

**CITY UNION BANK LIMITED**  
**ANNUAL GENERAL MEETING 23-08-2023**

**CHAIRMAN'S SPEECH**

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

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

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

As you may appreciate, this is an important annual event for the Bank, where it engages itself with its shareholder. As in the previous year, this year also the Ministry of Corporate Affairs and SEBI has extended the guidelines for holding the Annual General Meeting, through Video Conferencing / Other Audio Visual Means, for all the AGM's to be conducted till September 30, 2023. The Bank has provided the Annual Report, together with the Notice of the Annual General Meeting for the year ended March 31, 2023 in electronic mode to all the shareholders. With your kind permission, I shall consider it as read.

Being an e-AGM, considering technical factors and restrictions on participation, I would like to be brief in my speech, giving more focus on the financial performance of the Bank for FY 23 and our Banks continued efforts in overcoming the difficulties, posed by the economy at macro level.

## **GLOBAL ECONOMY**

During FY 22-23, the Global economic activity continued to remain subdued, amidst lingering geopolitical hostilities, supply chain disruptions, inflation in food, energy & commodities, tight financial conditions and witnessed turmoil in the banking system in some advanced economies towards the end. The Central Banks across the globe, remained cautious and continued to withdraw their accommodative stance in a calibrated manner, which led to tight liquidity conditions across world markets, accompanied by an increase in interest rates. As said earlier, the Financial Year 23 towards the end, was badly affected by the Global Banking crisis such as the collapse of Silicon Valley Bank and Signature Bank in US and Credit Suisse of Switzerland, which was caused by rapidly rising interest rates, high levels of uninsured deposits, liquidity mismatch and regulatory rollbacks in the US and elsewhere. As per the latest Report on Monetary Policy by RBI dated August 10, 2023, the global economy continues to face daunting challenges, due to elevated inflation, high levels of debt, tight and volatile financial conditions, continuing geopolitical tensions, fragmentations and extreme unpredictable weather conditions due to climate change effects. For several emerging market economies, weak external demand, elevated debt levels and tight external funding conditions, pose risks to their growth prospects.

## **INDIAN ECONOMY**

In India, the real GDP recorded a growth of 7.2 per cent in 22-23, surpassing the earlier estimate of 7.0 per cent, primarily aided by fixed investment and higher net exports. Fixed investment by manufacturing companies expanded in 22-23. The contraction in merchandise imports towards the latter half of 22-23, outpaced that of merchandise exports, resulting in narrowing of the trade deficit. The CPI based retail inflation came down to 4.7% in March 2023, the lowest since November 2021, primarily due to Monetary Policy tightening and supply side measures.

However as per the latest Press release by GOI, the same has shot up significantly to 7.44% in July 2023 from 4.87% in June 2023 mainly due to soaring prices of tomato, other vegetables & fruits and few other food items. While the core inflation witnessed a moderation, headline inflation, which includes food and energy, is expected to average above 6% in second half of current financial year.

On a positive note, as per the latest Report on Monetary Policy by RBI, the momentum of overall economic activity in India, continues to be positive, with the pickup in the crop sowing activity showing an improvement, due to progress of normal monsoon. Aggregate demand conditions continue to be buoyant due to factors that induce increase in passenger vehicle sales, household credit and domestic air passenger traffic. Higher growth in agricultural credit and sales volume of fast moving consumer goods (FMCG), suggests incipient recovery in rural demand, which will be reinforced with improving kharif crop output. All this is reflected in the continued increase in GST collections as well as Direct Tax collections. Also, India's foreign exchange reserves are now back in the above USD 600 Billion mark-zone since July 2023. The Government's continued thrust on capital expenditure, with initiatives such as Production Linked Incentive (PLI) scheme, will augment the private investment activity. This is expected to contribute positively to the development of the Indian Economy. Taking all these factors into consideration, real GDP growth for 23-24 is projected at 6.5 percent, with the overall risks evenly balanced.

### **Performance of the Indian Financial Sector**

The total Bank deposits expanded by 9.6% during FY 22-23 as compared to 8.9% during the previous year. The credit growth which is vital for output, stood at 15% during FY 22-23. The Bank Credit to Micro and Small enterprises under priority sector grew by 14% in FY 23 Vs 13.2% in FY 22. The Credit to Medium sized enterprises also saw 13.4% growth in FY 23. Post pandemic, overall credit growth to MSME was distinctly higher in comparison to credit growth to large industries as per RBI report.

