



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LTD

**INVESTOR
PRESENTATION
JUNE 2017**



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Overview

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

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

Facts & Figures

Position as on 30.06.2017

Deposits



INR 30,468 Cr

Advances



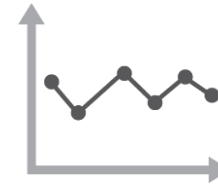
INR 24,058 Cr

Net Interest Margin



4.47%

Net NPA



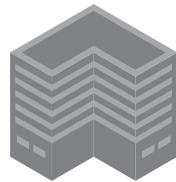
1.79%

Employees



4,716

Branches



550

ATM's



1,515

Efficiency Ratio



37.84%

AWARDS & ACCOLADES

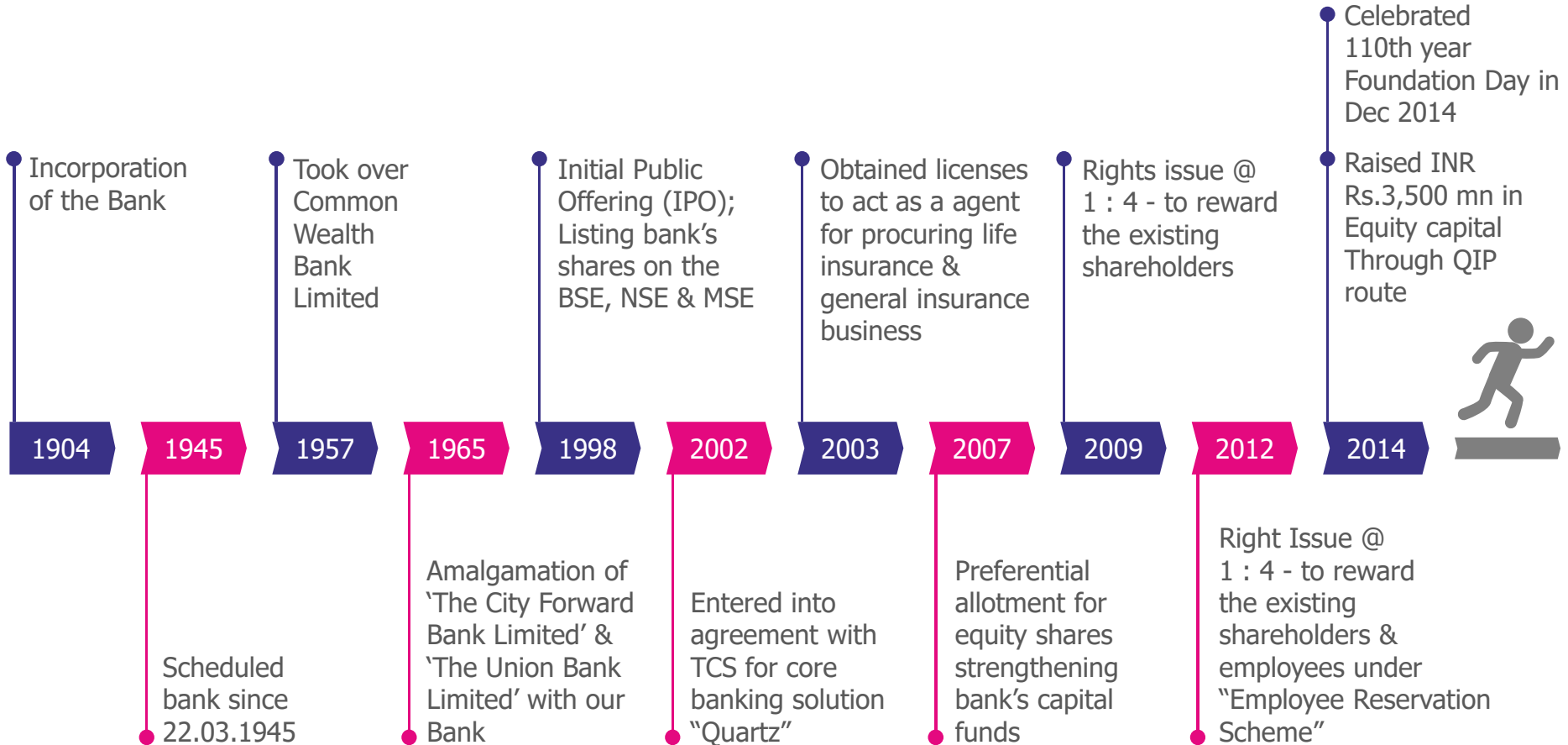


**Best Small sized Bank for 2015-16 by Business World –
PWC Best Banks’ Survey 2016 (Second year in a row)**



**Won Financial Express Best Bank award in the category
“Top old Private Sector Bank” for FY 2015-16 (Third year
in a row)**

Key milestones



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



Competitive Advantages

Strong track record

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

Robust corporate governance practices

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

Diversified asset profile

- Granular asset profile with advances to top 20 borrowers contributing around 10%
- Lower ticket size lending backed by adequate collaterals

Higher yielding loan portfolio

- Trading and MSME loan segments earning high yields constitute about 51% of advances

Adequately capitalised

- Strong Capital Adequacy ratio of 15.87% out of which Tier 1 constitutes 15.40%

Network

- Pan India presence with 550 branches
- Strong presence in South India (489 branches) of which 379 are in Tamil Nadu alone

Q1 FY 2018 Performance – A snapshot

- ✓ Deposits increased by 9% from Rs.279 Bn to Rs.305 Bn Y-o-Y
- ✓ Advances registered a growth of 13% from Rs.212 Bn to Rs.241 Bn Y-o-Y
- ✓ Total business grown by 11% to Rs.545 Bn from Rs.492 Bn Y-o-Y
- ✓ Gross Profit registered a growth of 26% from Rs.2,358 Mn to Rs.2,970 Mn Y-o-Y
- ✓ Net Profit increased by 14% from Rs.1,235 Mn to Rs.1,403 Mn Y-o-Y

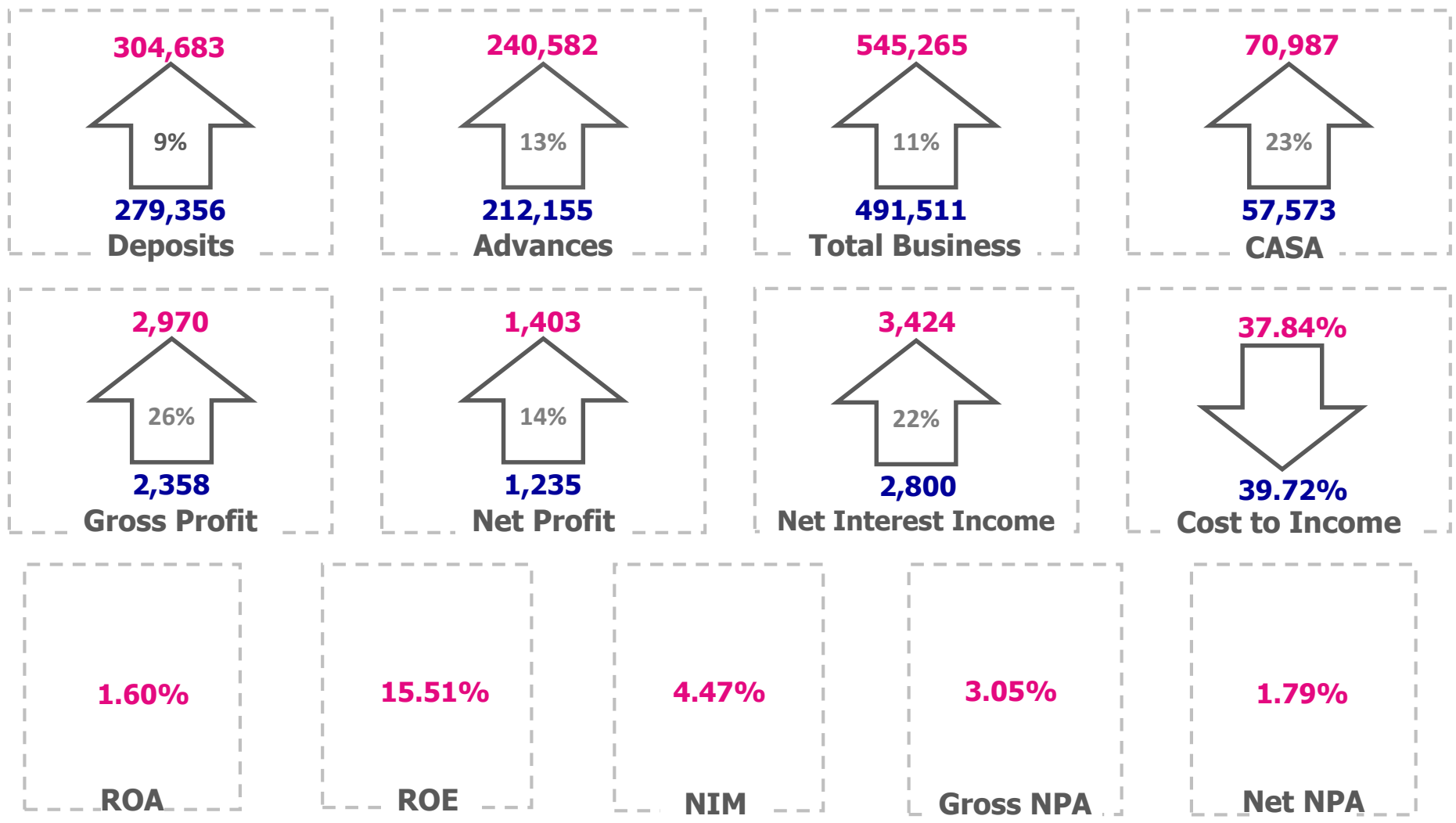
- ✓ Profitability and efficiency ratios – at par with the best in industry:

