I.R.S. (Retd.)



K.S. RAMAN
M.Sc.



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



N. KANTHA KUMAR
B.Com., L.L.B., CAIB



N. SANKARAN
B.E., M.I.E.



M. NAGANATHAN
B.Com., F.C.A.



R.G. CHANDRAMOGAN



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



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



C.R. MURALIDHRAN
B.Sc., CAIB

SENIOR EXECUTIVES



Dr. N. KAMAKODI
B.Tech., MBA, CAIIB, Ph.D.
Executive Director



R. MOHAN
B.Sc., MBA, CAIIB
General Manager



S. SUNDAR
B.Com., ACA, CAIIB
General Manager



S. SEKAR
B.Sc., JAIIB
General Manager



T.S. RAMANUJAM
B.Com., JAIIB
General Manager

DEPUTY GENERAL MANAGERS



J. KUMAR



B. RAJAGOPAL



D. KANNAPPAN



R. VENKATASUBRAMANIAN



K. DEIVARAYAN



K.P. SRIDHARAN

ASSISTANT GENERAL MANAGERS

R.K. VISWANATHAN
R. KRISHNAN
A. RAGOTHAMAN
R. RENGARAJAN
R. SAIRAM
R. RAJARAMAN

S. BALASUBRAMANIAN
K. PANCHAPAKESAN
S. VENKATESAN
R. SUBRAMANIAN
B. SUNDARARAMAN
S. RAMESH

S. RAJAGOPALAN
V.S. SRINIVASAN
V. KRISHNAMURTHY
V. SUGUNA
R. SANKARAN
J. RAJASEKARAN

K. MAHARAJAN
N. SANKARARAMAN
M. MOUNISSAMY
R. SUBRAMANIAN
S. MOHAN
R. LAKSHMINARAYANAN

ASSISTANT GENERAL MANAGER & COMPANY SECRETARY

V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2009-2010

Your Directors have great pleasure in presenting their report on the financial results of the Bank along with audited Balance Sheet as on 31st March, 2010 and Profit & Loss Account for the year ended 31st March, 2010.

ECONOMY AND BANKING SCENARIO

The Indian economy exhibited clear momentum in recovery, and despite the impact of a deficient monsoon on agricultural production, the GDP growth for the year 2009-2010 has been estimated at 7.2%, up from 6.7% recorded in the previous year on the back of double digit expansion in the manufacturing sector and not so dismal show by the farm sector. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from contagion and then in ensuring that the economy recovered quickly.

The service sector, exhibited significant recovery in the second quarter of 2009-10, with growth in the output of the sub-groups viz., construction and trade, hotel, transport & communication, accelerating while growth in community, social & personal services slowed down and the growth in this sector would be 8.5%.

Aggregate Deposits of banks as on March 31, 2010 showed a year-on-year growth of 17%, compared to 19.90% in the previous year. Deposits of the banking system slowed down mainly due to the gradual decline in interest rates on time deposits in lagged response to the lower policy rates. With the increasing demand for credit from the banking system, deposit mobilisation gained strength, and deposit rates also moved up towards the end of the year. Even after the absorption of Rs.36,000 crore through the 75 basis points hike in CRR effected in February, 2010, liquidity conditions have remained comfortable, as evident from the reverse repo operations under the Liquidity Adjustment Facility (LAF).

PERFORMANCE OF YOUR BANK

The Performance Highlights for the financial year in the key financial areas are as under :

(Rs. in crore)

Particulars	2009-10	2008-09
Deposits	10285	8207
Advances	6833	5645
Investments	3210	2397

Your Bank crossed yet another milestone of Rs.17,000 cr in total business during the Financial Year 2009-10 with all-round growth in various parameters above the industry benchmarks.

The Bank achieved an operating profit of Rs.255.79 cr against Rs.226.72 cr recorded in the previous year. The net profit increased by 25.08% from Rs.122.13 cr to Rs.152.76 cr. The Net Interest Income rose from Rs.242.57 cr to Rs. 278.14 cr registering a growth of 15%. The return on average assets worked out at 1.52% when compared to 1.50% last year.

DEPOSITS

During the year, the deposits increased to Rs.10285 cr as on 31-03-2010 from Rs.8207 cr as on 31-03-2009 growing at the rate of 25.32%. The cost of deposits decreased from 7.98% to 7.73%.

ADVANCES

The advances increased from Rs.5645 cr as on 31-03-2009 to Rs.6833 cr as on 31-03-2010 registering a growth rate of 21.05%. The yield on advances decreased from 13.46% to 13.04%. The priority sector advances aggregated to 44.26% of the bank's adjusted net credit.

NON-PERFORMING ASSETS

Your bank devotes highest attention to reduce non-performing assets and as a result of relentless efforts on recovery, the level of Gross Non-Performing Assets has been brought down to 1.36% from 1.80% and the Net Non-Performing Assets have been steeply reduced to 0.58% from 1.08%. The bank is taking continuous efforts to reduce the level of non-performing assets.

INVESTMENTS/TREASURY OPERATIONS

During the year under review gross investments increased from Rs.2405 cr to Rs.3218 cr to maintain statutory reserve requirements on enlarged resources. The total yield on investments worked out to 7.84%. While the yield on Govt. Bonds softened in the first half of the year, it moved up subsequently mainly driven by excess supply resulting from enhanced borrowings of the Government despite abundant liquidity available in the system. The Rupee staged some recovery in the year when compared to the steep fall against US dollar witnessed last year and the bank could convert the narrow currency movements both in spot and forward into reasonable profits.

FINANCIAL RESULTS

Your Directors are pleased to give hereunder the highlight of the working results for the year ended 31st March 2010.

(Rs. in crore)

Particulars	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
Gross Income	1100.11	928.08
Total Expenses	844.32	701.36
Profit before Provisions & Contingencies	255.79	226.72
Provisions & Contingencies	103.03	104.59
Net Profit	152.76	122.13

APPROPRIATIONS:

The summary of net profit appropriations is given hereunder:

(Rs. in crore)

Particulars	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
Net Profit	152.76	122.13
Balance b/f from previous year	5.01	4.88
Total	157.77	127.01
Appropriations - Transfer to		
- Statutory Reserve	39.00	31.25
- Capital Reserve	5.74	21.36
- General Reserve	67.00	37.00
- Investment Reserve Account	0.00	1.31
- Special Reserve Account under IT Act	5.50	3.00
- Proposed Dividend Account	30.00	24.00
- Dividend distribution tax including surcharge	4.98	4.08
- Balance carried forward	5.55	5.01
Total	157.77	127.01

NETWORTH & CRAR

The Bank's paid-up capital was Rs.39.96 cr as on 31st March, 2010 and the net worth improved from Rs.660.92 cr as on 31-03-2009 to Rs.825.64 cr as on 31-03-2010. The bank successfully completed its Rights Issue of 8,00,00,000 equity shares during the year offering one equity share for every four held at an issue price of Rs.6/- per share including the premium. The Capital Adequacy Ratio as at 31st March, 2010 stood at 12.09% (BASEL-I) and 13.46% (BASEL-II) well above the stipulated regulatory norms.

DIVIDEND

Your Directors have immense pleasure to recommend a dividend of 75% on the enlarged equity shares for the financial year 2009-2010 in pursuance of the constant philosophy of rewarding shareholders.

BRANCH EXPANSION

During the year under review, your Bank has expanded its network by opening new branches at the following centres, so far taking our network to 222 branches. Further the Bank has proposed to open 56 more branches before the end of the current financial year.

Sl. No.	Name of the Branch	State	Date of Opening
1	SRIPERUMBUDUR	TAMIL NADU	10.07.2009
2	AURANGABAD	MAHARASTRA	03.08.2009
3	RAMANATHAPURAM - COIMBATORE	TAMIL NADU	03.08.2009
4	KINATHUKADAVU	TAMILNADU	03.08.2009
5	KOLHAPUR	MAHARASTRA	03.08.2009
6	THONDAMUTHUR	TAMIL NADU	03.08.2009
7	VALASARAVAKKAM - CHENNAI	TAMIL NADU	03.08.2009
8	LUDHIANA	PUNJAB	07.08.2009
9	INDORE	MADHYA PRADESH	10.08.2009
10	JAIPUR	RAJASTAN	17.08.2009
11	BILWARA	RAJASTAN	19.08.2009
12	DOMBIVILI - MUMBAI	MAHARASTRA	24.08.2009
13	BHAVANAGAR	GUJARAT	26.08.2009
14	SURAT II	GUJARAT	26.08.2009

EMPLOYEES STOCK OPTION SCHEME

The Shareholders of the Bank had approved the Employees Stock Options Scheme at the Extraordinary General Meeting held on 26.04.2008 to grant upto 5,00,00,000 stock options to the eligible employees both present and future. Of this, 2,02,50,000 options were granted to 1275 eligible employees at an exercise price of Rs.13/- per share. Consequent upon the Rights Issue, the exercise price got reduced from Rs.13/- to Rs.11.60 per option and accordingly the number of options was increased to 2,27,81,250. The Exercise period in respect of 15% of the stock options granted in 2008 commenced on 06.12.2009 and shall be open for 3 years there from. The process of exercising the vested options by the employees has started.

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

HUMAN RESOURCE DEVELOPMENT

The bank has been periodically recruiting qualified and experienced personnel to meet the requirements arising from branch expansion and retirement of existing staff. Considering the significant role played by staff in converting the corporate goals to achievements, your bank has been sponsoring them to various training programmes, workshops and seminars conducted in house and by other agencies as well. As the service industry calls for better interpersonal skills, these programmes are oriented towards sharpening and improving their functional behaviour skills. As on 31st March, 2010, your Bank has 2628 employees comprising of 31 executives, 771 officers, 1437 clerks and 389 sub-ordinate staff.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is attached to this report as Annexure-II

AUTOMATION

In response to meeting the growing demand of customers for technology based services, your bank has installed 30 onsite ATMs thus taking the total to 152. Your Bank has plans to install more ATMs both onsite & off site at different centres. The integration of bank branches has led to enhanced customer service and has paved the way for enlarging the customer base.

INTERNATIONAL BANKING

As at 31st March, 2010, your Bank's turnover in Foreign Exchange Business stood at Rs. 2187.42 cr. The non-resident deposits as on 31st March, 2010 stood at Rs.148.86 cr.

BOARD OF DIRECTORS

Shri C.R. Muralidharan and Justice S.R. Singharavelu have been co-opted as Additional Directors in the meeting of the Board of Directors held on 25.02.2010 pursuant to section 260 of the Companies Act. They will hold office upto the date of ensuing Annual General Meeting. Your Bank has received notices from some of the members pursuant to Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Shri C.R. Muralidharan and Justice S.R. Singharavelu as Directors.

AUDITORS

M/s. Jagannathan & Sarabeswaran, Chartered Accountants, Chennai, the present Statutory Central Auditors, retire at the conclusion of this Annual General Meeting and they, being eligible, offer themselves for re-appointment. The Bank has received a certificate from the Statutory Central Auditors to the effect that the re-appointment, if made, will be in accordance with the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Bank, being a Banking company and an authorised dealer in foreign exchange, has been taking all steps to improve forex earnings by active consideration of need based credit limits of exporters and extending all facilities and services to NRIs and remitters of foreign exchange to our country. The bank has operationalised arrangements for remittances from abroad with Exchange Houses and Banks.

CORPORATE GOVERNANCE

The Bank complies with the requirements of Clause 49 of the listing agreement entered into with Madras, National and Mumbai Stock Exchanges where its shares are listed. The reports on Corporate Governance & Management Discussion and Analysis are attached.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956,

- (i) the Directors of the Bank hereby state that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2009-10 and of the profit of the company for that period.
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors had prepared the annual accounts for the financial year ended 31st March, 2010 on a going concern basis.

ACKNOWLEDGEMENT

The Board expresses its sincere appreciation to all the shareholders, customers and well wishers of the Bank for their excellent co-operation and unstinted support extended to the Bank and looks forward to their continued patronage in the years to come.

The Board also takes on record its sincere appreciation and gratitude to RBI, NABARD, NHB, IDBI, SIDBI, EXIMBANK, 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 and various Government Agencies for their patronage and support.

The Board also places on record the significant contribution made by the employees at all levels and conveys its appreciation for their dedication, devotion to duty and their exemplary involvement in all the developmental activities.