The Retail loan segment recorded a growth of 20.6% in FY 23, compared to 12.6% a year ago, primarily driven by Housing loans. The recovery in both gross NPAs and net NPAs showed positive signs in FY 23. The Banking sector remains a crucial component for the success of Indian economy.

Before proceeding to address the financial performance of your Bank, I would like to brief you the highlights on the latest Monetary Policy Report of RBI dated August 10, 2023.

### **BANKING SCENARIO**

The Monetary Policy Committee of the Reserve Bank of India (RBI) at its meeting held on August 10, 2023, based on the assessment of the current and evolving macroeconomic situation, decided on the following measures:

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

The MPC has mandated that beginning August 12, 2023, all the scheduled banks shall maintain an Incremental Cash Reserve Ratio of 10 percent, on the increase in the Net Demand and Time Liabilities, between May 19, 2023 and July 28, 2023, with an intention to absorb the surplus liquidity, generated by various factors including return of ₹ 2,000 notes to the banking system and prevention of excessive unsecured lending by Banks.

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

## **MOVING TO PERFORMANCE OF YOUR BANK**

The Total Income of the Bank stood at ₹ 5,525 crores as compared to ₹ 4,864 crores during last year, recording a growth of 14%. The Bank's total Deposits for the year under review increased to record ₹ 52,398 crores from ₹ 47,690 crores, registering a growth of 10% over previous year. The Gross Advances of the Bank increased to ₹ 43,971 crores from ₹ 41,156 crores, posting a growth of 7%. As on March 31, 2023, the total CASA deposits stood at ₹ 15,657 crores against ₹ 15,529 crores last year. The proportion of CASA to total deposits was at 30% as on March 31, 2023.

The Net Interest Income stood at ₹ 2,163 crores as compared to ₹ 1,916 crores during the previous year, recording a growth of 13%. The cost of deposits marginally decreased to 4.66% in FY 23 against 4.68% in FY 22.

## **PROFITABILITY**

The Operating Profit of the Bank stood at ₹ 1,818 crores in FY 23 as against ₹ 1,595 crores in FY 22, recording a growth of 14%. The operating profit to Net Interest Income constitutes 84%. The Bank recorded a Net Profit of ₹ 937 crores as on March 31, 2023 as against ₹ 760 crores in the previous year, registering a growth of 23%.

Return on Assets of the Bank for the FY 23 stood at 1.46%, as against 1.35% last year and Return on Equity was at 13.42% for FY 23 as against 12.31% for FY 22. The basic earnings per share stood at ₹ 12.67 per share as compared to ₹ 10.29 per share last year. The Gross NPA and Net NPA for the year under review stood at 4.37% and 2.36% respectively, as compared to 4.70% and 2.95% in the previous year.

## **INVESTMENTS / TREASURY OPERATIONS**

The investment of the Bank rose to ₹ 14,390 crores in FY 23 as against ₹ 12,294 crores in FY 22, recording a growth of 17%. Out of this, the investments in Government Bonds remained at ₹ 14,268 crores constituting 99.36% of the total Investment. The Non-SLR investments declined by ₹ 65 crores mainly on account of part redemption and write off in Security Receipts. During the year, the bank booked a profit of ₹ 7.63 crores through sale of securities.

## **NET OWNED FUNDS & CAPITAL ADEQUACY RATIO**

The paid-up Share Capital of the Bank increased to ₹ 74.04 crores as on March 31, 2023 from ₹ 73.96 crores as on March 31, 2022. The Net worth of the Bank stands improved to ₹ 7,421 crores as on March 31, 2023 from ₹ 6,550 crores as on March 31, 2022. As per Basel III regulations, the CRAR required to be maintained for the period ended March 31, 2023 is 11.50%. The Bank has maintained Tier I CRAR of 21.27% and total CRAR of 22.34% as at March 31, 2023, which is well above the norms prescribed by the RBI.

## **REWARDING SHAREHOLDERS**

Your Directors have recommended a dividend of 100% for FY 22-23, in pursuance of its consistent philosophy of well rewarding shareholder. The dividend payout for FY 23 is in accordance with the Dividend Distribution Policy of the Bank framed in terms of the SEBI Listing Regulations.

## **BRANCHES**

During the financial year, the Bank expanded its branch network by adding 25 new branches totaling 752 branches and 1,678 ATM's as on March 31, 2023.