		Q1 FY 2018	Q4 FY 2017	FY 2017
➤	Return on Assets	- 1.60%	1.50%	1.50%
➤	Net Interest Margin	- 4.47%	4.20%	4.17%
➤	Return on Equity	- 15.51%	14.97%	15.26%
➤	Earnings per share	- Rs.2.33	Rs.2.14	Rs.8.39

- ✓ Gross NPA – 3.05% and Net NPA – 1.79%
- ✓ Provision Coverage Ratio – 62%
- ✓ CRAR – 15.87% (Basel III) of which core CRAR – 15.40%

Q1 FY 2018 Vs Q1 FY 2017 Performance – A snapshot

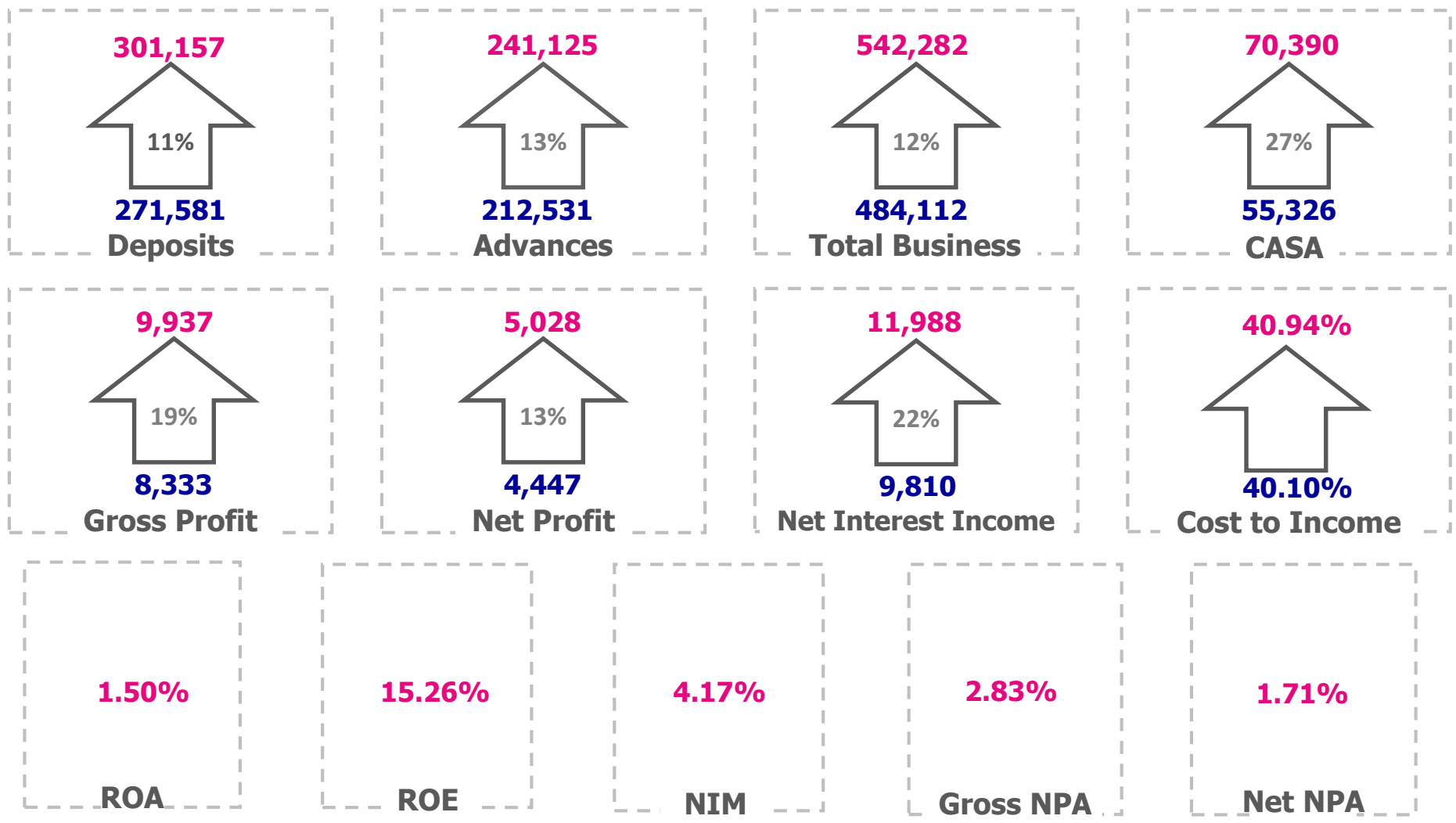
(All figures in INR Mn)



■ Q1 FY18 ■ Q1 FY17

FY 2017 Vs 16 Performance – A snapshot

(All figures in INR Mn)



■ FY17 ■ FY16

Q1 FY 18 Vs Q1 FY 17 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	Q1 FY 2018	Q1 FY 2017	Inc / (Dec)	Growth	Growth %
Deposits	304,683	279,356	↑	25,327	9%
Advances	240,582	212,155	↑	28,427	13%
Total Business	545,265	491,511	↑	53,754	11%
Demand Deposits	24,673	19,644	↑	5,029	26%
Saving Deposits	46,314	37,929	↑	8,385	22%
CASA	70,987	57,573	↑	13,414	23%
Gross NPA	7,350	5,550	↑	1,800	32%
Net NPA	4,260	3,340	↑	920	28%
Gross NPA (%)	3.05%	2.62%			
Net NPA (%)	1.79%	1.59%			
C R A R (BASEL – III)	15.87%	15.25%			
- Of which Tier I	15.40%	14.76%			
CD Ratio	79%	76%			
PCR	62%	60%			

Q1 FY 18 Vs Q1 FY 17 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	Q1 FY 2018	Q1 FY 2017	INC / (DEC)	Growth %	Q4 FY 2017
Net Interest Income	3,424	2,800	624	22%	3,106
Other Income	1,353	1,111	242	22%	1,258
Operating Expenses	1,807	1,553	254	16%	1,888
Gross Profit	2,970	2,358	612	26%	2,476
Provisions & Contingencies	1,566	1,123	443	39%	1,187
Net Profit	1,403	1,235	168	14%	1,289
Return on Assets	1.60%	1.55%			1.50%
Return on Equity	15.51%	16.00%			14.97%
Net Interest Margin	4.47%	4.07%			4.20%

FY 17 Vs FY 16 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	FY 2017	FY 2016	Inc / (Dec)	Growth	Growth %
Deposits	301,157	271,581	↑	29,576	11%
Advances	241,125	212,531	↑	28,594	13%
Total Business	542,282	484,112	↑	58,170	12%
Demand Deposits	24,092	19,192	↑	4,900	26%
Saving Deposits	46,298	36,133	↑	10,165	28%
CASA	70,390	55,326	↑	15,064	27%
Gross NPA	6,820	5,120	↑	1,700	33%
Net NPA	4,083	3,232	↑	851	26%
Gross NPA (%)	2.83%	2.41%			
Net NPA (%)	1.71%	1.53%			
C R A R (BASEL – III)	15.83%	15.58%			
- Of which Tier I	15.36%	15.09%			
CD Ratio	80%	78%			
PCR	61%	60%			

FY 17 Vs FY 16 – Performance – A snapshot

(in INR Mn)