FOR AND ON BEHALF OF THE BOARD

Chennai
29th June, 2010

P. Vaidyanathan
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
Options Granted	20250000
Additional options allocated pursuant to Rights Issue during the financial year	2531250
Pricing Formula	Rs.13 per share/for option *
Options Vested	3417188
Options exercised	NIL
Total Number of shares arising as a result of exercise of options	NIL
Options Lapsed	Not applicable
Variation of terms of Options	NIL
Money realised by exercise of Options	Not applicable
Total Number of Options in Force	22781250
Employee wise details of Options granted to	
(i) Senior Management Personnel	
Sri.S.Balasubramanian	8,43,750
Sri.N.Kamakodi	5,62,500
Sri.G.K.Balasubramanian	2,53,125
Sri.S.Sekar	2,25,000
Sri.S.Sundar	2,25,000
Sri. R.Mohan	2,25,000
Sri.S.Sridharan	1,12,500
(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
(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

The Bank follows the intrinsic method for valuing the stock options. The difference between Employee Compensation cost computed based on such intrinsic value and employee Compensation cost that shall have been recognised if fair value of options has been used is explained below:

Sl. No.	Particulars	Amount (Rs.)
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		
1	Exercise Price	13.00 *
2	Fair Value	10.50

* Consequent upon the Rights Issue, the exercise price got reduced from Rs.13/- to Rs.11.60 per option

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 1
1	Risk Free interest rate	4.50%
2	Expected Life(Excluding grant period of one year)	3 Years from each of the vesting
3	Expected volatility	280%
4	Expected dividend	3.85%
5	Price of the underlying share at the time of grant of options	Rs.13/-

ANNEXURE-II

STATEMENT SHOWING THE INFORMATION REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT READ WITH COMPANIES(PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF THE DIRECTOR REPORT FOR THE YEAR ENDED 31st MARCH 2010

i) Employed throughout the year and were in receipt of remuneration not less than Rs.24,00,000 per annum										
Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
1	Sri. S. Balasubramanian	Managing Director & CEO	Rs. 24,60,000	Regular	Whole Time Employee	Managing Director & CEO	M.Sc., CAIIB, PGDFM	16-09-1971	64	N.A.
ii) Employed throughout the year and were in receipt of remuneration for any part of the year in the aggregate not less than Rs.2,00,000 per month.										
Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
-----NIL-----										

CORPORATE GOVERNANCE REPORT

Securities and Exchange Board of India (SEBI) had constituted a committee on Corporate Governance under the Chairmanship of Sri Kumaramangalam Birla in the Year 1999. In its report the Committee observed that "strong Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection".

SEBI, on the basis of recommendations of the Committee, had specified norms of Corporate Governance and introduced Clause 49 in the Listing agreement in the year 2000. These norms were further revised by SEBI in the year 2005 to be made effective from 01.01.2006.

1. Philosophy of Corporate Governance

The importance of Corporate Governance lies in its contribution both to business prosperity and accountability. Good corporate governance ensures that the shareholders / stakeholders are taken into confidence on matters concerning the Bank's business and activity. Corporate governance is of great significance to banks due to their important role in financial intermediation in the economy and the need to safeguard the depositors money. The philosophy of Corporate Governance is not just compliance with legal and regulatory requirements. Besides effective management and control it implies the need to maintain business ethics and maximise the value for all shareholders.

The timely and accurate disclosure of information about the financial situation, performance, ownership and governance of the Bank is an important part of corporate governance. This improves public understanding of the structure, policies and activities of the bank and the bank is able to attract investors and enhance the trust and wealth of the stakeholders besides retaining their confidence. Basic philosophy of Corporate Governance is the application of best management practices that provide stability and growth to the enterprise. Your Bank's Corporate Governance philosophy is to continuously strive to attain higher levels of transparency, accountability, responsibility and fairness in all aspects of its operations. Your Bank remains committed towards protection and enhancement of overall long term value of all its stakeholders - shareholders, investors, customers, employees and society and respect minority rights in all our business decisions. Your Bank always tries to be the best among the best performing banks in the Banking Industry.

To achieve the objectives of the corporate philosophy, the Bank is committed to an effective system of governance which is well devised to translate the core values into actions through its Board of Directors and their Committees.

2. Board of Directors

The Banking Regulation Act, 1949 governs the composition of the Board of Directors. The Board consists of eminent persons with professional experience in the fields of banking, accountancy, agriculture, law and industry. The business of the Bank is vested with the Board of Directors. The strength of the Board as on 31.03.2010 is 12 directors comprising of Non Executive Chairman, Managing Director & CEO and 10 non executive directors.

Name of the Director	Sector Representation	Category as per the Listing Agreement	No. of other Directorships held
P. Vaidyanathan	Accountancy	Chairman	3
S. Balasubramanian	Banking	Managing Director & CEO	Nil
V. Jayaraman	Agriculture	Non-Executive Director	Nil
K.S. Raman	Agriculture	Non-Executive Director	Nil
S. Bernard	Accountancy	Non-Executive Director	Nil
N. Kantha Kumar	Banking	Non-Executive Director	Nil
N. Sankaran	Agriculture	Non-Executive Director	Nil
M. Naganathan	Accountancy	Non-Executive Director	Nil
R.G. Chandramogan	Industrialist	Non-Executive Director	2
T.K. Ramkumar	Law	Non-Executive Director	Nil
C.R. Muralidharan	Banking	Non-Executive Director	1
Justice S.R. Singharavelu	Law	Non-Executive Director	Nil

The details of Directorship / Membership or Chairmanship of the committees for each director of the bank in other Companies as on 31st March, 2010 is furnished hereunder:

Sl.No	Name of the Director	Directorships in other Companies	Memberships and / or Chairperson of committees in other companies
1	P. Vaidyanathan	(i) Hatsun Agro Products Ltd., (ii) Economist Communications Ltd (iii) Suja Shoei Industries (P) Ltd	Audit Committee and Remuneration Committee - (Chairman) Share Transfer Committee and Shareholders'/Investors' Grievances Committee - (Member) NIL NIL
2	S. Balasubramanian	NIL	NIL
3	V. Jayaraman	NIL	NIL
4	K.S. Raman	NIL	NIL
5	S. Bernard	NIL	NIL
6	N. Kantha Kumar	NIL	NIL
7	N. Sankaran	NIL	NIL
8	M. Naganathan	NIL	NIL
9	R.G. Chandramogan	(i) Hatsun Agro Products Ltd (ii) Tonokya Food Pvt. Ltd	Share Transfer Committee and Core Committee - (Chairman) Sub Committee - Member NIL
10	T K Ramkumar	NIL	NIL
11	C R Muralidharan	PTC India Financial Services Ltd	NIL
12	Justice S R Singharavelu	NIL	NIL

Change in Directorship

Appointment of New Directors

Shri.C.R.Muralidharan has been co-opted by the Board at its meeting held on 25.02.2010. He retired as a whole time member of the Insurance Regulatory and Development Authority (IRDA) in November 2009 and prior to this appointment he was a Chief General Manager in Reserve Bank of India. He has extensive experience in regulation of Banks in Reserve Bank of India and Insurance Companies in IRDA. He is holding 1000 shares of the Bank.

Justice S.R. Singharavelu has been co-opted by the Board at its meeting held on 25.02.2010. He was in Judiciary Department and held various positions. He is a Former Judge of High Court of Madras and High Court of Orissa. He has vast experience of 36 years in the Judiciary. He is holding 2500 shares of the Bank.

Reappointment of Directors

- I. Shri K.S. Raman, aged 68 years, is a post graduate in Statistics. He is an Agriculturist and has special knowledge in Agriculture. He is holding 420000 shares of the Bank.

- II. Shri S. Bernard, aged 59 years is a graduate in Commerce and a Fellow Member of the Institute of Chartered Accountants of India. He is a practicing Chartered Accountant. He is having wide experience in Accountancy. He is holding 995 shares of the Bank.
- III. Shri N. Kantha Kumar, aged 64 years, is a graduate in Commerce and Law and has special knowledge and practical experience in Banking. He has retired as Chairman & Managing Director of Syndicate Bank. He is holding 2560 shares of the Bank.
- IV. Shri. T.K. Ramkumar, aged 54 years is a graduate in commerce and he is a practicing Advocate. He is a partner in M/s Ram & Rajan Associates, partnership firm of Advocates, Chennai and he possesses knowledge and experience in Banking Law, Company Law, Intellectual Property Rights, Civil Law, etc. He is holding 29816 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 Rs. 10,000 and Rs. 5,000 for attending Board Meetings and Sub-Committee of the Board meetings respectively.

The Bank has paid Rs. 17,15,275/- to Integrated Enterprises (India) Limited towards maintenance, processing, depository, registry services and for filing of e-TDS returns during the period 2009-10. Shri. P. Vaidyanathan, Non Executive Chairman of the Bank is having substantial interest in Integrated Enterprises (India) Limited under Section 5(ne) of the Banking Regulation Act, 1949. (Clause 49(IV) (E) (i) of the listing agreement).

Last AGM, Board and Committee Meetings

Name of the Director	Attendance in the last Annual General Meeting held on 31-08-2009	Attendance in 14 Board Meetings
P. Vaidyanathan	Yes	14
S. Balasubramanian	Yes	14
V. Jayaraman	Yes	14
K.S. Raman	Yes	14
S. Bernard	Yes	13
N. Kantha Kumar	Yes	14
N. Sankaran	Yes	13
M. Naganathan	Yes	12
R.G. Chandramogan	Yes	10
T.S. Venkatasubban (upto 31.08.2009)	No	6
T.K. Ramkumar (Since 11.06.2009)	Yes	10
C.R. Muralidharan (Since 25.02.2010)	No	1
Justice S.R. Singharavelu (Since 25.02.2010)	No	1

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 advised 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:

27.04.2009, 28.04.2009, 30.05.2009, 11.06.2009, 30.06.2009, 31.07.2009, 31.08.2009, 30.09.2009, 31.10.2009, 27.11.2009, 30.12.2009, 30.01.2010, 25.02.2010 and 30.03.2010.

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 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.

Committee to review Irregular Advances

The Committee reviews NPA, suit filed and decreed debts on quarterly basis.

Name of the Director	Attendance in 4 Committee Meetings to review Irregular advances
P. Vaidyanathan	4
S. Balasubramanian	4
V. Jayaraman	4
M. Naganathan	3
N. Sankaran (Upto 30.07.2009)	1
K.S. Raman (Since 29.09.2009)	3
N. Kantha Kumar (Since 29.09.2009)	3
T.K. Ramkumar (Since 29.09.2009)	3

Dates of the Committee Meeting to review Irregular Advances held:

30.07.2009, 29.09.2009, 26.11.2009 and 24.02.2010

Audit Committee

Audit Committee of the Board provides direction and oversees the operation of total audit function in the Bank as stipulated by RBI. It also reviews the Bank's internal control systems and functioning of its branches and central office departments. It also reviews the report of the Statutory Audits and all the issues raised in the Long Form Audit Report (LFAR) and interact with external auditors before the finalization of the annual / quarterly financial statements and reports. Further it also reviews all the issues raised in the Inspection Reports of RBI.

The Audit Committee focuses on follow up of

- Inter Branch Adjustment Accounts
- Unreconciled long outstanding entries in Inter Bank Accounts and Nostro Accounts
- Arrears in balancing of books at various branches
- Frauds and all other major areas of house keeping,

The Audit Committee consists of the following three non Executive Independent Directors and two non Executive non Independent Directors. The committee meets regularly to perform its functions.

Name of the Director	No. of Meetings	Attendance
T.S. Venkatasubban (Upto 31.08.2009)	13	5
K.S. Raman (Upto 30.07.2009)	13	5
S. Bernard (Upto 30.07.2009)	13	4
N. Kantha Kumar (Upto 30.07.2009)	13	5
M. Naganathan	13	11
P. Vaidyanathan (Since 01.09.2009)	13	8
V. Jayaraman (Since 01.09.2009)	13	7
N. Sankaran (Since 01.09.2009)	13	8
T.K. Ramkumar (Since 01.09.2009)	13	8

Dates of Meeting held:

27.04.2009, 29.05.2009, 11.06.2009, 29.06.2009, 30.07.2009, 01.09.2009, 29.09.2009, 30.10.2009, 26.11.2009, 29.12.2009, 29.01.2010, 24.02.2010 and 29.03.2010

Risk Management Committee

The Committee is empowered to review the Bank's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risks) investment policies and strategy and regulatory and compliance issues in relation thereto. The committee is also empowered to review risk return profile of the

Bank, capital adequacy based on risk profile of the Bank's balance sheet, Basel - II implementation, business continuity plan and disaster recovery plan, key risk indicators and significant risk experience.

The Risk Management Committee consists of the following non-executive directors. The committee meets regularly to perform its functions.