## **TECHNOLOGY & AUTOMATION**

The concept of Digital Banking, which has gained prominence in recent years, has been at the forefront of the bank's growth. In order to meet the Digital challenges and enhance customer service, our bank has launched various innovative digital initiatives such as Wearable Keychain, CUBFit Watch, All in one mobile App, Voice authentication etc.

Besides these initiatives, your Bank has tied up during the year with 42 Card Solutions Pvt. Ltd., to issue CUB brand credit card 'Dhi' and your Bank is expanding the credit card network to our customers in a big way. It needs a special mention here that your Bank has been awarded during the year the "Best Digital Engagement", "Best Financial Inclusion", "Best Fintech Collaboration", and "Best Technology Talent", at IBA Technology Conference Expo and Awards 2022, held in December 2022.

Further, in July 2023, your Bank has entered into an agreement with "The Boston Consulting Group" for Automation of its Digital Lending Transformation program. This project will start yielding the benefits from the middle of next year.

## **RISK MANAGEMENT**

The Bank has a Risk Management team headed by the Chief Risk Officer, who reports directly to MD & CEO. The overall risks faced by the Bank and the risk appetite are evaluated by the team, which frames policies and procedures. Risk Management practices have been aligned with the industry practices and are adaptable to the dynamic operating environment and market conditions. In line with RBI guidelines, our Bank has added two new policies namely "Climate Risk Policy" and "Financing Framework for Green Deposits", to address Environment and Sustainability aspects.

## **CORPORATE SOCIAL RESPONSIBILITY**

Coming to our commitment to the society, I must say that CSR has always remained an integral part of the Bank. The Bank's CSR wing "Cub Foundation" is continuing to play a vital role, in supporting the community in the vital areas like Swatch Bharat, Health care, Literacy, Rural sports, Community Development and Environment sustainability, particularly water resource management, sanitation and literacy. It is noteworthy that CUB's CSR activities, have created a behavioural change among the stakeholders, in the governance of water bodies and solid waste management. Starting from the financial year 17-18, your Bank has strengthened and protected the river and canal banks to a stretch of 58 kms, desilted and rejuvenated lakes in a spread of 594 acres, benefitting about 45,000 acres of cultivable land, apart from improving the water table over a much larger area. These activities covered over 70 villages and benefitted around 1.5 lakh people.

Apart from the continued support to protecting and improving the water bodies, the Bank has undertaken various CSR activities in the fields of Literacy & Education, especially in providing the infra structure facilities in rural schools, sanitation in both rural and urban places.

In the year under report, we have spent a total of ₹ 12.74 crores towards CSR activities. A detailed report is set out as Annexure to Directors Report.

## **HUMAN RESOURCES**

Human Resource Development and Industrial atmosphere, plays a prominent role in an organization's growth and your Bank has always maintained cordial relations among its employees at all times. The members of the talent pool are being groomed by giving trainings at various centers of excellence like SIBSTC, NIBM, CAFRAL, IRDBT etc., apart from our own staff training college at Chennai and Kumbakonam. Continuous efforts are being made, to enhance the quality of existing personnel and also to attract new talent wherever required.



I take pride in expressing the fact that our employees always stand committed to win the trust and confidence of our customers, by their courteous service, which is our hallmark. The tireless efforts of our CUBians under the challenging conditions both during the pandemic and afterwards, are truly laudable and needs a special mention here. The Bank has maintained a healthy work environment right from its inception and it needs to be mentioned here with pride, that there are no instance of industrial unrest till date.

### **ACKNOWLEDGEMENT**

Before I conclude, I hereby extend my sincere gratitude to the Reserve Bank of India, all Govt. bodies, Regulatory authorities, Shareholders, Customers, business associates, my colleagues on the Board of the Bank, Executives and Employees of the Bank, for all their continued support, guidance and patronage extended to the Bank in its growth process. My sincere appreciations to both Employees Union and Officers Association, for their role in ensuring a harmonious Industrial relationship.

We always endeavor to improvise our products and enhance the operational efficiency employing the state of the art technology, to meet the growing needs of our customers. At the same time we ensure that our rich tradition of personalized customer service, well established by the founders of the Bank over more than a century, is maintained with no compromise on the core values.

With the Grace of Almighty and with all your support, I am confident that our 119 years young organization will continue to progress with added vigor touching new horizons of growth and glory in the years to come.

My best wishes to you all once again.

Thank you  
**(M. Narayanan)**  
**CHAIRMAN**