Financial Performance

Particulars	FY 2017	FY 2016	INC / (DEC)	Growth %
Net Interest Income	11,987	9,810	2,177	22%
Other Income	4,840	4,100	740	18%
Operating Expenses	6,890	5,577	1,313	24%
Gross Profit	9,937	8,333	1,604	19%
Provisions & Contingencies	4,909	3,886	1,024	26%
Net Profit	5,028	4,447	580	13%
Return on Assets	1.50%	1.50%		
Return on Equity	15.26%	15.60%		
Net Interest Margin	4.17%	3.81%		

Q1 – FY 18 Vs 17 – Income and Expenses – Breakup

(in INR Mn)

Interest Income Breakup

Particulars	Q1 FY 2018	Q1 FY 2017	Growth (%)
Interest on Loans	6,912	6,339	9%
Interest on Investments	1,238	1,297	-ve
Other Interest Income	106	87	22%
Total Interest Income	8,256	7,722	7%

Interest Expenses Breakup

Particulars	Q1 FY 2018	Q1 FY 2017	Growth (%)
Int Exp on Deposits	4,775	4,846	-ve
Other Int Expenses	57	75	-ve
Total Interest Expenses	4,832	4,922	-ve

Other Income Breakup

Particulars	Q1 FY 2018	Q1 FY 2018	Growth (%)
CEB & Charges	697	549	27%
Treasury Income	390	491	-ve
Other Inc incl recoveries in written off a/cs	266	71	275%
Total Other Income	1,353	1,111	22%

Operating Expenses Breakup

Particulars	Q1 FY 2018	Q1 FY 2017	Growth (%)
Employee Cost	765	631	21%
Other Operating Expenses	1,042	923	13%
Total Expenses	1,807	1,554	16%

FY 17 Vs 16 – Income and Expenses – Breakup

(in INR Mn)

Interest Income Breakup

Particulars	FY 2017	FY 2016	Growth (%)
Interest on Loans	25,902	23,676	9%
Interest on Investments	5,385	5,410	-ve
Other Interest Income	451	356	26%
Total Interest Income	31,738	29,442	8%

Interest Expenses Breakup

Particulars	FY 2017	FY 2016	Growth (%)
Int Exp on Deposits	19,418	19,230	1%
Other Int Expenses	332	402	-ve
Total Interest Expenses	19,750	19,632	1%

Other Income Breakup

Particulars	FY 2017	FY 2016	Growth (%)
CEB & Charges	2,175	2,105	3%
Treasury Income	2,056	1,259	63%
Other Inc incl recoveries in written off a/cs	608	735	-ve
Total Other Income	4,840	4,100	18%

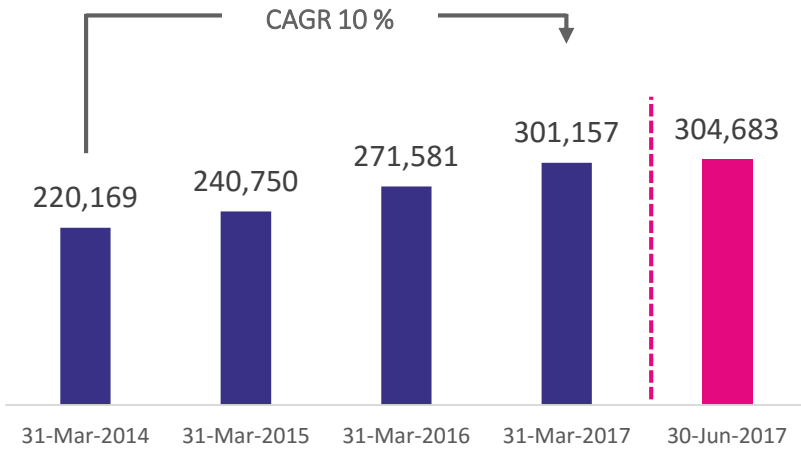
Operating Expenses Breakup

Particulars	FY 2017	FY 2016	Growth (%)
Employee Cost	2,981	2,132	40%
Other Operating Expenses	3,908	3,445	13%
Total Expenses	6,890	5,577	24%

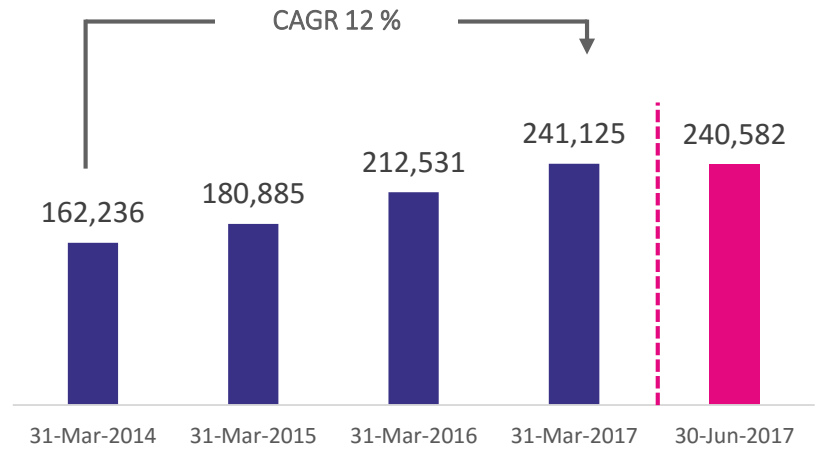
Strong Deposits and Advances growth

(in INR Mn)