Name of the Director	No. of meetings	Attendance
S. Balasubramanian	3	3
P. Vaidyanathan	3	3
T.S. Venkatasubban (Upto 31.08.2009)	3	1
V. Jayaraman	3	3
N. Kantha Kumar	3	3
M. Naganathan (Since 29.09.2009)	3	2
T.K. Ramkumar (Since 29.09.2009)	3	2

Dates of Meeting held: 29.06.2009, 29.09.2009 and 24.02.2010

Remuneration

As approved by the Reserve Bank of India and the Board of Directors, a remuneration of Rs.5,56,667/- was paid to Shri P. Vaidyanathan, Non-Executive Chairman for the period from 27.04.2009 to 31.03.2010. Besides the remuneration, sitting fees for attending Board and Committee Meetings has also been paid.

Remuneration (Gross) paid to the Managing Director & CEO Shri.S. Balasubramanian during the period from 01-04-2009 to 31-03-2010.

Designation	Period	Remuneration
Managing Director & CEO	01-04-2009 to 31-03-2010	Rs.24,60,000/-

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.

Shareholders Grievance Committee

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

- i. Shri K.S.Raman, Chairman of the Committee, Non-Executive Director
- ii. Compliance Officer- Shri V Ramesh, Asst. General Manager & Company Secretary
- iii. No. of Shareholders complaints received so far -
Complaint - 5
Information & Services - 1403
- iv. No. of complaints not solved to the satisfaction of shareholders - Nil
- v. No. of pending share transfers - Nil

Members	No. of meetings held	Attendance
K.S. Raman	1	1
S. Bernard	1	1
N. Sankaran	1	1

Date of Meeting held : 30-03-2010

General Body Meetings

Location and time where last 3 AGMs were held

SI.No	Date of AGM	Location	Time
1.	25-07-2007	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.
2.	24-09-2008	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.30 a.m.
3.	31-08-2009	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	11.00 a.m.

Special Resolution Passed through AGM

Date	Special Resolution
25.07.2007	Alteration to the Article 4(i) in the Articles of Association u/s 31 of the Companies Act, 1956 for dividing the Authorized capital of the company of Rs. 100,00,00,000/- (Rupees One Hundred crores only) into 100,00,00,000 equity shares of Re.1/- each
24.09.2008	<p>(i) To appoint Shri S Balasubramanian as Chairman and Chief Executive Officer of the Bank and as Director not liable to retire by rotation.</p> <p>(ii) Alteration to the Article 31 in the Articles of Association u/s 31 of the Companies Act, 1956 for paying up to any unpaid amount on any shares held by the members or paying up in full unissued shares of the Bank to be allotted and distributed, credited as fully paid up and applying share premium account in paying up of unissued shares.</p> <p>(iii) To decide on the timing and make an offer and issue equity shares of Re.1/- each at suitable premium on right basis, fractional entitlements disregarded, with right to renounce the entitlements.</p>
31.08.2009	(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 to Rs.300 crs by issue of equity shares of Re. 1/- each.

Special Resolution passed through Postal Ballot on 14.08.2009

To consider and thought fit, under section 314(1B) of the Companies Act, 1956, for the continuance of Mr. N Kamakodi, as Executive Director and revision of his remuneration.

Special Resolution Passed through EGM Nil
Disclosures

- There were no significant "related party transactions" of any material, financial & commercial nature with the Bank by the directors and their relatives that would have potential conflict with the interest of the Bank at large.
- 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 authority during last year.
- Mandatory and non-mandatory requirements:
The Bank has complied with all the applicable mandatory requirements as provided in Clause 49 of the Listing Agreement entered into with the Stock Exchanges.
The extent of implementation of non-mandatory requirements is furnished as under:

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.	The Bank has put in place a Whistle Blower policy
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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.

Declaration of Compliance with the Code of Conduct.	
I confirm that all the Directors have affirmed compliance with the Bank's Code of Conduct for Directors. Further, the Senior Management Team has also affirmed compliance with the Bank's Code of Conduct for Senior Management.	
Place : Kumbakonam Date : 31-03-2010	S. Balasubramanian Managing Director & CEO

Means of Communication

Unaudited quarterly 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> where such results are published.

General Shareholder Information

AGM Date	11.08.2010
Time	10.30 a.m.
Venue	Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.
Financial Year	1st April, 2009 to 31st March, 2010.
Book Closure Date	26.07.2010 to 11.08.2010 (both days inclusive).
Dividend Payment Date	On or after 11.08.2010, but within the statutory time limit of 30 days.
Listing on Stock Exchange	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 Ltd., Mumbai.
Stock Code	Madras Stock Exchange Ltd. - CUB National Stock Exchange of India Ltd. - CUB B.S.E. - 532210

Market Price Data - Low/High during each month of the Financial Year 1st April, 2009 to 31st March, 2010.

(in Rs.)

Month	National Stock Exchange of India Limited (NSE)		Bombay Stock Exchange Limited (BSE)	
	Low	High	Low	High
April, 2009	12.20	17.95	12.21	17.75
May, 2009	15.10	27.90	16.00	28.20
June, 2009	21.60	28.55	21.70	28.40
July, 2009	18.00	24.50	16.75	24.50
Aug, 2009	22.00	27.95	21.55	28.15
Sep, 2009	25.10	31.20	26.10	31.15
Oct, 2009	26.45	31.15	26.50	31.60
Nov, 2009	24.00	30.50	24.00	30.70
Dec, 2009	23.65	26.15	23.55	26.20
Jan, 2010	23.60	33.80	26.20	33.80
Feb, 2010	27.40	30.90	28.20	32.00
March, 2010	26.70	30.55	27.00	30.65

There were no transactions in Madras Stock Exchange during the period.

Share Transfer System

Share Transfer activities under physical segment are being carried out by our Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, Chennai. Shares sent for physical transfers are generally registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.

The Share Transfer Committee of executives was constituted to approve share transfers, transmissions etc. Besides, the share transfers, transmissions etc., are approved by the Board. The members of the committee are as under:

Name	Designation	No. of meetings held	Attendance
S. Balasubramanian	MD & CEO	7	7
N. Kamakodi	Executive Director	7	7
V. Ramesh	AGM & Company Secretary	7	7

Date of meetings held: 18.09.2009, 16.10.2009, 14.11.2009, 16.12.2009, 20.01.2010 18.02.2010 and 15.03.2010

Total No. of shares transferred in physical form during the year 1st April, 2009 to 31st March, 2010.

No. of Transfers	Shares
227	683874

All Complaints have been resolved to the satisfaction of the shareholders / investors.

Number of Complaints pending - NIL

Distribution of Shareholding

(i) Share Distribution Schedule as on 31-03-2010

Sl. No	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Upto 500	39116	54.14	7257736	1.81
2.	501-1000	11258	15.58	9534144	2.38
3.	1001-2000	8962	12.40	13014712	3.25
4.	2001-3000	2990	4.14	7756255	1.94
5.	3001-4000	2265	3.14	8425871	2.11
6.	4001-5000	1179	1.63	5606220	1.40
7.	5001-10000	3259	4.51	23395806	5.85
8.	10001 & above	3217	4.46	325009256	81.26
TOTAL		72246	100.00	400000000	100.00

(ii) Shareholding Pattern as on 31-03-2010

Sl. No	Category	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	Banks	8	0.0111	8237482	2.0594
2.	Bodies Corporate	905	1.2526	71819869	17.9550
3.	Clearing Members	280	0.3876	1512632	0.3781
4.	Directors	15	0.0207	5961915	1.4903
5.	F.I.I.'s	27	0.0374	48111995	12.0280
6.	Insurance companies	5	0.0069	24027470	6.0069
7.	Mutual Fund	5	0.0069	1080649	0.2702
8.	NRIs	860	1.1904	2122680	0.5307
9.	Resident Indians	70114	97.0490	196056657	49.0142
10.	Relatives of Directors	18	0.0249	6602026	1.6505
11.	Trusts	7	0.0097	91625	0.0229
12.	Corporate Body-Foreign	2	0.0028	34375000	8.5938
TOTAL		72246	100.0000	400000000	100.0000

Dematerialisation of shares

342523053 shares (85.63% of paid-up share capital) of the Bank were dematerialized as on 31-03-2010.

Address for Correspondence**Shares Department**

CITY UNION BANK LIMITED
Central Office,
149, T.S.R. (Big) Street,
Kumbakonam 612 001, Tamil Nadu.

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

Share Transfer Agents

Integrated Enterprises (India) Limited,
Unit: **CITY UNION BANK LIMITED**
"Kences Towers",
2nd Floor, No. 1, Ramakrishna Street,
Off North Usman Road,
T. Nagar, Chennai - 600 017.

Telephone: 044-28140801 - 03
044-28141072 - 73
Fax: 044-28142479
E-Mail: corpserv@iepindia.com

Auditor's Certificate on Corporate Governance

To the members of **CITY UNION BANK LIMITED**

We have examined the compliance of conditions of Corporate Governance by City Union Bank Limited, Kumbakonam for the year ended 31st March, 2010, 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

Place: Kumbakonam
Date : 26th May, 2010

N. Rangan
Partner
M.No. : 12190

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A ECONOMIC SCENARIO

GLOBAL ECONOMY

The global economy exhibited discernible signs of improvement and recovery in 2009-10 after its worst ever meltdown coupled with financial turmoil in the previous year. The immediate rebound was more pronounced in the financial sector. The severe liquidity conditions appear to have eased to a large extent. However continued existence of high unemployment, absence of recovery in home prices and retail sales, failures of small banks and lower volumes of international trade have not yet instilled the confidence that sustainable recovery in all sectors of global economy has been attained. Emerging Market Economies(EME) however have posted robust growth figures and hence are considered attractive investment destinations drawing huge capital inflows from advanced countries. The recent currency crisis in Europe is expected to accelerate the flow into EMEs in the medium and long term.

INDIAN ECONOMY

Indian economy continues to maintain its growth momentum and remains as one of the fast growing ones amongst EMEs. During the FY 2009-10, Indian economy grew by 7.2% compared to 6.7% growth during 2008-09. The recovery in economic growth was broad based with all major indices staging a recovery during the year. However, agriculture deceived by deficient rainfall, was an exception recording a negative growth of 0.2% in 2009-10 resultantly leading to food inflation.

Inflationary conditions in India during 2009-10 were marked by two distinct phases. During the first half of 2009-10, the year-on-year WPI inflation remained significantly low (negative during June-August 2009) on account of the high base of sharp increases in prices recorded a year ago. This period, however, was characterised by a significant build-up of inflationary momentum, largely on account of the partial pass through of increase in international prices.

During the second half of the year, increasing food prices, on account of unfavourable agricultural supply conditions caused by the deficient South-West monsoon coupled with the waning of base effect led to sharp increase in inflation and headline WPI inflation reached 9.9% (y-o-y) in March, 2010.

The 7.2% growth clearly showed that fiscal stimulus provided by the government through excise duty and service tax cuts supported by pro active monetary measures ensuring abundant liquidity in the system have yielded the desired results, as the manufacturing which bore the brunt of the slowdown, posted 10.8% growth in 2009-10 against 3.2% a year ago.

During 2009-10, foreign exchange reserves increased by US\$ 27.1 billion, comprising mainly of increase in gold holdings (US\$ 8.4 billion), SDRs (US\$ 5.0 billion) and foreign currency assets (US\$ 13.3 billion). The bulk of the increase in foreign currency assets was on account of valuation. The reserves position in the IMF was up by \$6 million to 1.3928\$ billion.

Net capital inflows can be expected to increase further during the current year reflecting the prospects of higher growth and larger interest rate differentials between India and advanced economies. However, higher capital inflows could influence asset prices, domestic liquidity conditions and the exchange rate. This will have implications for monetary management.

B. BANKING SCENARIO

Aggregate deposits of all scheduled commercial banks registered a growth of 17% to reach Rs 44,86,574 crores as on the last reporting Friday of March, 2010 compared to the previous year's growth of 19.9%. The migration to calculating interest on SB deposits on daily product basis in the current financial year is likely to increase cost of deposits marginally for the banking system.

Credit growth remained subdued throughout this financial year for the banking system. For the banking industry, the year-on-year credit growth stood at 16.75% as on the last reporting Friday of March 2010 compared to 17.5% growth achieved during the previous financial year. Though liquidity was sufficient in the banking system, corporates resorted to alternative avenues for raising funds which included External Commercial Borrowings and Initial Public Offerings. This has lowered interest income of Banks. As a fallout of the global economic crisis some sectors of the economy continue to under perform and as a result the Non Performing Assets of the banking system are on an increasing trend during the year. CRISIL has estimated NPAs of the banking system in India to double for 2010-11. The higher provisioning coverage ratio upto 70% stipulated by Reserve Bank of India is likely to pressure the profit figures of some banks.