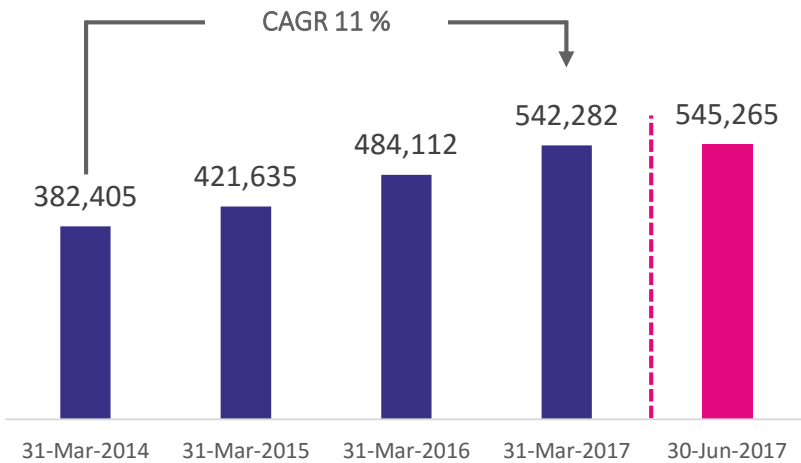
Deposits



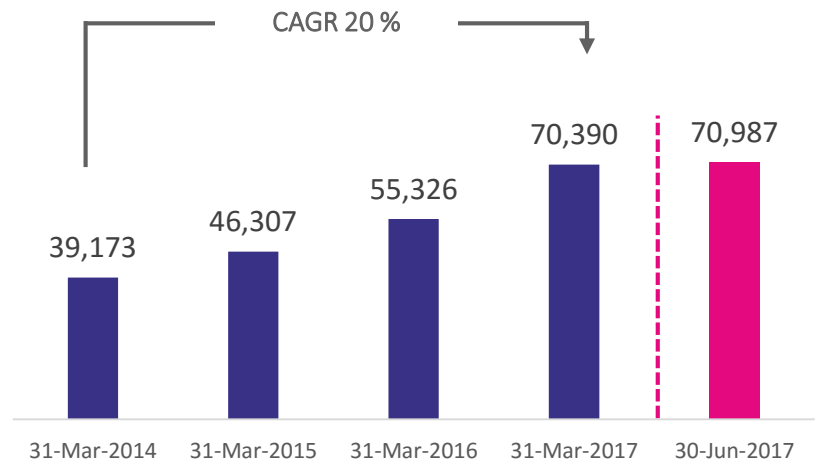
Advances



Business



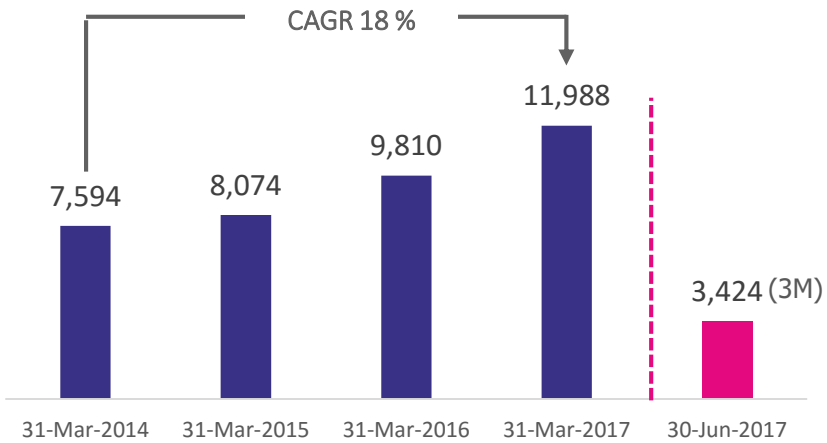
CASA



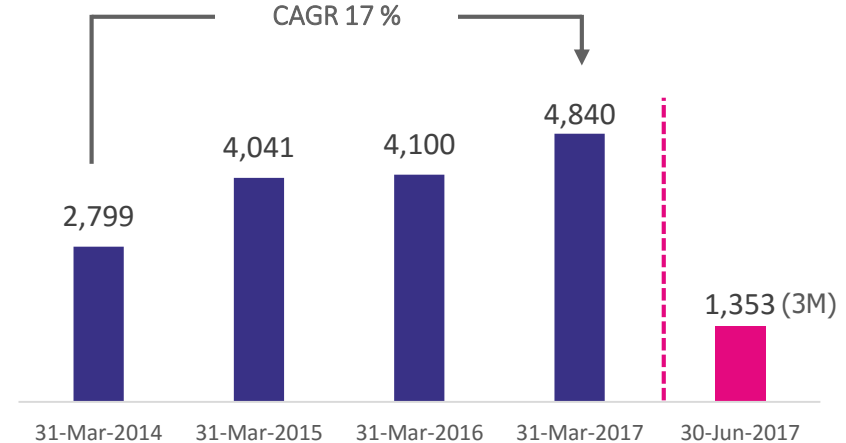
Income Growth over the years...

(in INR Mn)

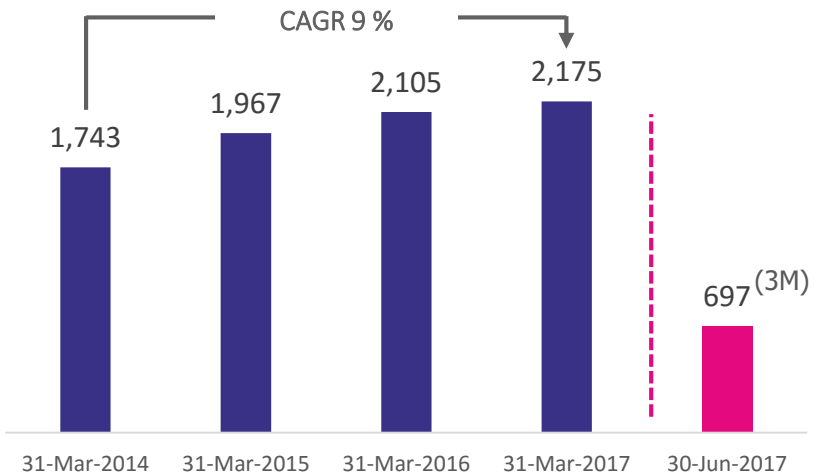
Net Interest Income Growth



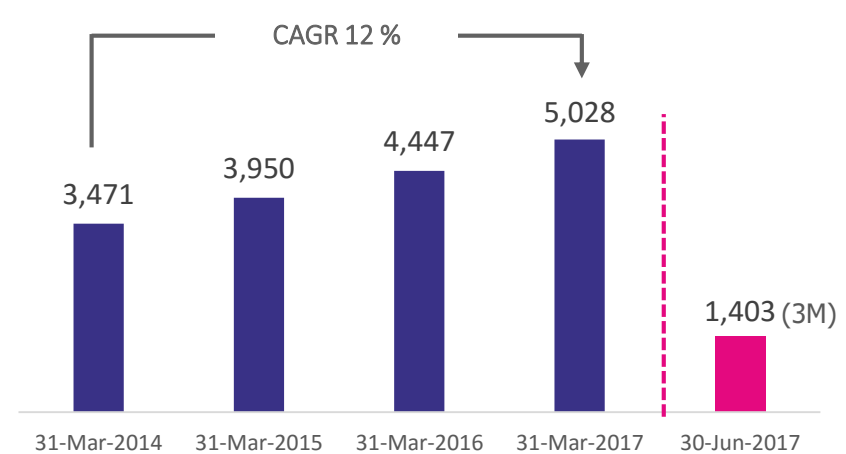
Other Income Growth



CEB Growth



Net Profit Growth

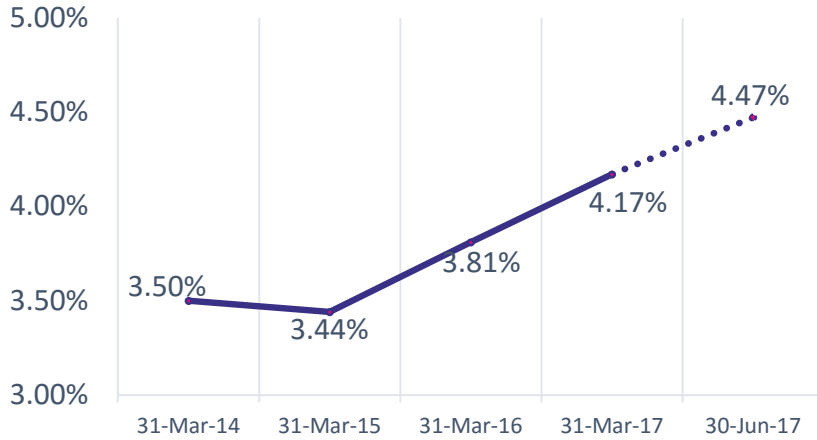


Key Business Indicators

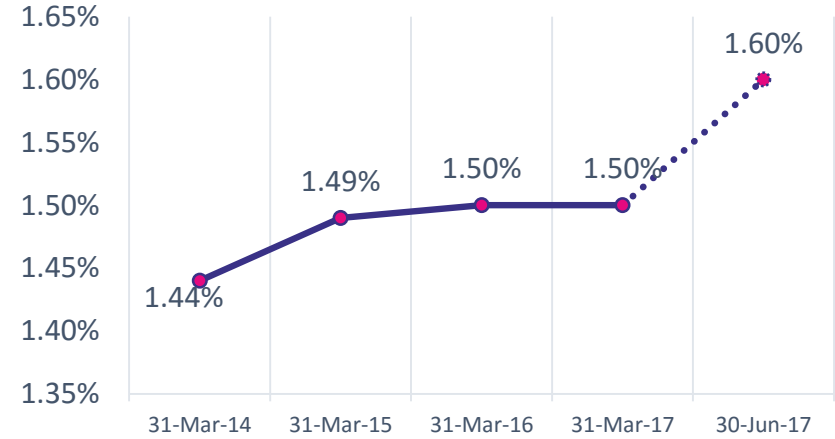
Particulars	Q1 FY 2018	Q1 FY 2017	Q4 FY 2017	FY 2016-17
Cost of Deposits	6.44%	7.12%	6.62%	6.82%
Yield on Advances	11.79%	12.36%	11.86%	12.10%
Yield on Investments	6.93%	7.46%	7.20%	7.23%
Net Interest Margin	4.47%	4.07%	4.20%	4.17%
Cost to Income	37.84%	39.72%	43.25%	40.94%
Cost of Funds	5.52%	6.19%	5.70%	5.89%
Yield on Funds	9.43%	9.72%	9.31%	9.47%
Per Employee Business (in INR Mn)	115.31	110.40	115.33	115.33
Per Employee Profit (in INR Mn) (Ann)	1.19	1.11	1.10	1.07
EPS (in INR) – FV INR 1/- share (Not Ann)	2.33	2.07	2.14	8.39