Banks are poised to switch over to the new 'Base Rate' System by 1st July 2010. The 'Base Rate System' is aimed at enhancing transparency in lending rates of banks and enabling better assessment by transmission of monetary policy of RBI.

Some of the major policy measures were initiated during the financial year 2009-10

- Increase in CRR by 75 basis points, repo rate and reverse repo rate by 25 basis points.
- Introduction of Interest Rate Futures on 5-year and 2-year notional coupon bearing securities and 91-days Treasury Bills.
- Allowing banks to classify their investments in non-SLR bonds issued by companies engaged in infrastructure activities and having a minimum residual maturity of seven years under the Held To Maturity (HTM) category.
- Considering investment in non-SLR debt securities by banks where the security is proposed to be listed on the Exchange(s) as investment in listed security at the time of making investment.
- Introduction of a reporting platform for all secondary market transactions in Certificate of Deposits and Commercial Papers.
- Mandating banks not to insist on collateral security in case of loans up to Rs.10 lakhs as against the present limit of Rs.5 lakh extended to all units of the micro and small enterprises (MSEs) sector.

C. OPPORTUNITIES AHEAD

Your Bank has made significant progress on the technology front not only to undertake higher volume of business but also in pursuit of excellence in customer service and provision of technology oriented services. All the existing branches of the bank are already connected to Core Banking Solution "Quartz" designed and developed by IT major Tata Consultancy Services Ltd. Customers can now have access to their accounts and transact from any of our branches. Your Bank also provides Internet Banking facilities there by enabling its customers make utility payments. Your Bank has introduced SMS Banking facilities to its customers. Your Bank has also tied up with number of banks and Exchange Houses for hassle free e-Remittance services for NRIs. Your Bank has associated itself with Visa International and introduced VISA debit cards and also with NFS & Bank of India (Cash Tree) which would enable the customer to have easy access to more than 52000ATMs in India.

Your Bank has on its agenda, opening of more branches besides adding more ATMs to reach out large number of customers.

D. SEGMENTWISE PERFORMANCE

I. Deposits of the Bank comprise of the following

Sl. No.	Particulars	Amount (Rs. in cr)	Percentage to total
1.	Demand	1097.03	10.67
2.	Savings	1151.21	11.19
3.	Term	8036.35	78.14
Total		10284.59	100.00

II. Investments of the Bank consist of the following

Sl. No.	Particulars	Amount (Rs. in cr)	Percentage to total
1.	Govt Securities	2570.65	80.07
2.	Other approved securities	1.30	0.04
3.	Shares, Debentures/Bonds, NABARD RIDF and Mutual funds	638.48	19.89
Total		3210.43	100.00

E. RISK MANAGEMENT

Your Bank has complied with all the guidelines of the Reserve Bank of India on creation of Risk Management Architecture. The Bank is BASEL II compliant w.e.f 31.03.2009. The Bank presently adopts standardised approach for credit and market risk and Basic Indicator Approach for operational risk. Necessary initiatives have been taken for moving over to advanced approaches under BASEL II as per the time lines indicated by RBI.

An independent Risk Management Department is functioning for effective Risk Management enterprise wide. Risk is managed through the three committees viz.,

- i) Credit Risk Management Committee (CRMC)
- ii) Asset and Liabilities Management Committee (ALCO)
- iii) Operational Risk Management Committee (ORMC)

An apex committee viz., Risk Management Committee of Executives oversees the entire risk management functions of the Bank and reviews the risk exposures vis-a-vis the limits on a monthly basis.

These committees work within the overall framework of guidelines and policies approved by the Risk Management Committee of the Board. The Bank has put in place policies to manage various types of Risks. To analyse the Risk enterprise wide and with the objective of integrating all the risks of the Bank an Integrated Risk Management Policy is in place. The important risk policies comprise Credit Risk Management Policy, Asset and Liability Management Policy, Operational Risk Management Policy, Stress Testing Policy and Pillar 3 Disclosure Policy.

The Risk Management Systems are in place to identify and analyse 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 rating of borrowers to ensure credit quality. An entry level scoring system has also been introduced. 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 ported/incorporated in the Bank's website/Annual Report.

F. INTERNAL CONTROLS

Your bank already has well laid internal control and systems to take care of the operations and ensure steady growth. The system of regular inspection, credit inspection and concurrent audit form part of the internal control mechanism. The Audit Committee of the Board reviews the internal inspection and concurrent audit report of the branches on a monthly basis. Your bank has also put in place an effective credit monitoring system which also envisages stock audit and credit audit of large borrowal accounts by an external audit agency.

Risk based internal audit system has been introduced in select branches as per Reserve Bank of India guidelines. Adequate steps have been taken to work under the computerised environment. The Computer Systems Department is also subjected to System Audit to mitigate risk under computerised environment. Key branches are under concurrent audit which covers more than 70% of the Bank's business.

G. HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

The Bank is committed to create a congenial working environment involving mutual trust and respect duly recognizing the talents, rights and dignity of each employee. Your bank places great value on developing and nurturing its human capital as a critical resource in its efforts for value creation. All CUBIANS (Employees) periodically undergo training programmes in-house or in reputed institutions for developing their functional and behavioural skills as also to align with the fast changing business needs. As a part of succession planning, recruitment and promotion including lateral entries are undertaken periodically. As in the past the Bank has maintained a cordial and healthy industrial relationship with the employees.

The number of employees on roll of the Bank as on 31st March, 2010 was 2628.

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;

(Rs. in crore)

Particulars	Current Year	Previous Year
Deposits rose by	2077.97	1781.67
Gross advances rose by	1188.21	1111.01
Net Interest Income rose by	35.57	42.79
Net worth of the Bank rose by	164.72	94.06
Number of branches increased to	222	207
Staff productivity increased to	6.51	5.65
Cost of deposits	7.73%	7.98%
Yield on Advances	13.04%	13.46%
Total Yield on Investments	7.84%	8.58%

I. OUTLOOK

Robust growth at over 8.5% is expected for the Indian Economy during the current year 2010-11. Recognizing that the economy and its various segments are well on the growth path, a calibrated exit from the stimulus packages and expansionary monetary policies has already begun. Towards this, the Union Budget 2010-11 has initiated rollback of several duties and concessions and restored them to earlier levels. Monetary tightening has begun with the increase in key policy rates starting from the last quarter of FY 2009-10. Concerns of inflationary signals, especially on food inflation front, still remain depending on the prospects of monsoon. Hardening of oil prices and commodity prices may eventually lead to a surge in inflation. Possibilities of large capital inflows into EMEs on the back of accommodative monetary policies pursued by advanced economies may pose greater challenge to Regulators in managing liquidity and exchange rates. In view of this, the central bank has retained the option to continue the tight monetary stance, though in a calibrated manner. For the banking sector, the current financial year will be characterised by transition to the Base Rate System with effect from July 1, 2010. Outlook for bank credit and deposits is positive compared to 2009-10. On the whole, 2010-11 holds promise for growth and recovery. Our country is well on course to keep up the momentum as the second largest economy after China. Banking Sector is poised to play a major and crucial role in this transformation.

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.**

Auditor's Report to the Members of CITY UNION BANK LIMITED

We have audited the attached Balance Sheet of City Union Bank Limited, Kumbakonam as at 31st March, 2010, the Profit and Loss Account and Cash Flow Statement of the Bank for the year ended on that date annexed thereto, in which are incorporated returns of 5 branches and Central Office, audited by us and 218 branches/ offices audited by the Branch Auditors. The Balance Sheet and 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 in form 'A' & 'B' respectively of Third Schedule to the Banking Regulation Act, 1949. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of our audit and having regard to the report on the accounts of branches/offices audited by the other auditors, which have been considered by us, 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 purpose of our audit and have found them to be satisfactory.
- (b) In our opinion, the Bank has maintained proper books of accounts as required by law in so far as it appears from our examination of those books.
- (c) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.
- (d) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the branch returns.
- (e) The transactions of the Bank, which have come to our notice, have been, in our opinion, within the powers of the Bank.
- (f) In our opinion, the accompanying financial statements dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.
- (g) 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.
- (h) As per the information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956.
- (i) According to the information and explanations given to us and on the basis of the written representations, received from the Directors of the Bank and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 and

- (j) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement together with the 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 banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India.
- (i) in case of Balance Sheet, of the state of affairs of the Bank as at 31st March, 2010.
 - (ii) in case of the Profit and Loss account, of the profit of the Bank for the year ended 31st March, 2010 and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended 31st March, 2010.

For **Jagannathan & Sarabeswaran**
Chartered Accountants

Place: Kumbakonam
Date : 26th May, 2010

N. Rangan
Partner
M.No. : 12190

BALANCE SHEET AS ON 31.03.2010

(Rs. in thousands)

	Sch.No	As on 31.03.2010	As on 31.03.2009
CAPITAL AND LIABILITIES			
Share Capital	1	39,95,96	32,00,00
Reserves and Surplus	2	785,67,64	628,91,78
Deposits	3	10284,58,95	8206,62,15
Borrowings	4	40,02,51	40,14,99
Other Liabilities & Provisions	5	409,15,12	343,31,78
Total		11559,40,18	9251,00,70
ASSETS			
Cash and Balances with Reserve Bank of India	6	868,53,08	595,32,29
Balances with Banks & Money at Call and Short Notice	7	231,62,82	289,76,27
Investments	8	3210,42,98	2397,46,40
Advances	9	6833,45,95	5645,25,29
Fixed Assets	10	63,03,94	41,29,29
Other Assets	11	352,31,41	281,91,16
Total		11559,40,18	9251,00,70
Contingent Liabilities	12	2428,55,42	4024,19,58
Bills for Collection		431,09,22	401,03,40

P. VAIDYANATHAN
Chairman

V. JAYARAMAN
R.G. CHANDRAMOGAN
S. BALASUBRAMANIAN
MD & CEO

K.S. RAMAN
T. K. RAMKUMAR
N. KAMAKODI
Executive Director

S. BERNARD
C.R. MURALIDHARAN
S. SUNDAR
General Manager

N. KANTHA KUMAR
JUSTICE S.R. SINGHARAVELU
Directors
V. RAMESH
AGM & Company Secretary

 For **Jagannathan & Sarabeswaran**
Chartered Accountants

Kumbakonam
26.05.2010

N. Rangan
Partner
M.No. 12190

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2010

(Rs. in thousands)

	Sch.No	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
I INCOME			
Interest Earned	13	956,60,80	804,40,12
Other Income	14	143,49,97	123,68,23
Total		1100,10,77	928,08,35
II EXPENDITURE			
Interest Expended	15	678,46,58	561,83,28
Operating Expenses	16	165,85,11	139,52,92
Provisions and Contingencies		103,02,60	104,58,66
Total		947,34,29	805,94,86
III PROFIT / LOSS			
Net Profit		152,76,48	122,13,49
Profit brought forward		5,00,78	4,87,34
Total		157,77,26	127,00,83
IV APPROPRIATIONS			
- Statutory Reserves		39,00,00	31,25,00
- Capital Reserve		5,73,50	21,35,92
- General Reserve		67,00,00	37,00,00
- Investment Reserve Account		0	1,31,25
- Special Reserve under IT Act, 1961		5,50,00	3,00,00
- Proposed Dividend		30,00,00	24,00,00
- Dividend Tax thereon		4,98,30	4,07,88
- Balance carried over to Balance Sheet		5,55,46	5,00,78
Total		157,77,26	127,00,83

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Chartered Accountants

Kumbakonam
26.05.2010

N. Rangan
Partner
M.No. 12190

SCHEDULES FORMING PART OF THE ACCOUNTS

(Rs. in thousands)