Key Business Ratios – Yearly trends

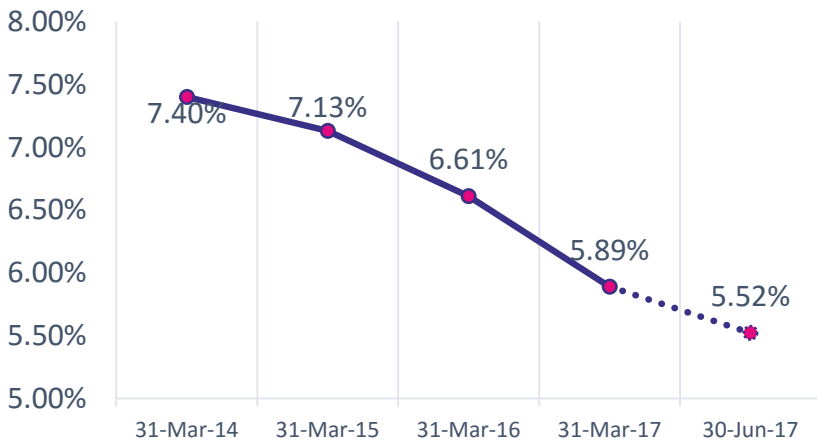
Net Interest Margin



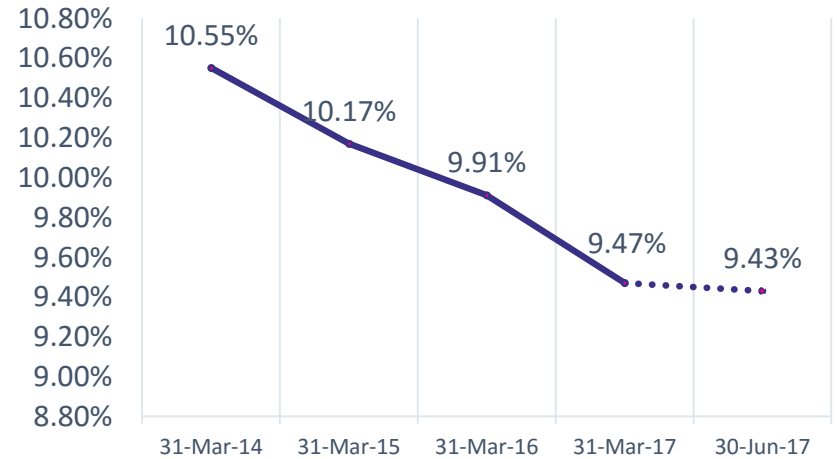
Return on Assets



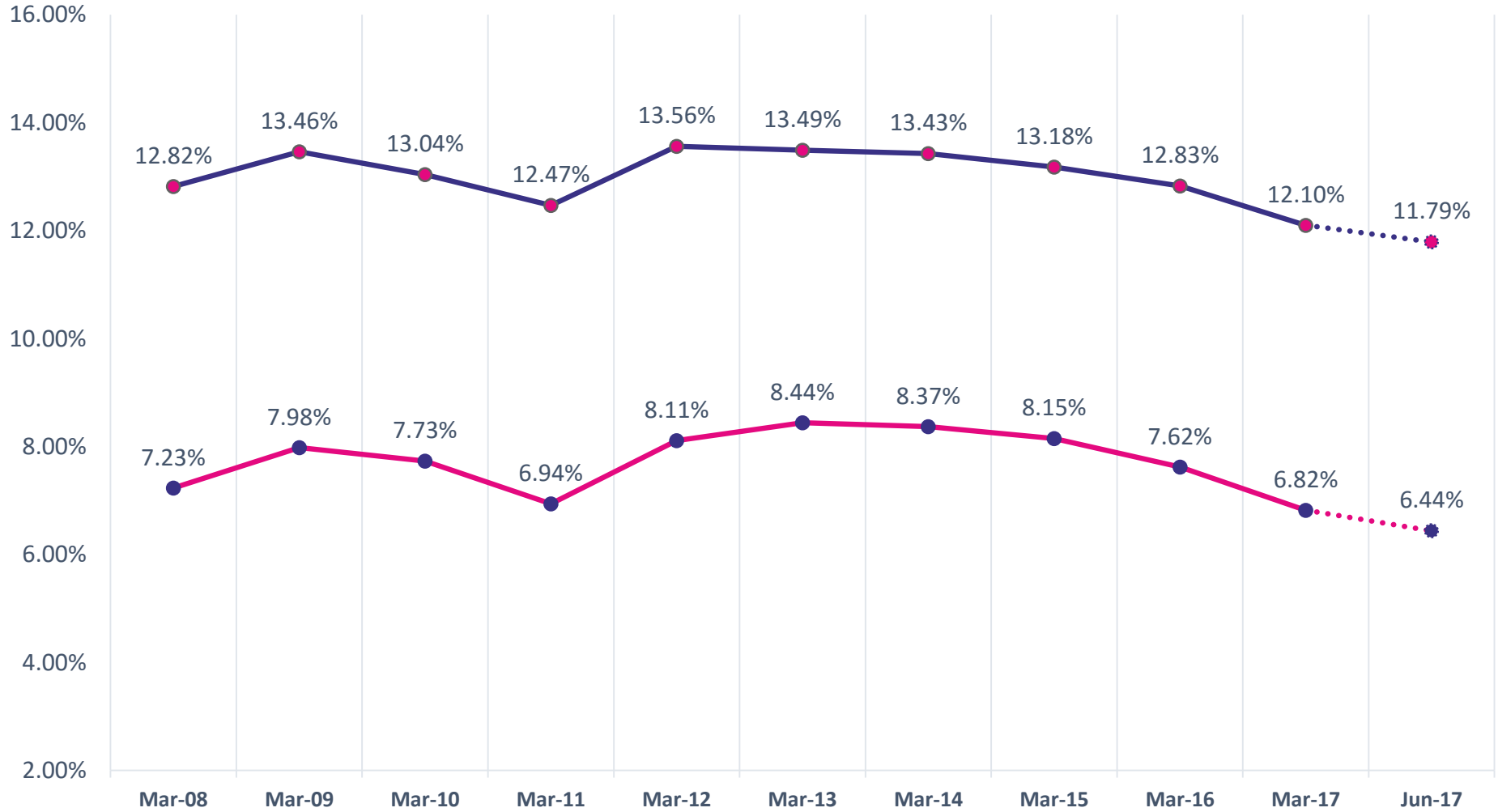
Cost of Funds



Yield on Funds



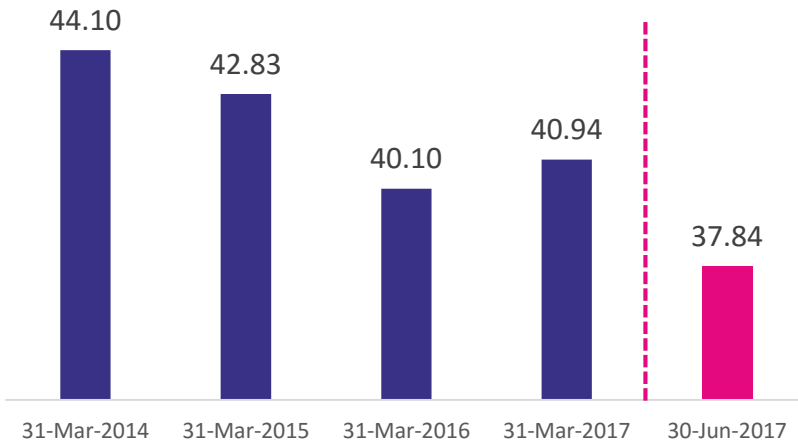
Cost of deposits & Yield on advances



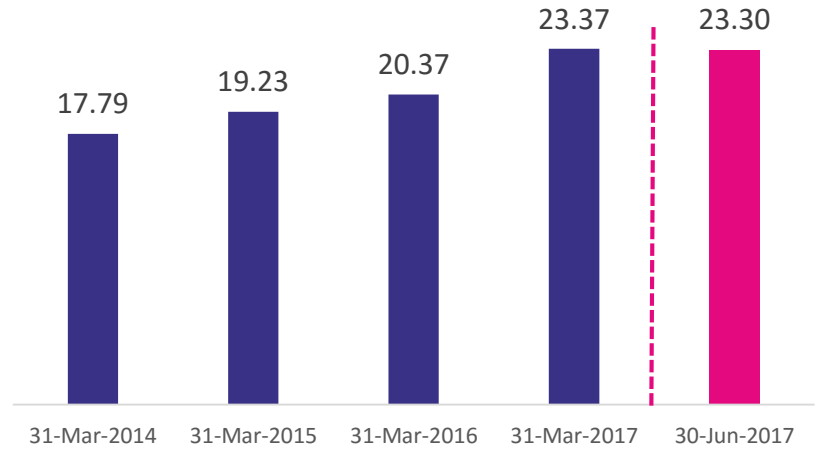
Spread between cost of deposits and yield on advances of our bank maintained in the last 10 years

Efficiency

Cost income ratio

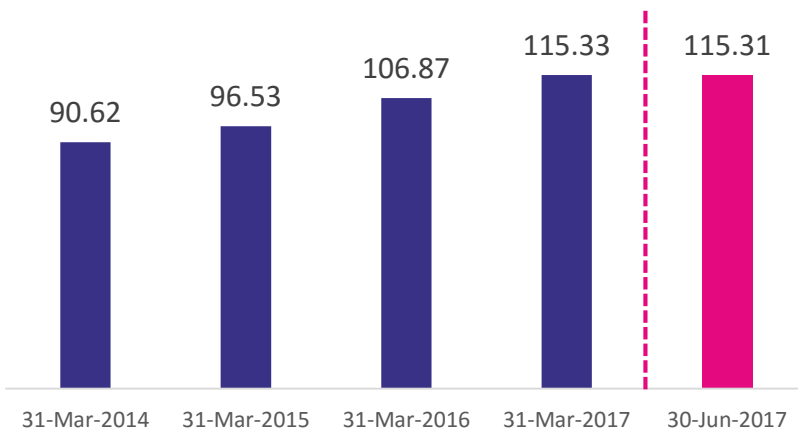


CASA Ratio



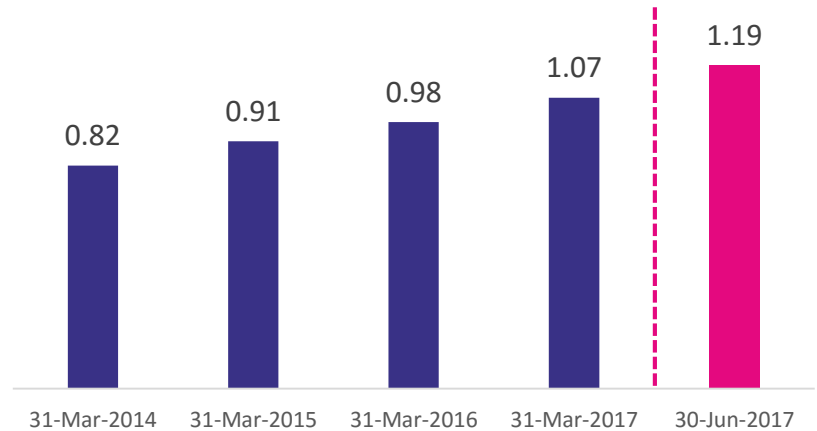
Business per Employee

(in INR Mn)



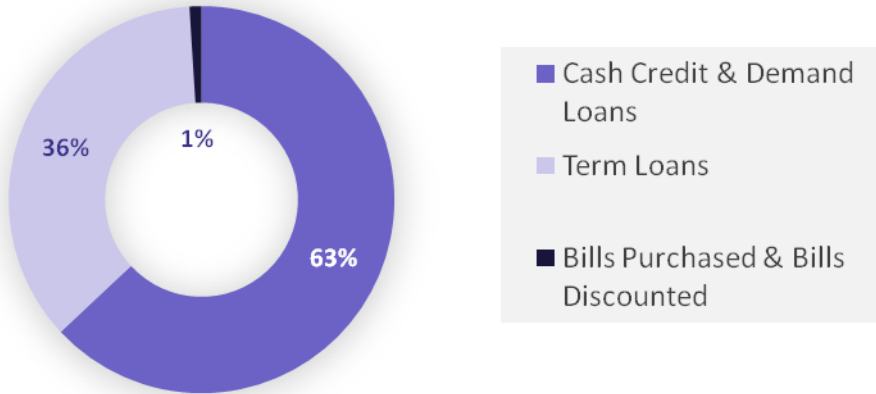
Profit per Employee

(in INR Mn)



Loan Book – Products Composition

% to Total Advances



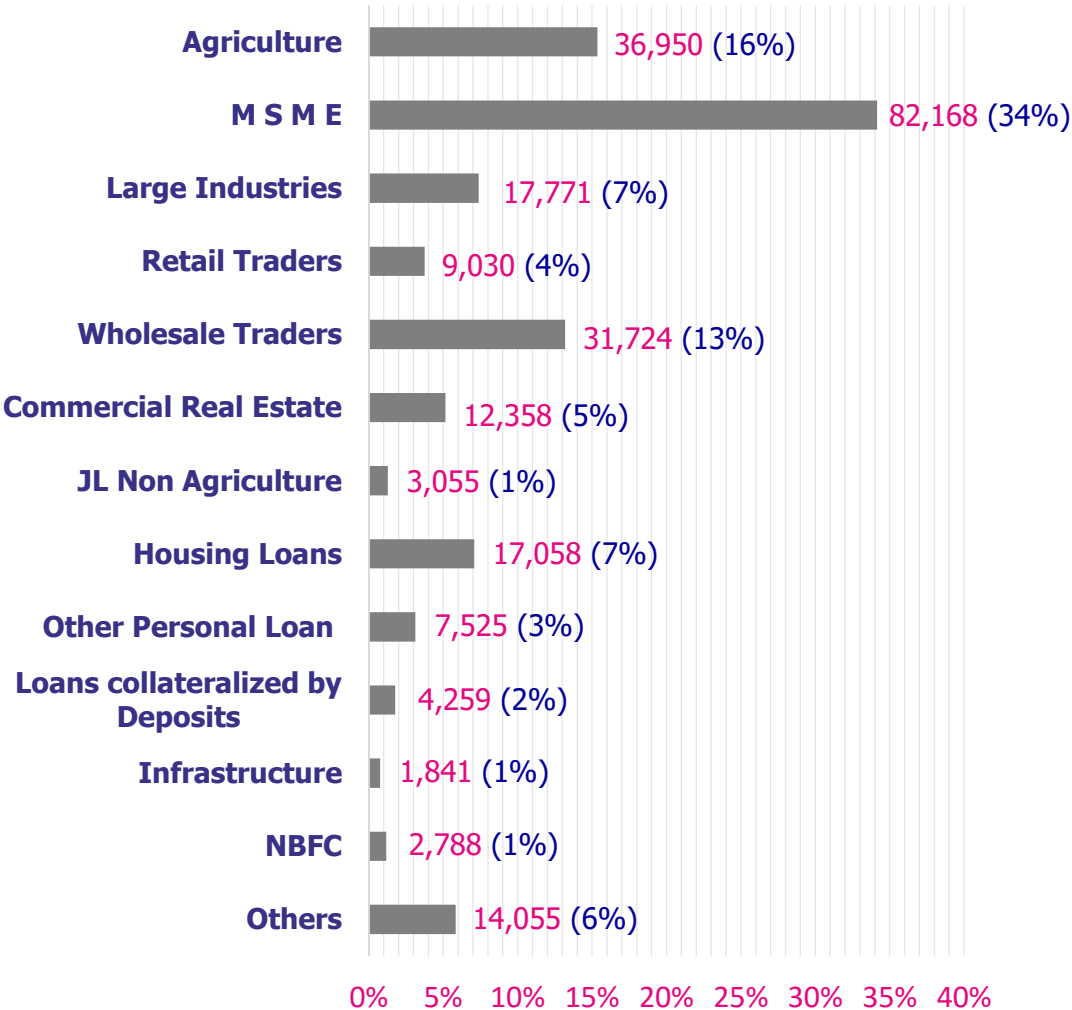
- Working capital loans yielding higher interest constitute 64% of advances
- **Re-pricing possible at short intervals thus reducing interest rate risk**
- ~90% of our loan book is on floating rate basis which reduces interest rate risk

Loan Book Products Composition	Amount (INR Mn)	% to Total Advances
Cash Credit & Demand Loans	154,224	64%
Term Loans	84,068	35%
Bills Purchased & Bills Discounted	2,290	1%
Gross Loans Total	240,582	100%

Loan Book – Sectoral Deployment – Position as on 30.06.2017

(in INR Mn)