		AS ON 31.03.2010		AS ON 31.03.2009
SCHEDULE - 1 CAPITAL				
Authorised Capital (100,00,00,000 Equity Shares of Re.1/- each)		<u>100,00,00</u>		<u>100,00,00</u>
Issued Capital (40,00,00,000 / 32,00,00,000 equity shares Re.1/- each)		40,00,00		32,00,00
Subscribed and Paid-up Capital Current Year - 39,91,92,053 equity shares of Re.1/- each and 8,07,947 equity shares of 0.50 paise each and 32,00,00,000 equity shares of Re.1/- each - previous year	40,00,00		32,00,00	
Less: Calls unpaid	4,04	<u>39,95,96</u>	0	<u>32,00,00</u>
Total		<u>39,95,96</u>		<u>32,00,00</u>
SCHEDULE - 2 RESERVES AND SURPLUS				
I Statutory Reserves				
Opening Balance	252,00,00		220,75,00	
Additions during the year	<u>39,00,00</u>	291,00,00	<u>31,25,00</u>	252,00,00
II Capital Reserves				
Opening Balance	38,13,80		16,77,88	
Additions during the year	<u>5,73,50</u>	43,87,30	<u>21,35,92</u>	38,13,80
III Share Premium				
Opening Balance	155,45,95		155,45,95	
Additions during the year	<u>38,97,68</u>	194,43,63	<u>0</u>	155,45,95
IV Revenue and Other Reserves				
i) General Reserve				
Opening Balance	174,00,00		137,00,00	
Deductions during the year	0		0	
Additions during the year	<u>67,00,00</u>	241,00,00	<u>37,00,00</u>	174,00,00
ii) Investment Reserve Account				
Opening Balance	1,31,25		0	
Additions during the year	<u>0</u>	1,31,25	<u>1,31,25</u>	1,31,25
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961				
Opening Balance	3,00,00		0	
Additions during the year	<u>5,50,00</u>	8,50,00	<u>3,00,00</u>	3,00,00
V Balance in Profit and Loss Account		<u>5,55,46</u>		5,00,78
Total		<u>785,67,64</u>		<u>628,91,78</u>
SCHEDULE - 3 DEPOSITS				
A I. Demand Deposits				
i) From Banks	2,70,50		1,93,28	
ii) From Others	<u>1094,32,87</u>	1097,03,37	<u>693,18,07</u>	695,11,35
II. Savings Deposits		1151,20,71		856,04,87
III. Term Deposits				
i) From Banks	71,28,05		32,81,31	
ii) From Others	<u>7965,06,82</u>	8036,34,87	<u>6622,64,62</u>	6655,45,93
Total		<u>10284,58,95</u>		<u>8206,62,15</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
(Rs. in thousands)

	AS ON 31.03.2010	AS ON 31.03.2009
B		
i) Deposits of Branches in India	10284,58,95	8206,62,15
ii) Deposits of Branches outside India	Nil	Nil
Total	10284,58,95	8206,62,15
SCHEDULE - 4 BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	Nil	Nil
ii) Other Banks	38	76
iii) Other institutions and agencies	2,13	14,23
iv) Subordinated debt	40,00,00	40,00,00
II Borrowings from outside India	Nil	Nil
Total	40,02,51	40,14,99
III Secured borrowings included in I	Nil	Nil
SCHEDULE - 5 OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	120,44,87	94,67,43
II. Inter-Office Adjustments (net)	Nil	Nil
III. Interest Accrued	37,81,26	44,49,69
IV. Others (including Provisions)	250,88,99	204,14,66
Total	409,15,12	343,31,78
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in Hand (including foreign currency notes)	134,36,60	163,65,91
II Balances with Reserve Bank of India		
i) In Current Accounts	734,16,48	431,66,38
ii) In Other Accounts	Nil	Nil
Total	868,53,08	595,32,29
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	80,83,33	85,94,98
b) In Other Deposit Accounts	141,10,00	166,53,00
	221,93,33	252,47,98
ii) Money at Call and Short notice		
a) With Banks	Nil	Nil
b) With Other Institutions	Nil	Nil
Total	221,93,33	252,47,98
II Outside India		
In Current Accounts	9,69,49	11,92,29
In Deposit Accounts	Nil	25,36,00
Total	9,69,49	37,28,29
Grand Total	231,62,82	289,76,27

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in thousands)

	AS ON 31.03.2010	AS ON 31.03.2009
SCHEDULE - 8 INVESTMENTS		
I In India		
i) Government Securities	2570,65,44	1957,22,74
ii) Other Approved Securities	1,29,54	2,72,85
iii) Shares	16,63,81	22,08,69
iv) Debentures and Bonds	51,26,25	71,54,48
v) Subsidiaries / Joint Ventures	Nil	Nil
vi) Others	570,57,94	343,87,64
Total	3210,42,98	2397,46,40
Gross Investments in India	3218,46,13	2404,69,55
LESS : Provision for Invt. Deprn	8,03,15	7,23,15
Net Investments in India	3210,42,98	2397,46,40
II Outside India	Nil	Nil
Grand Total	3210,42,98	2397,46,40
SCHEDULE - 9 ADVANCES		
A		
i) Bills Purchased and Discounted	165,24,40	163,17,26
ii) Cash Credits, Overdrafts and Loans repayable on Demand	3808,09,44	2808,29,14
iii) Term Loans	2860,12,11	2673,78,89
Total	6833,45,95	5645,25,29
B		
i) Secured by tangible assets (includes advances against book debts)	6578,68,05	5383,38,30
ii) Covered by Bank/Govt. Guarantees	67,61,70	72,74,81
iii) Unsecured	187,16,20	189,12,18
Total	6833,45,95	5645,25,29
C		
I) Advances in India		
i) Priority Sector	2516,83,83	1824,92,80
ii) Public Sector	62,22,03	72,74,81
iii) Others	4254,40,09	3747,57,68
Total	6833,45,95	5645,25,29
II) Advances outside India	Nil	Nil
Grand Total	6833,45,95	5645,25,29

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in thousands)

	AS ON 31.03.2010	AS ON 31.03.2009
SCHEDULE - 10 FIXED ASSETS		
I Premises		
i) At Cost as at 31st March of the preceding year	17,06,10	16,59,74
ii) Additions during the year	16,86,71	88,90
iii) Sales / adjustments during the year	20,49	42,55
Total	33,72,32	17,06,09
iv) Depreciation to date	6,61,85	6,14,36
Total	27,10,47	10,91,73
II Other Fixed Assets (including Furniture and Fixtures)		
i) At Cost as at 31st March of the preceding year	94,17,01	80,86,66
ii) Additions during the year	21,13,05	13,43,95
Total	115,30,06	94,30,61
iii) Deductions during the year	2,46,39	13,60
Total	112,83,67	94,17,01
iv) Depreciation to date	76,90,20	63,79,45
Total	35,93,47	30,37,56
Grand Total	63,03,94	41,29,29

SCHEDULE - 11 OTHER ASSETS

I Inter office Adjustments	8,34,74	1,35,38
II Interest accrued	56,96,59	48,00,08
III Tax paid in Advance / Tax deducted at source	242,43,22	188,47,59
IV Stationery and stamps	53,59	44,52
V Others	44,03,27	43,63,59
Total	352,31,41	281,91,16

SCHEDULE - 12 CONTINGENT LIABILITIES

I Claims against Bank not acknowledged as debts	49,56	28,86
II Liability for partly paid Investments	Nil	Nil
III Liability on account of outstanding Forward Exchange Contracts	1774,42,13	3503,16,66
IV Guarantees given on behalf of constituents - In India	383,93,76	345,35,03
- Outside India	Nil	Nil
V Acceptances, endorsements and other obligations	269,69,97	175,39,03
VI Other items for which the Bank is contingently liable	Nil	Nil
Total	2428,55,42	4024,19,58

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(Rs. in thousands)

	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
SCHEDULE - 13 INTEREST EARNED		
I Interest / discount on Advances / Bills	755,82,71	655,32,83
II Income on Investments	193,66,92	142,42,26
III Interest on balances with Reserve Bank of India and other Inter-Bank funds	7,11,17	6,65,03
IV Others	Nil	Nil
Total	956,60,80	804,40,12
SCHEDULE - 14 OTHER INCOME		
I Commission, Exchange and Brokerage	25,92,93	33,25,65
II Profit/Loss on sale of Investments (net)	39,40,60	38,12,57
III Profit/Loss on revaluation (Amortization)	Nil	Nil
IV Profit on sale of Land,Bldgs and other assets	52,01	3,96
V Profit on Exchange transactions (net)	6,36,99	9,84,45
VI Miscellaneous Income	71,27,44	42,41,60
Total	143,49,97	123,68,23
SCHEDULE - 15 INTEREST EXPENDED		
I Interest on Deposits	673,09,51	556,22,05
II Interest on RBI/Inter-Bank Borrowings	1,69,43	1,82,10
III Others	3,67,64	3,79,13
Total	678,46,58	561,83,28
SCHEDULE - 16 OPERATING EXPENSES		
I Payments to and provision for employees	80,12,40	64,97,19
II Rent, taxes and lighting	19,20,15	15,45,90
III Printing and Stationery	3,41,76	2,96,24
IV Advertisement and publicity	6,19,69	3,38,93
V Depreciation on Bank's property	13,58,24	15,94,27
VI Directors' fees, allowances and expenses	26,15	22,40
VII Auditors' fees and expenses	64,71	48,93
VIII Law charges	7,74	8,66
IX Postage, Telegrams, telephone, etc.	3,99,11	3,81,00
X Repairs and Maintenance	8,59,55	7,09,47
XI Insurance	9,11,78	7,10,16
XII Other expenditure	20,63,83	17,99,77
Total	165,85,11	139,52,92

NOTES ON ACCOUNTS
1. CAPITAL ADEQUACY RATIO

Particulars	31 March 2010		31 March 2009	
	Basel I	Basel II	Basel I	Basel II
Capital Adequacy Ratio	12.09%	13.46%	12.49%	12.69%
Capital (Tier I) to Risk Weighted Assets	11.15%	12.41%	11.30%	11.48%
Capital (Tier II) to Risk Weighted Assets	0.94%	1.05%	1.19%	1.21%
Subordinated Debt raised as Tier II Capital	Nil	Nil	Nil	Nil

2. INVESTMENTS
2.1. Movement in Investments

(Rs. in crore)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	3218.46	2404.70
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	8.03	7.23
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	3210.43	2397.47
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	7.23	8.98
(ii) Add: Provisions made during the year	0.80	Nil
(iii) Less: Write-off/write-back of excess provisions during the year	Nil	1.75
(iv) Closing Balance	8.03	7.23

2.2. Repo Transactions during the Year 2009-10

(Rs. in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31.03.2010
Securities sold under Repos	NIL	NIL	NIL	NIL
Securities purchased under reverse repos	0	310.00	62.14	NIL

2.3 NON-SLR INVESTMENT PORTFOLIO
2.3. i) Issuer-wise composition of Non-SLR Investments

(Rs. 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	18.61	Nil	Nil	Nil	2.00
2	Financial Institutions	22.92	Nil	Nil	Nil	Nil
3	Banks	15.24	9.50	Nil	Nil	Nil
4	Private Corporates	10.19	4.70	Nil	Nil	4.70
5	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6	Others	*572.72	Nil	Nil	Nil	0.15
	Total (1 - 6)	639.68	14.20	Nil	Nil	6.85
7	Provision held towards depreciation	1.20	-	-	-	-
	TOTAL	638.48	14.20	Nil	Nil	6.85

* includes deposits with NABARD (RIDF), SIDBI, NHB of Rs.567.43 cr.

2.3. ii) Non Performing non SLR Investments

(Rs. in crore)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Opening Balance	Nil	1.17
Additions during the year	Nil	Nil
Reductions during the year	Nil	1.17
Closing Balance	Nil	Nil

3. DERIVATIVES

3.1 The bank has not entered into any Forward Rate Agreements/ Interest Rate Swaps and hence no disclosure is given. (Previous year – Nil)

3.2 The bank has not entered into any Exchange Traded Interest Rate Derivatives and hence no disclosure is given. (Previous year – 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 contracts entered into on behalf of customers are backed by collateral securities and cash margins. 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 Mark 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 :

(Rs. in crore)

SI. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) for hedging	127.68	-
	b) for trading	1646.74	-
(ii)	Marked to Market Positions		
	a) Assets (+)	824.97	-
	b) Liability (-)	874.69	-
(iii)	Credit Exposure	60.13	-
(iv)	Likely impact of one percentage change in interest rate (100 * PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
(v)	Maximum and Minimum of 100 * PV01 observed during the year		
	a) on hedging	-	-
	b) on trading	-	-

4. ASSET QUALITY
4.1 Non-Performing Assets
i) Movement in NPAs

(Rs. in crore)

SI. No.	Particulars	As at 31 March 2010	As at 31 March 2009
(i)	Net NPAs to Net Advances (%)	0.58%	1.08%
(ii)	Movement of NPAs (Gross)		
	Opening balance	102.08	82.93
	Additions during the year	107.52	86.42
	Reductions during the year	116.10	67.27
	Closing balance	93.50	102.08
(iii)	Movement of Net NPAs		
	Opening balance	61.11	44.46
	Additions during the year	86.02	71.08
	Reductions during the year	107.46	54.43
	Closing balance	39.67	61.11
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	37.76	35.74
	Provisions made during the year	51.50	33.50
	Write-off of provisions	40.66	31.48
	Closing balance	48.60	37.76

Non Performing Loan provisioning coverage ratio is 70% (Previous Year 53%)

4.2 Details of Loan Assets subjected to Restructuring

(Rs. in crore)

Particulars	MSME Debt Restructuring	Others	Total
Standard Advances Restructured			
No. of Borrowers	27	24	51
Amount Outstanding	54.07	170.42	224.49
Sacrifice (diminution in the fair value)	0.39	2.24	2.63
Substandard Advances Restructured			
No. of Borrowers	0	0	0
Amount Outstanding	0	0	0
Sacrifice (diminution in the fair value)	0	0	0
Doubtful Advances Restructured			
No. of Borrowers	0	0	0
Amount Outstanding	0	0	0
Sacrifice (diminution in the fair value)	0	0	0
Total			
No. of Borrowers	27	24	51
Amount Outstanding	54.07	170.42	* 224.49
Sacrifice (diminution in the fair value)	0.39	2.24	2.63

(* indicates total outstanding balance under all facilities in restructured accounts. Actual restructured was Rs.165.56 cr in which the outstanding balance as on 31.03.2010 was Rs.136.14 cr.)