Sectoral Deployment



Secured & Unsecured Advances

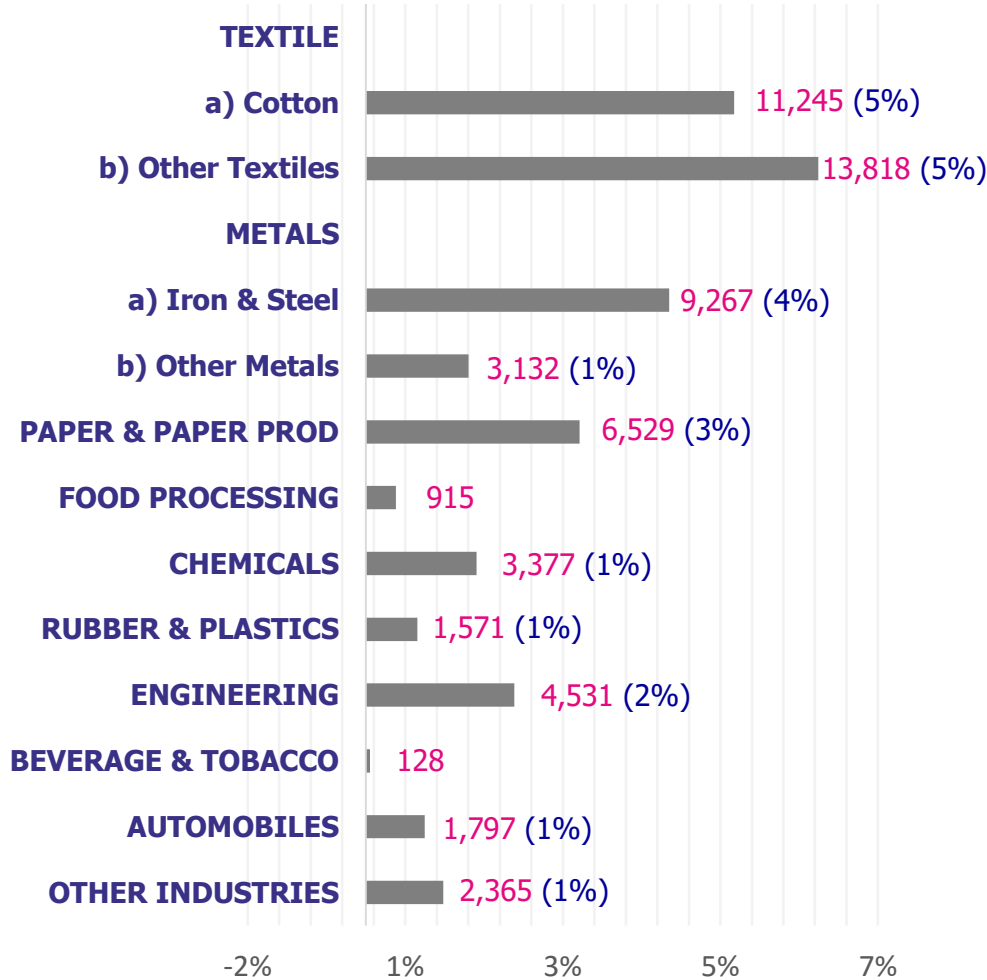
Particulars	Amount (INR Mn)	% to Total Advances
Secured Loans	237,182	99%
Unsecured Loans	3,400	1%
Total	240,582	100%

- ✓ Trading & MSME loans earning higher yield constitute about 51%.
- ✓ Diversified credit portfolio reduces credit risk and Lower ticket size backed by adequate collaterals
- ✓ Unsecured Advances aggregate to 1%
- ✓ Total Jewel Loan outstanding as on 30.06.2017 – Rs.21,813 Mn

Loan Book – Advances to Major Industries

(in INR Mn)

Advances to Major Industries 30th June 2017

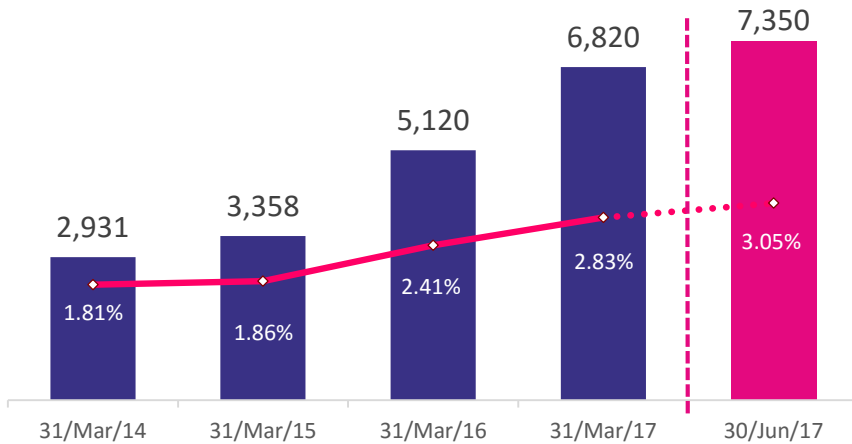


Industry Name	Amount (in INR Mn)	% to Total Advances
Advances to Major Industries	58,675	24%
All other advances (Agri, Trade, Service, Gold Loan, etc.)	181,907	76%
Total Gross Advances	240,582	100%

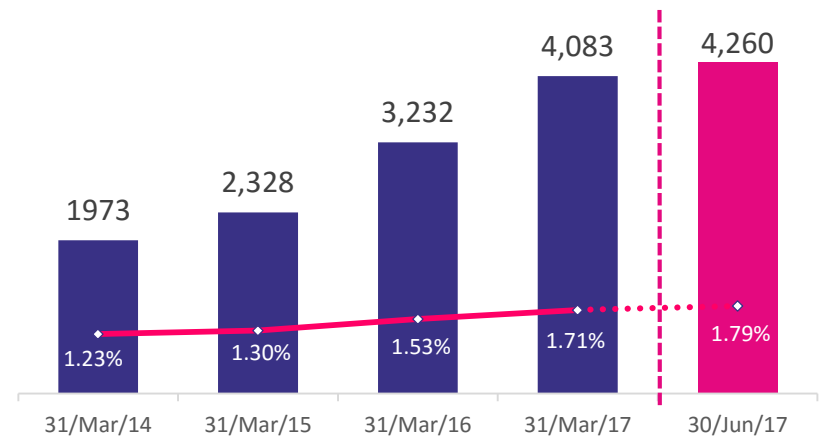
Asset Quality

(in INR Mn)

Gross NPA Qtm & Gross NPA %



Net NPA Qtm & Net NPA %



Asset Quality Position – Movement over the years

(Rs in Mn)		FY Mar - 13	FY Mar - 14	F Y Mar - 15	FY Mar - 16	FY Mar – 17	Q1 FY 2018
NPA Opening balance		1,235	1,731	2,931	3,358	5,120	6,820
Additions	A	2,234	4,562	4,250	4,290	4,796	1,475
Recovery / SR		486	1,865	2,118	734	905	281
Upgradations		232	168	227	546	556	153
Net Addition	B	1,516	2,529	1,905	3,010	3,335	1,041
Write-off		1,020	1,329	1,478	1,248	1,635	511
NPA Closing balance		1,731	2,931	3,358	5,120	6,820	7,350
Technical Write-off (TW) during the period		948	1,226	618	1,189	1,564	500
Provision made during the period	C	970	1,485	1,650	2,050	2,515	860
T W recovery	D	599	544	750	370	470	130
Provision made net of TW Recovery	E = C-D	371	941	900	1,680	2,045	730
Gross Advance	F	1,53,428	1,62,236	1,80,885	2,12,531	2,41,125	2,40,582
Additions % of Gross Advance	A / F	1.46	2 .81	2.35	2. 02	1.99	0.61
Net Addition % of Gross Advance	B / F	0.99	1.56	1.05	1.42	1.38	0.43
Credit cost	E / F	0.24	0.58	0.50	0.79	0.85	0.30
Gross NPA %		1.13	1.81	1.86	2.41	2.83	3.05
Net NPA %		0.63	1.23	1.30	1.53	1.71	1.79

Restructured Accounts

Balance outstanding as on 30.06.2017 in respect of Restructured Standard borrowers

- ✓ No account has been restructured during Q1 FY 2018
- ✓ There were no sale to ARC on SR basis in the previous two years

Type Restructuring	No. of Borrowers	Amount (in INR Mn)
Under CDR Mechanism	0	0
Under SME Debt Restructuring Mechanism	12	76
Under Other Debt Restructuring Mechanism	6	1258
Total	18	1334

- ✓ The above disclosure is in respect of Restructured Standard Accounts excluding NPA.
- ✓ Restructured Standard Advances to Gross Advances - 0.55% as on Jun-17 Vs 0.89% in Jun-16
- ✓ No fresh sale to ARC during Q1 FY 2018 and amount outstanding in Security Receipts - 3450 Mn. During Q1 FY 18, the repayment received from ARC in SR amounted to Rs.14 Mn. The bank has provided Rs.150 Mn, Rs.100 Mn, Rs.180 Mn in Q2, Q3, Q4 FY 18 respectively towards SR totalling to Rs.430 Mn for FY 2016-17. Rs.300 Mn provision has been appropriated in Q1 FY 18. We may provide another Rs.500 – 600 Mn over the next 3 quarters in 2017-18 towards probable shortfall in the future realisation of Security Receipts.
- ✓ Amount serviced during Q1 FY 2018 in restructured standard accounts is Rs.74 Mn.
- ✓ During Q1 FY 2018, no borrowal account has been slipped to NPA category.