The number of accounts restructured under CDR Mechanism in the current year is "NIL" (Previous year – "NIL").

4.3. The bank has not purchased / sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction and hence no disclosure is given. (Previous year - Nil).

4.4. Provision on Standard Asset

(Rs. in crore)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision towards Standard Assets	26.54	26.54

5. BUSINESS RATIOS

Particulars	31 March 2010	31 March 2009
Interest Income as percentage to Average Working Funds	9.49%	9.88%
Non-Interest Income as percentage to Average Working Funds	1.42%	1.52%
Operating Profit as percentage to Average Working Funds	2.54%	2.79%
Return on Average Assets	1.52%	1.50%
Business per employee (Rs. in lakhs)	650.96	565.18
Profit per employee (Rs. in lakhs)	5.81	4.98

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

(Rs. in crore)

Maturity Period	Deposits	Advances	Investments	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	27.82	48.84	4.35	0.00	20.86	14.49
2-7 days	84.78	149.76	16.64	0.00	12.42	0.17
8-14 days	108.86	175.05	0.00	0.00	5.43	0.19
15 to 28 days	110.64	68.13	95.03	0.00	12.71	1.06
29 days to 3 months	489.47	148.29	362.67	0.00	23.26	2.35
Over 3 months & upto 6 months	439.64	87.25	244.76	0.01	28.67	2.51
Over 6 months & upto 1 year	1339.38	199.66	626.09	0.01	0.00	28.74
Over 1 year & upto 3 years	7363.28	4696.15	1276.79	0.00	0.00	2.47
Over 3 years & upto 5 years	290.76	576.85	50.94	0.00	0.00	0.74
Over 5 years	29.96	683.48	533.16	40.00	2.25	0.00
Total	10284.59	6833.46	3210.43	40.02	105.60	52.72

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. LENDING TO SENSITIVE SECTOR
7.1 Exposure to Real Estate Sector

(Rs. in crore)

Category	31 March 2010	31 March 2009
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;	220.80	161.41
(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 would also include non-fund based (NFB) limits;	* 268.87	724.78
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	-	10.12
b. Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	78.96	80.00

(* excludes exposures to Educational Institutions, hotels, hospitals, etc. as per the RBI circular on Exposure to Commercial Real Estate.)

7.2 Exposure to Capital Market

(Rs. in crore)

Category	31 March 2010	31 March 2009
<u>Advances to Capital Market Sector</u>		
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	18.99	24.09
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	-	-
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.	0.98	1.23
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.	-	-
5. Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers (both funded & non funded)	6.10	12.07
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	-	-
7. Bridge loans to companies against expected equity flows / issues.	-	-
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	-	-
9. Financing to stock brokers for margin trading	-	-
10. All exposures to venture capital funds (both registered and unregistered) will be deemed	-	9.83
Total Exposure to Capital Market	26.07	47.22

7.3 Risk Category wise Country Exposure

(Rs. in crore)

Risk Category	Exposure (net) as at March 2010	Provision held as at March 2010	Exposure (net) as at March 2009	Provision held as at March 2009
Insignificant	86.45	Nil	78.39	Nil
Low	21.43	Nil	119.61	Nil
Moderate	0.52	Nil	2.23	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	0.04	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	108.40	Nil	200.27	Nil

The net funded exposure of the bank in respect of foreign exchange transactions with each 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

(Rs. in crore)

Name of the Borrower	Exposure Ceiling	Limit Sanctioned	Position as on 31 st March 2010
N I L			

7.5 Details of unsecured Advances - Advances secured by intangible securities such as Rights, licences, authorisations, etc. - NIL
8. MISCELLANEOUS
8.1 Provision made for Income-Tax and FBT during the year

(Rs. in crore)

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Provision for Income Tax	40.13	62.45
Fringe Benefit Tax	Nil	0.50

8.2 Penalties imposed by RBI

No penalty was imposed 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 alongwith its employees subscribes to City Union Bank Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India to meet the post retirement annuity payments of its employee.

Leave encashment benefits of employees are provided on an actuarial basis but not funded.

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) are as under:

a) Changes in the present value of the obligations :

(Rs. in crore)

Particulars	Leave Encashment
Present value of obligation as at the beginning of the year	7.95
Interest cost	0.52
Current service cost	0.95
Past service cost - (non vested benefits)	0.00
Past service cost - (vested benefits)	0.00
Benefits paid	(2.11)
Actuarial (gain)/loss on obligation (balancing figure)	3.49
Present value of obligation at year end	10.80

b) Amount recognized in Balance Sheet :

(Rs. in crore)

Particulars	Leave Encashment
Closing present value obligation	10.80
Fair value of Plan Assets	0.00
Difference	10.80
Unrecognised transitional liability	0.00
Unrecognised past service cost - non vested benefits	0.00
Liability recognized in the balance sheet	10.80

c) Expenses recognized in Profit & Loss account :

(Rs. in crore)

Particulars	Leave Encashment
Current Service cost	0.95
Interest cost	0.52
Expected return on plan assets	0.00
Net Actuarial (gain)/loss recognised in the year	3.49
Total expenses recognized in the Profit & Loss Account	4.96

d) Principal actuarial assumption at the Balance Sheet Date:

Particulars	Leave Encashment
Discount factor	8.00%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on plan assets	0.00%

iv) Segmental reporting - AS 17

Summary of the operating segments of the bank as follows:

(Rs. in crore)

Particulars	Year ended	
	31.03.2010 Audited	31.03.2009 Audited
1. Segment Revenue		
a) Treasury	246.56	197.03
b) Corporate / wholesale banking	238.56	239.85
c) Retail Banking	611.68	488.14
d) Other Banking Operations	3.31	3.06
Total	1100.11	928.08
2. Segment Results		
a) Treasury	66.52	52.47
b) Corporate / wholesale banking	75.00	79.65
c) Retail Banking	111.97	92.37
d) Other Banking Operations	2.30	2.23
Total	255.79	226.72
Operating Profit	255.79	226.72
Other Provisions & Contingencies	60.53	48.44
Profit Before Tax	195.26	178.28
Taxes including Deferred Tax	42.50	56.15
Net Profit	152.76	122.13
3. Capital Employed:		
Segment Assets - Segment Liabilities		
a) Treasury	273.66	215.06
b) Corporate / wholesale banking	122.74	122.06
c) Retail Banking	334.27	268.57
d) Unallocated	94.97	55.23
Total	825.64	660.92
There are no significant residual operations carried on by the bank.		
PART B : GEOGRAPHIC SEGMENTS:		
The bank operates only in India		

v) Related Party disclosures - AS 18
• Key Management Personnel

S. Balasubramanian, MD & CEO - Remuneration paid - Rs.24,60,000/- p.a.

vi) Earning Per share - AS 20

The details of EPS computation is set out below:

Particulars	As at 31 March 2010	As at 31 March 2009
Earnings for the year (Rs. in thousands)	152,76,48	122,13,49
Basic weighted average number of shares (Nos)	379034638	377600000
Basic EPS (Rs)	4.03	3.23
Dilutive effect of stock options (Nos)	4158100	1321478
Diluted weighted average number of shares (Nos)	383192738	378921478
Diluted EPS (Rs)	3.99	3.22
Nominal value of shares (Rs)	1	1

The bank has issued Right share during the year at the rate of one equity share for every four equity shares held at an issue price of Rs.6/- per equity share including the premium of Rs.5/- per share. As a result of this, 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 0.18 times (right adjustment factor) for this year as well as for the previous year ended 31.03.2009, as per the prescription of the Accounting Standards.

vii) Accounting for Taxes on Income - AS 22

The Bank has complied with the provisions of Accounting Standard 22 on accounting for taxes on income issued by the Institute of Chartered Accountants of India.

The major components of the Deferred Tax Asset and Liabilities as at 31 March 2010 are as follows:

(Rs. in crore)

Components	As at 31 March 2010	As at 31 March 2009
Deferred Tax Liability:		
Depreciation on Fixed Assets	1.03	1.03
Accrued Interest on Investments	4.69	1.36
Total Deferred Tax Liability (A)	5.72	2.39
Deferred Tax Asset:		
Provision for Advances	11.26	11.26
Leave encashment	4.21	3.25
Total Deferred Tax Asset (B)	15.47	14.51
Net Deferred Tax Liability / (Asset) - (A-B)	(9.75)	(12.12)

viii) Intangible Assets - AS 26

The Bank has followed the AS 26 - "Intangible Assets" issued by ICAI and the guidelines issued by RBI and has been consistent with the compliance.

ix) 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.

x) Provisions & Contingencies - AS 29

The details of the provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and on depreciation on investments which are considered material are disclosed elsewhere under the appropriate headings as per RBI guidelines.

10. OTHER DISCLOSURES
10.1 Break up of Provisions and Contingencies

(Rs. in crore)

Particulars	31st March 2010	31st March 2009
Provision for		
- Income Tax, FBT & Deferred Tax		
a) Current	40.13	62.95
b) Deferred	2.37	(6.79)
- Bad & Doubtful Debts	51.50	33.50
- Depreciation on Investments (net)	4.06	7.00
- Others	2.00	1.33
- Restructured Accounts	2.80	6.60
- Debt Relief	0.17	0.00
Total	103.03	104.59

10.2 Movement in Floating Provisions for NPA

(Rs. in crore)

SI.No.	Particulars	31st March 2010
a)	Opening Balance	19.30
b)	Additions during the year	Nil
c)	Reduction during the year	Nil
d)	Closing Balance	19.30

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	86
c)	No. of complaints redressed during the year	86
d)	No. of complaints pending at the end of the year	Nil

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 during the financial year 2009-10

(Rs. in crore)

Particulars	
Opening Balance as on 01.04.2009	116.83
Add : Issued during the year	214.97
Less : Expired during the year	189.45
Outstanding as on 31.03.2010	142.35

10.7 Concentration of Deposits, Advances, Exposures and NPAs
10.7.1 Concentration of Deposits (Rs. in crore)

Total Deposits of twenty largest depositors	1489.27
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	14.48%

10.7.2 Concentration of Advances (Rs. in crore)

Total Advances to twenty largest borrowers	814.06
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	11.80%

10.7.3 Concentration of Exposures (Rs. in crore)

Total Exposure to twenty largest borrowers/customers	1473.47
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	13.81%

10.7.4 Concentration of NPAs (Rs. in crore)

Total Exposure to top four NPA accounts	11.28
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10.8 Sector-wise NPAs (Rs. in crore)

Sl.No.	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & allied activities	2.21%
2	Industry (Micro & small, Medium and Large)	0.83%
3	Services	2.95%
4	Personal Loans	2.36%

10.9 Movement of NPAs (Rs. in crore)

Particulars	Amount
Gross NPAs as on 1st April 2009 (Opening Balance)	102.08
Additions (Fresh NPAs) during the year	107.52
Sub-total (A)	209.60
Less:-	
(i) Upgradations	22.30
(ii) Recoveries (excluding recoveries made from upgraded accounts)	53.14
(iii) Write-offs	40.66
Sub-total (B)	116.10
Gross NPAs as on 31st March 2010(A-B) (Closing Balance)	93.50

10.10 Income Tax

Provision for income tax in the current year has been arrived at in consistence with earlier years after considering various judicial decisions on certain disputed issues.

With regard to taxes on issues under dispute for the earlier years aggregating to Rs.146.97 cr which are pending before the Tax authorities, no provision is considered necessary based on the decisions of the appellate authorities in favour of the bank.

10.11 Agricultural Debt Waiver Scheme

In terms of Agricultural Debt Waiver and Relief Scheme, 2008, advances of eligible farmers have been considered as standard. Adequate provisions for loss in NPV terms and provisions for Non Performing Assets have been made as per RBI guidelines.

10.12 Inter Branch Reconciliation

Reconciliation of Central Office accounts maintained by branches has been completed upto 31.03.2010. 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, consequential impact on the above is not material.

10.13 Employees Stock Option

The Exercise period in respect of 15% of the 20250000 equity stock options granted in 2008 commenced on 06.12.2009 and shall be open for 3 years there from. The process of exercising the vested options by the employees has not yet started. Consequent upon the rights issue, the exercise price got reduced from Rs.13/- to Rs.11.60 per option and accordingly the number of options was increased to 22781250.

10.14 Right Issue

During the year, the bank issued 8,00,00,000 equity shares in rights to the existing shareholders at the rate of one equity share for every four equity shares held at a price of Rs.6/- per equity share including a premium of Rs.5/- per equity share. Accordingly the issued capital of the bank increased from Rs 32 crores to Rs 40 crores. The rights issue expenses of Rs.82.12 lakhs has been netted against Share Premium of the issue. An application is being made to the Reserve Bank of India, seeking necessary approval for the expense incurred.

10.15 Bancassurance Business

(Rs. in crore)

SI.No.	Nature of Income	31st March 2010
1	For selling life insurance policies	1.84
2	For selling non life insurance policies	0.91
3	For selling mutual fund products	Nil
4	Others	Nil

10.16 Previous years figures have been regrouped wherever necessary to conform to the current year classification.

STATEMENT OF ACCOUNTING POLICIES

1. **General**

The financial statements have been prepared on historical convention basis 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 accounted at the exchange rates prevailing on the date of the transactions.

3. **Investments**

- 3.1 As per RBI guidelines, the investments of the bank are categorised and valued as under:
 - Held to Maturity
 - Available for Sale
 - Held for Trading
 - 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 Re. 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 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) Securities held in "Held for Trading" category are valued at Market Price based on quotations of Government Securities put out by Fixed Income Money Market and Derivatives Association of India.

3.2 Investments in Available for Sale / Held for Trading are valued scrip wise, category wise and net depreciation if any in each category is charged to Profit & Loss A/c, 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 profit on sale of investment in "Held to Maturity" category, and thereafter appropriated to the Capital Reserve account.

3.5 Commission, brokerage, broken period interest etc. on securities incurred on acquisition are debited / credited to Profit and Loss account. Commission, incentives, brokerage received on subscription are 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 and provisions for standard assets and NPAs made in accordance with the prudential norms laid down by RBI for asset classification and provisioning requirements.

4.2 Advances shown in the Balance Sheet are net of provisions for and interest reserve on NPA accounts, 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, which are depreciated @ 33.33 % on straight line method as per RBI guidelines.

6. **Staff Benefits**

6.1 Provision for encashment of accumulated leave is accounted on actuarial basis in accordance with the guidelines contained in Accounting Standard 15 (revised 2005) issued by ICAI.

6.2 Liability of Gratuity to staff is contributed to the Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

6.3 Provident Fund and subscriptions to retirement annuity scheme are accounted on contributory basis.

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 outstanding during the year.

Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

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, 2010

(Rs in thousands)

	2009-2010	2008-2009
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per P&L account	1527648	1221349
Adjustments for		
Depreciation	135824	159427
Provisions & Contingencies - Tax	401343	629500
Provisions & Contingencies - Others	628917	416366
Profit on sale of Investments	-394060	-381257
Profit on sale of Assets	-5201	-396
Foreign exchange fluctuations	-63699	-98445
Operating Profit before working capital changes	2230772	1946544
Adjustments for		
Funds advanced to Customers	-12426766	-11482958
Other Operating Assets	-91075	835
Deposits from Customers	20779680	17816656
Borrowings from Banks	-1248	-24917
Other operating liabilities	130842	-492660
Purchase and sale of investments (Net)	-7776158	-6483847
Cash generated from Operations	2846047	1279653
Taxation - Income Tax and FBT	-539564	-359304
Net cash flow from Operating activities - A	2306483	920349
Cash flow from Investing Activities		
Purchase of Fixed Assets	-379976	-143285
Sale of Fixed Assets	31888	6011
Net cash used in Investing Activities - B	-348,088	-137274
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	79596	0
Proceeds from share premium	389768	0
Dividend Paid	-236237	-74329
Tax on distributed profits	-40788	-27192
Net cash flow from Financing Activities - C	192339	-101521
Net increase in Cash and Cash equivalents A+B+C	2150734	681554
Cash and Cash equivalents at 31.03.2009	8850855	8169301
Cash and Cash equivalents at 31.03.2010	11001589	8850855

For and on behalf of the Board

 Kumbakonam
26.05.2010

S. BALASUBRAMANIAN
MD & CEO

As per our separate report of even date

 For **Jagannathan & Sarabeswaran**
Chartered Accountants

 Kumbakonam
26.05.2010

N. Rangan
Partner
M.No. : 12190

List Showing Nostro Account Details

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	HSBC Bank	Colombo	ACUD
6	HSBC Bank	London	GBP
7	Commerz Bank	Frankfurt	EUR
8	Standard Chartered Bank	Frankfurt	EUR
9	Wells Fargo Bank	London	EUR
10	Banco Nazionale Del Lavoro	Rome	EUR
11	HSBC Bank	Tokyo	JPY
12	Wells Fargo Bank	Tokyo	JPY
13	HSBC Bank	Melbourne	AUD
14	HSBC Bank	Ontario	CAD
15	HSBC Bank	Singapore	SGD
16	Scandeneviska EnSkilda Banken	Stockholm	SEK

Bank's SWIFT address : CIUBINM

LIST OF BRANCHES

ANDHRA PRADESH

ANANTHPUR
BHIMAVARAM
CUDDAPAH
DHARMAVARAM
ELURU
GUDIVADA
GUNTUR
GUNTUR - II
HINDUPUR
HYDERABAD - AMEERPET
HYDERABAD - BASHEER BAGH
HYDERABAD - DILSUKHNAGAR
HYDERABAD - KUKATPALLY
HYDERABAD - MALKAJGIRI
HYDERABAD - SECUNDERABAD
KAKINADA
KURNOOL
MASULIPATNAM
NANDYAL
NELLORE
ONGOLE
PRODATTUR
RAJAMUNDRY
SRIKAKULAM
THENALI
VIJAYAWADA
VIJAYAWADA - II
VISHAKAPATINAM
WARRANGAL

GUJARAT

AHMEDABAD
BHAVANAGAR
RAJKOT
SURAT
SURAT-II
VADODARA (BARODA)

KARNATAKA

BANGALORE - BANASHANKARI
BANGALORE - INDIRA NAGAR
BANGALORE - JAYA NAGAR
BANGALORE - KORAMANGALA
BANGALORE - MALLESWARAM
BANGALORE - RAJAJINAGAR
BANGALORE - SULTANPET
BELGAUM
DAVENGERE
HUBLI
MANGALORE
MYSORE
RAMANAGARA
TIPTUR
TUMKUR

KERALA

CHAVAKKAD
ERNAKULAM
KANNUR
KOLLAM
KOTTAYAM
KOZHIKODE
PALGHAT
THIRUVALLA
THIRUVANANTHAPURAM
THRISSUR

MADHYA PRADESH

INDORE

MAHARASHTRA

AURANGABAD
ICHALKARANJI
KOLHAPUR
MUMBAI - DOMBIVILI
MUMBAI - FORT
MUMBAI - KHAR (WEST)
MUMBAI - MIRA ROAD
MUMBAI - VASHI
NAGPUR
NASHIK
PUNE
THANE

NEW DELHI

NEW DELHI - KAROLBAGH
NEW DELHI - JANAKPURI

TAMIL NADU

ADUTHURAI
ALANGUDI
ARIYALUR
ATHANAKOTTAI
AYYEMPETTAI
CHENGALPET
CHENNAI - ANNA NAGAR
CHENNAI - ASHOK NAGAR
CHENNAI - CHINMAYA NAGAR
CHENNAI - CHROMPET
CHENNAI - GEORGE TOWN
CHENNAI - KELAMBAKKAM
CHENNAI - K K NAGAR
CHENNAI - MADIPAKKAM
CHENNAI - MANDAVELI
CHENNAI - MARAIMALAI NAGAR
CHENNAI - MOUNT ROAD
CHENNAI - NANGANALLUR
CHENNAI - PURASAWALKAM
CHENNAI - T NAGAR
CHENNAI - TAMBARAM
CHENNAI - THORAIPAKKAM
CHENNAI - TIRUVANMIYUR
CHENNAI - TRIPLICANE
CHENNAI - VALASARAVAKKAM
CHIDAMBARAM
COIMBATORE - OPPANAKARA STREET
COIMBATORE - P.N. PALAYAM
COIMBATORE - R.S.PURAM
COIMBATORE - RAM NAGAR
COIMBATORE - RAMANATHAPURAM
COIMBATORE - SAIBABA COLONY
COIMBATORE - VILANKURICHI
CUDDALORE
DARAPURAM
DEVAKOTTAI
DINDIGUL
ELLAMPILLAI
ERAVANCHERY
ERODE
GOBICHETTIPALAYAM
HOSUR
JAYANKONDAM
KANCHEEPURAM
KANGEYAM

LIST OF BRANCHES (Contd.)

KARAIKUDI
 KARUR
 KEELAPALUVUR
 KINATHUKADAVU
 KODAVASAL
 KORADACHERRY
 KOTTUR
 KOVILPATTI
 KRISHNAGIRI
 KUMBAKONAM - GANDHINAGAR
 KUMBAKONAM - MAIN
 KUMBAKONAM - TOWN
 KURICHI
 KUTTALAM
 MADAPATTU
 MADURAI
 MADURAI S.S. COLONY
 MADURAI-ANNA NAGAR
 MADURAPAKKAM
 MADURAPURI
 MANAPPARAI
 MANJANAYACKANPATTI
 MANNARGUDI
 MAYILADUTHURAI
 NACHIARKOIL
 NADUKKADAI
 NADUPATTY
 NAGAPATTINAM
 NAGERKOIL
 NAMAKKAL
 NANNILAM
 PALLADAM
 PALLIPALAYAM
 PARAMAKUDI
 PATTUKOTTAI
 PERAMBALUR
 PERIYAKULAM
 POLLACHI
 PORAYAR
 PUDUKKOTTAI
 PULIYUR
 RAJAPALAYAM
 RAMANATHAPURAM
 RASIPURAM
 RISHIVANDIYAM
 SALEM
 SALEM - FAIR LANDS
 SANNANALLUR
 SATTUR
 SEMBANARKOIL
 SENGURICHI
 SILLATUR
 SIRKALI
 SIVAGANGAI
 SIVAKASI
 SOMANUR
 SRIPERUMBUDUR
 THALAIYUTHU
 THAMARANGKOTTAI
 THANJAVUR
 THENI
 THIMMACHIPURAM

THINDAL
 THIRUCHENGODE
 THOGUR
 THONDAMUTHUR
 THUVAKUDI
 TIRUKKATTUPALLI
 TIRUKOILUR
 TIRUMAKOTTAI
 TIRUMARUGAL
 TIRUNELLIKAVAI
 TIRUNELVELI
 TIRUPANANDAL
 TIRUPOONDI
 TIRUPPUR
 TIRUVANNAMALAI
 TIRUVARUR - TOWN
 TIRUVARUR - VIJAYAPURAM
 TIRUVIDAIMARUTHUR
 TRICHY - CANTONMENT
 TRICHY - MAIN
 TRICHY - SRIRANGAM
 TUTICORIN
 UDUMALPET
 ULLIKOTTAI
 UTHUKULI
 VALANGAIMAN
 VEERAPANDI
 VEERAPERUMANALLUR
 VELLORE
 VEPPAMPATTU
 VILLUPURAM
 VIRUDHUNAGAR