Investments – At a Glance

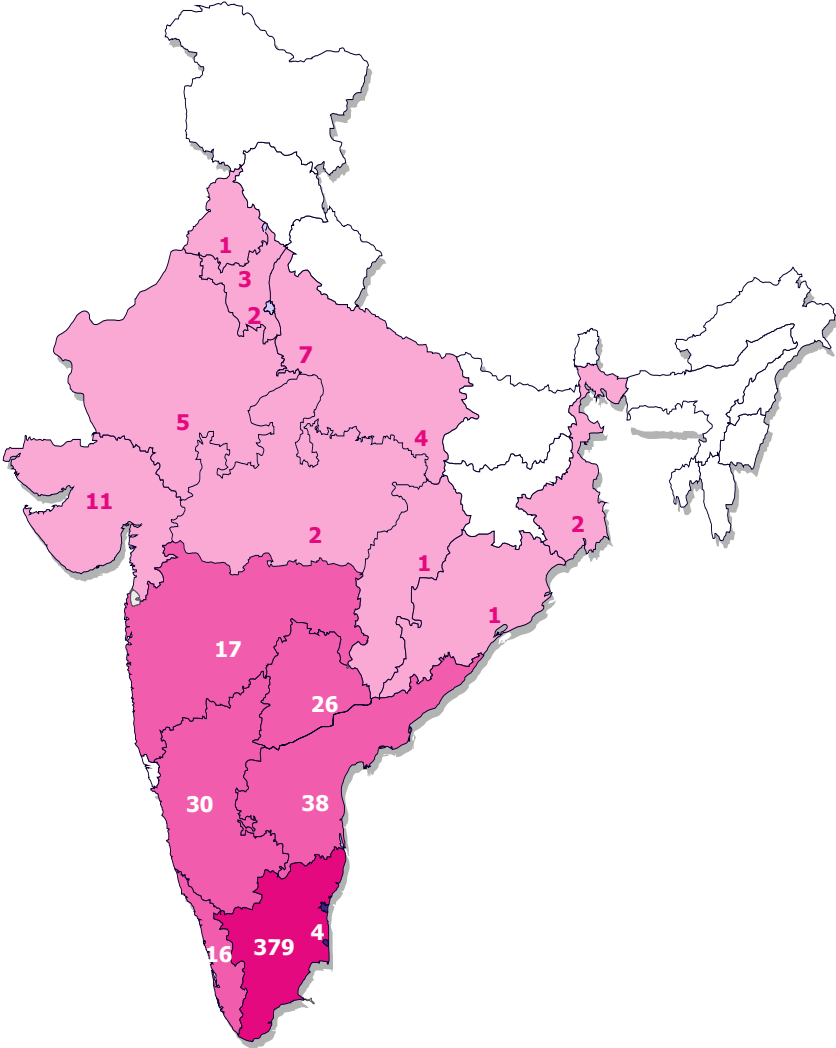
Investments Breakup and Categorywise

(in INR Mn)

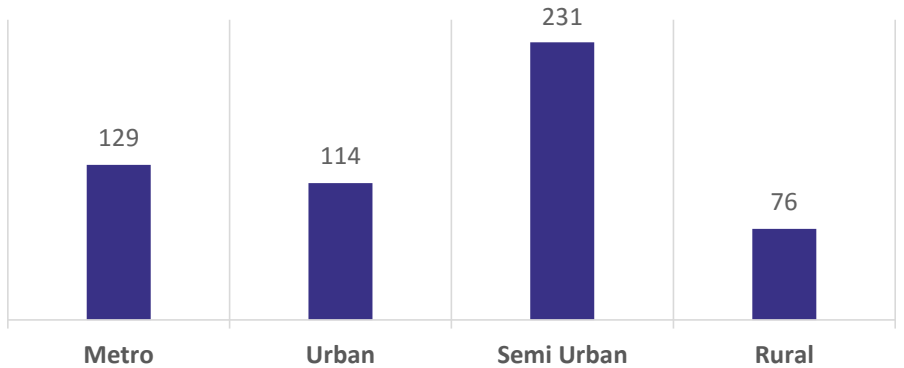
Particulars	JUN 2017	JUN 2016
SLR Securities	70,210	72,836
Non-SLR Securities	3,788	4,169
Total Investments	73,998	77,005
Yield on Investments	6.93%	7.46%
Investments Breakup:		
- A F S	13,679 (18%)	20,744 (27%)
- H T M	60,319 (82%)	56,261 (73%)
- H F T	-	-
Total Investments	73,998	77,005
Modified Duration:		
- A F S	1.83	0.90
- H T M	4.98	4.88
- H F T	-	-
- Overall Portfolio	4.53	3.96

Strong presence in the South

As of Jun-2017 - 550 branches. 489 branches are located in South India out of which 379 in Tamil Nadu



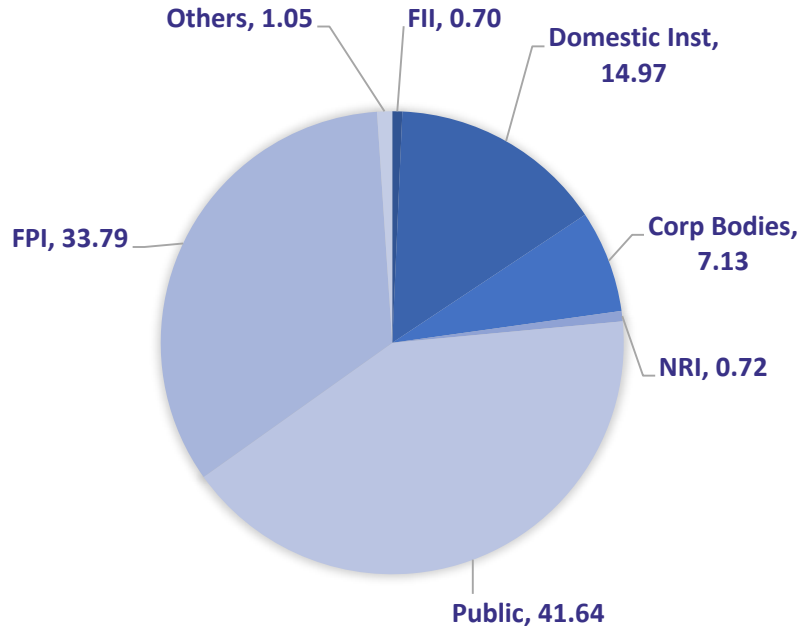
State	No. of Branches	% of Deposits	% of Advances	% of Business
Tamilnadu	379	79	64	72
Andhrapradesh	38	3	9	5
Telangana	26	3	6	5
Karnataka	30	6	5	5
Maharashtra	17	3	3	3
Kerala	16	2	2	2
Gujarat	11	1	4	2
Others	33	3	7	6
Total	550			



A well diversified investor base

as of 30th June 2017

Ownership profile



Major Institutional Shareholders

Shareholders	% of Holding
NT Asian Discovery Master Fund	3.99
Life Insurance Corporation of India	3.70
Lavender Investments Ltd (Chrys Capital)	3.50
Smallcap World Fund INC (Capital Group)	3.32
GKFF Ventures (Argonaut Ventures)	3.00
HDFC Midcap Opportunities Fund	2.25
Aberdeen Global – Asian Smaller Companies Fund	1.99
TVF Fund Ltd	1.72
HDFC Standard Life Insurance Company Ltd	1.25
Bank Muscat India Fund	1.24
Faering Capital India Evolving Fund	1.11
Wasatch Core Growth Fund	1.11
Somerset Emerging Markets Small Cap Fund	1.09
HDFC Balanced Fund	1.05

Well diversified ownership of shareholders around 90,000 Approx

Long term investors ensuring stability and support to management

Higher Participation from FPI's

Limit on FII / FPI ownership increased to 40%

Head room available for FII / FPI ... 5.51%

Transparent 'Corporate Governance' practices

Board consists of 8 Independent Directors and 2 Non-Independent Directors

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

Disclosure norms strictly adhered to

KYC / AML norms strictly complied with

Code of conduct for Directors and Senior Management put in place

WE HAVE EMINENT PERSONALITIES ON OUR BOARD

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

Former retired Chief of Banking Operations & Development department, RBI & IRDA member

Retired High Court Judge

Professor of IIT, Chennai

Career Banker with 4 decades of banking experience

Chartered Accountant & First woman director of the Bank

Practicing Chartered Accountant

Practicing Chartered Accountant

Private Equity Fund Manager

A well experienced and strong Board



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

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



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

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



**Shri. C R Muralidharan | BSC., CAIIB.
Director**

Mr. C.R. Muralidharan has 40 years of vast experience in regulatory Banking and he retired as Chief General Manager, Dept of Banking Operations & Development, Reserve Bank of India and served as member IRDA.



**Justice (Retd.) S R Singaravelu | BSC,B.L.
Director**

Mr. S.R. Singaravelu is a former Judge of High Court of Madras and High Court of Orissa. He has a vast experience of 36 years in the Judiciary where he has held various positions.



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

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



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

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



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

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



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

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



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

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



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

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



CITY UNION BANK LTD

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