PONDICHERRY
 PONDICHERRY
 KARAIKAL

PUNJAB
 LUDHIANA

RAJASTAN
 JAIPUR
 BILWARA

UTTARPRADESH
 ALLAHABAD

WEST BENGAL
 KOLKATTA
 KOLKATTA-RASH BEHARI AVENUE

EXTENTION COUNTER
 DCW COMPLEX, SAHUPURAM, TUTICORIN
 SRMIST, KATTANKULATHUR - CHENNAI
 SRMIST, RAMAPURAM - CHENNAI

INTERNATIONAL BANKING DIVISION
 ANNA SALAI, CHENNAI

SERVICE BRANCH
 ANNA SALAI, CHENNAI

PERFORMANCE HIGHLIGHTS 2009-10

- | | |
|--|---|
| a) Operating Profit | - Operating Profit improved from Rs.226.72 cr to Rs.255.79 cr registering a growth rate of 12.82% |
| b) Net Profit | - Net Profit improved from Rs.122.13 cr to Rs.152.76 cr recording an increase of 25.08% |
| c) Deposits | - Total Deposits rose by 25.32% from Rs.8206.62 cr to Rs.10284.59 cr and Cost of Deposits decreased to 7.73% from 7.98% |
| d) Advances | - Advances grew by 21.05% from Rs.5645.25 cr to Rs.6833.46 cr. Yield on Advances also decreased to 13.04% from 13.46% |
| e) Business | - Total Business stood at Rs.17181 cr |
| f) Networth | - Owned capital funds have grown to Rs.825.64 cr from Rs. 660.92 cr |
| g) Intrinsic value of Re.1/- per share | - Intrinsic value of Re.1/- per share stood at 20.66 |
| h) Return on Average Assets | - Return on Average Assets (ROA) stood at 1.52% |
| i) Net Interest Margin | - Net Interest Margin (NIM) - 3.15% |
| j) Capital Adequacy Ratio | - Capital Adequacy Ratio comfortably stands at 12.09% under Basel I and 13.46% under Basel II |
| k) Non - Performing Assets | - The percentage of Gross NPA to Gross Advances declined to 1.36% from 1.80%. The Percentage of Net NPA to Net Advances declined from 1.08% to 0.58%. |
| l) Staff Productivity | - Staff Productivity increased to Rs.6.51 cr from Rs.5.65 cr |

Decade of Progress

(Rs in crore)

Year	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Paid up Capital	24.00	24.00	24.00	24.00	24.00	24.00	25.20	32.00	32.00	39.96
Reserve fund and Other Reserves	94.42	118.22	140.77	178.85	216.72	262.15	340.51	534.86	628.92	785.68
Deposits	1611.62	1973.71	2317.37	2846.65	3095.24	3517.74	4699.33	6424.96	8206.62	10284.59
Advances	883.38	1011.05	1214.47	1546.98	2012.96	2549.53	3329.23	4537.06	5645.25	6833.46
Investments	643.33	911.20	1099.20	1279.00	1102.24	1057.48	1307.00	1717.96	2397.46	3210.43
Net Profit	21.30	28.44	33.37	57.04	46.32	56.37	71.81	101.73	122.13	152.76
Dividend	25%	40%	40%	60%	40%	40%	40%	50%	75%	75%
No. of Branches	114	118	123	128	134	142	161	180	207	222
Total No. of Staff	1352	1361	1408	1396	1434	1606	1871	2171	2452	2628
Intrinsic value of Shares (Rs.)	49.34	59.26	68.65	84.52	100.30	119.23	145.12	* 17.78	20.65	20.66
Earning Rate (%)	88.75	118.50	139.04	237.67	193.00	234.88	299.21	317.91	381.66	382.28

• During the year 2007-08 we have sub-divided the Equity shares of Rs.10/- each into 10 Equity shares of Re.1/- each

A NOTABLE ACCOLADE

Ranked as India's No. 1 Private Sector Bank in 2008 - 09
- The Analyst Magazine of ICFAI



COMPOSITE RANKINGS
PRIVATE SECTOR BANKS



RANK 2008-09	BANK	EARNINGS	LIQUIDITY	COMPOSITE AVG.
1	CITY UNION	4.67	8.00	6.43
2	YES BANK	5.83	6.00	6.47
3	FEDERAL BANK	4.83	8.60	6.49
4	KVB	7.50	9.30	6.51
5	DHANA LAKSHMI	8.50	6.20	6.99
6	HDFC BANK	5.67	8.60	7.40
7	LAKSHMI VILAS	8.50	6.60	7.87
8	AXIS BANK	7.67	11.00	8.25
9	SEB	6.67	8.40	8.36
10	ICICI BANK	12.17	7.40	8.36
11	DCB	8.83	15.20	8.46
12	KOTAK MAHINDRA	5.83	9.40	8.65
13	INDUSIND BANK	10.67	9.20	9.07
14	KARNATAKA BANK	9.67	9.40	9.11
15	BANK OF RAJASTHAN	10.00	8.75	9.37

means unity.

At City Union Bank, it means unity of banking services, professionalism and customer satisfaction.

City Union Bank has done it.

Earning the Number One slot among the private sector banks in The overall composite rankings by The Analyst.

We thank each one of you-stakeholders, customers and everyone who has made this possible. With your support we promise this again and again.

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SOURCE : THE ANALYST, OCTOBER 2009

**NEW CAPITAL ADEQUACY FRAMEWORK – BASEL II
DISCLOSURES UNDER PILLAR 3 AS ON 31.03.2010**

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

CAPITAL STRUCTURE – 31.03.2010

Qualitative Disclosures:

- (a) Summary

Type of Capital	Features
Equity (Tier I)	During the year 2009-10, the Bank had issued 8 crore equity shares with a face value of Re.1/- each ("Rights Equity shares") for cash at a price of Rs.6/- including a premium of Rs.5/- aggregating to Rs.48 crore to the existing equity shareholders of the Bank on rights basis in the ratio of 1 Rights Equity Share for every 4 Equity shares held. The Equity Capital of the Bank as on 31.03.2010 stood at Rs.39.96 crore.
Tier II Capital	City Union Bank has not raised Upper Tier II capital and raised only Lower Tier II capital to the tune of Rs.40.00 crore. 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	Amount (Rs in cr)	Tenure (Months)	Coupon %	Rating
31.03.2006	30.00	121	8.90% semi annual	CARE - A FITCH - A(ind)
30.03.2007	10.00	121	10.00% annual	CARE - A FITCH - A(ind)

Quantitative Disclosures

Sl. No.	Description	Amount (Rs. in cr)	
01.	Tier - I Capital		824.33
	- Paid-up Share Capital - Total	39.96	
	- Reserves & Surplus - Total	784.37	
	Amount deducted from Tier I Capital (if any)		19.74
	- Intangible Assets	19.74	
	Total eligible Tier I Capital		804.59
02.	Tier - II Capital		67.85
	a) Revenue Reserves	1.31	
	b) Lower Tier II - Subordinated Debts	40.00	
	c) Provision for Standard Assets	26.54	
03.	Total Eligible Capital (net of deductions from Tier I & Tier II Capital)		872.44

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 31.03.2009. 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, 2010. 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 13.46% as on 31.03.2010 (as against 9%). The Tier I CRAR stands at 12.41% 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	(Rs. in crore)
(a) Capital requirements for credit risk: (@ 9% on Risk weighted Assets)	
• Portfolios subject to standardised approach	523.86
• Securitisation exposures	
(b) Capital requirements for market risk:	
• Standardised duration approach	17.93
- Interest rate risk	9.85
- Foreign exchange risk	2.25
- Equity risk	5.83
(c) Capital requirements for operational risk:	
• Basic indicator approach;	41.65
Total capital required @ 9%	583.44
(d) Total and Tier 1 capital ratio :	
Total CRAR	13.46%
Tier I CRAR	12.41%

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 his 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 Management is done 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, 2009)

Quantitative Disclosures

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure:

(Rs. in crore)

Outstandings as on 31.03.2010	Domestic	Overseas	Total
Fund based	6896.71	Nil	6896.71
Non-fund based	653.64	Nil	653.64
Total	7550.35	Nil	7550.35

Industry type distribution of exposures :
Details on Industry wise exposures - 31.03.2010

(Total advances to Small, Medium & Large Industries)

(Rs. in crore)

S.No	Industry Name		Balance Outstanding
1	Mining		3.68
2	Iron and Steel		295.12
3	Other Metal & Metal Products		122.42
4	All Engineering		62.94
4 a	of which Electronics	21.67	
5	Cotton Textiles		656.37
6	Other Textiles		195.02
7	Food Processing		125.96
8	Vegetable Oils & Vanaspathi		13.50
9	Paper & Paper Products		145.95
10	Rubber & Rubber Products		6.96
11	Chemicals, Dyes, Paints etc.		46.04
11 a	Drugs & Pharmaceuticals	17.69	
11 b	Other chemicals	28.35	
12	Leather & Leather Products		2.63
13	Gems & Jewellery		1.67
14	Construction *(Comm. Real Estate)		243.81
15	Automobile including Trucks		25.26
16	Infrastructure		79.99
17	Computer software		9.76
18	NBFC		182.14
19	Other Industries		204.42
20	All Traders		1535.95
	Residual advances to Balance Gross Advance		2937.12
	Gross Advances		6896.71

Residual contractual maturity breakdown of assets 31.03.2010

(Rs. in crore)

Period	Cash, RBI Balance and Balance with all Banks	Investments (Net)	Advances (Net)	Fixed & Other Assets	Total
1 Day	243.43	4.35	48.84	15.97	312.59
2 to 7 Days	16.46	8.32	149.76	13.12	187.66
8 to 14 Days	3.85	0.00	175.05	14.04	192.94
15 to 28 Days	45.69	95.03	68.14	4.33	213.19
29 Days to 3 Months	172.75	362.67	148.29	5.12	688.83
Over 3 Months & upto 6 Months	57.49	244.76	87.25	48.26	437.76
Over 6 Months & upto 1 Year	143.31	626.09	199.65	95.50	1064.55
Over 1 Year & upto 3 Years	291.14	1276.79	4696.15	92.39	6356.47
Over 3 Years & upto 5 Years	9.46	50.93	576.88	0.00	637.27
Over 5 Years	6.32	533.17	683.48	156.28	1379.25
Total	989.90	3202.11	6833.49	445.01	11470.51

Amount of NPAs (Gross)

(Rs. in crore)

Sub-standard	54.18
Doubtful 1	18.67
Doubtful 2	13.92
Doubtful 3	2.66
Loss	4.07
Gross NPA Total	93.50

The Amount of Net NPAs is Rs.39.67 crore

The NPA ratios are as under

- Gross NPA to Gross Advances 1.36%
- Net NPAs to Net Advances 0.58%

The movement of NPA is as under:

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.09)	102.08
ii. Additions made during the year (4 quarters)	107.52
iii. Reductions during the year (4 quarters)	116.10
iv. Closing balance at the end of year 31.03.10 (i + ii - iii)	93.50

The movement of provisions for NPAs are as under:

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.09)	37.76
ii. Provisions made during the year (4 quarters)	51.50
iii. Write-off/Write-back of excess provisions (4 quarters)	40.66
iv. Closing Balance at the end of quarter 31.03.10 (i + ii - iii)	48.60

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

(Rs. in crore)

i. Opening balance at the beginning of the year (01.04.2009)	7.23
ii. Provisions made during the year (4 quarters)	0.80
iii. Write-off (4 quarters)	-
iv. Write-back of excess provisions (4 quarters)	-
v. Closing Balance at the end of the year (31.03.2010) (i + ii - iii - iv)	8.03

TABLE DF - 5

CREDIT RISK: DISCLOSURES FOR PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures

The Bank is using the services of the four External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL, b) ICRA, c) CARE and d) FITCH to facilitate the corporate borrower customers who enjoy credit facilities above Rs.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.

(Rs. in crore)

Risk Weight	Rated	Unrated	Total
Below 100 %	695.15	4691.47	5386.62
100 %	235.39	2944.91	3180.30
More than 100 %	---	285.78	285.78
Total outstanding after mitigation	930.54	7922.16	8852.70
Deducted (as per Risk Mitigation)	---	1185.20	1185.20

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
 - 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 and ECGC.

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 16.27%.

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: (Rs. in crore)

Portfolio category	Financial collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	328.91
2. Funded - Credit	Gold jewels	574.11
3. Non Funded	Bank's own deposits	218.96

- b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees: (Rs. in crore)

Portfolio category	Guaranteed by	Quantum of exposure covered
Funded Credit	ECGC	149.74

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 31.03.2010	(Rs. in crore)
• Interest Rate Risk	- 9.85
• Equity Position Risk	- 5.83
• Foreign Exchange Risk	- 2.25
Total	- 17.93

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. 2006-07, 2007-08 and 2008-09 is considered for computing the capital charge. The required capital is Rs.41.65 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.

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. 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 31.03.2010 is Rs.34.14 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2010 is 13.32%.

EXPANDING NETWORK



Saibaba Colony, Coimbatore - 08-04-2009



Sriperumbudur - 10-07-2009



Aurangabad - 03-08-2009



Kinathukadavu - 03-08-2009

EXPANDING NETWORK



Kolhapur - 03-08-2009



Ramanathapuram, Coimbatore - 03-08-2009



Thondamuthur - 03-08-2009



Valasaravakkam, Chennai - 03-08-2009

EXPANDING NETWORK



Ludhiana - 07-08-2009



Indore - 10-08-2009



Jaipur - 17-08-2009



Bhilwara - 19-08-2009

EXPANDING NETWORK



Dombivilli, Mumbai - 24-08-2009



Bhav Nagar - 26-08-2009



Surat II - 26-08-2009

Annual General Meeting - 31-08-2009





CUB

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