

CITY UNION BANK LIMITED
ANNUAL GENERAL MEETING – 19-08-2021
CHAIRMAN 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.

Namaskaar and Hearty Welcome to all of you ! 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 faith reposed in the Bank and its Management.

As you may appreciate, this is an important annual event for the Bank where it engages itself with its shareholders and where they are going to vote on our resolutions set out in Notice calling this meeting. However, in view of the statutory directions issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India in the wake of COVID Pandemic we are holding the Annual General Meeting this year also in the virtual mode. The Bank has provided the Annual Report together with the Notice of the Annual General Meeting for the year ended 31st March, 2021 in electronic mode to shareholders. With your kind permission, I shall consider it as read.

Being an e-AGM, considering technical factors / restrictions on participation, I would like to be brief in my speech giving more focus on the financial performance of the Bank for FY 2021 and our Banks continued efforts in overcoming the impact of the pandemic.

GLOBAL ECONOMY

The global economy witnessed an unprecedented downturn in FY 2020-21 due to the Covid-19 pandemic. Central banks across the Globe provided liquidity support along with various credit extension policies to a wide range of borrowers. These measures increased the momentum of economic activity in the latter part of the year. The IMF (International Monetary Fund) predicted in its April 2021 World Economic Outlook that the global economy is projected to grow at 6.0 per cent in the calendar year 2021. Since April 2021, the global economic recovery has been gaining momentum, driven mainly by major advanced economies and massive vaccination drives and stimulus packages. Inflation in major Emerging Market Economies (EME's) has risen above the official targets, due to sustained rise in food and commodity prices. The World Trade Organization has projected an expansion of 8% in Global Merchandise Trade although they will remain below the pre-pandemic level. Cross-border services such as tourism and transportation are likely to remain subdued till the time the pandemic recedes globally, and restrictions on international travel ease resuming confidence of the passengers. A collective global effort to fight the pandemic will bring better results, than individual countries fighting alone & the G20 countries' goal of a strong, sustainable and inclusive growth is within sight and reach.

INDIAN ECONOMY

In India, the second wave of the pandemic has taken a serious toll both in terms of lives and livelihood of many. The recovery that had commenced in the latter half of FY 2020-21 was halted by the second wave of the pandemic that surfaced in April-May 2021. The efforts of the RBI and Government in financial inclusion have helped the State machinery in providing seamless and timely financial support to weaker sections of the society through direct benefit transfers (DBT). The Manufacturing sector & Mining sector suffered the worst with huge losses in Q1.

The pharmaceuticals sector for the obvious reasons, witnessed a boom aided by the production-linked incentive scheme (PLI) introduced for bulk drugs and medical devices, which augmented the domestic pharmaceutical production and medical exports. The services sector suffered heavily in the initial period and so also the contact intensive sectors such as aviation, tourism, and hospitality. The IT sector displayed resilience amidst the pandemic. FASTags, the facility of cashless tolling which was made mandatory in February 2021 resulted in strong growth of National Electronic Toll Collection (NETC). E-commerce platform witnessed robust growth with rising waves of digitization.

With Covid-19 second showing signs of decline in early June 21, and the likely availability of sufficient vaccines by September 2021, growth in second half of FY21-22 is likely to pick up which would trigger positive outcomes for the Indian economy.

BANKING SCENARIO

To mitigate the financial impact of Covid-19 related disruptions, the Reserve Bank of India undertook several policy measures to ease the flow of credit at a lower cost to needy segments. These measures include lowering policy rate, launching on-tap liquidity schemes and channelizing liquidity through All India Financial Institutions to resolve stressed loans to individuals, small businesses and MSME borrowers. Further, with an objective to provide more focus on inclusive development, the RBI broadened the scope of PSL (Priority Sector Lending).

The Reserve Bank of India continued with its accommodative stance and undertook several measures to arrest the downturn in domestic economic activity, to ease financial conditions and the functioning of financial markets while maintaining financial stability and the soundness of payment and settlement systems.

The Reserve Bank of India on the basis of an assessment of the current and evolving macroeconomic situations, made the following changes at its Monetary Policy Committee (MPC) meeting held on August 06, 2021:

- Policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged 4.0 per cent.
- Reverse repo ratio under Liquidity Adjustment Facility (LAF) was maintained at 3.35 percent.
- Marginal Standing Facility (MSF) rate and the Bank Rate maintained at 4.25 per cent.

The health of the Banking Sector emerged as top most priority for the Reserve Bank of India as it sought to provide more cushion to the sector already ravaged by the pandemic. The timely measures of RBI have infused a sense of optimism amongst banks. Containing measures like lockdown and stoppage of transportation, which paralyzed the business enterprises had their impact on banks in terms of loan recoveries. As said earlier plethora of steps taken by RBI and Government of India like Resolution Plan, ECLGS (Emergency Credit link Guarantee Scheme) etc., would help both banks and their borrowers to overcome the damage caused by the pandemic. These measures along with vaccination drives and a collective effort at the global level to arrest the pandemic are all expected to propel the global economy out of woods in the year ahead.

OUR BANK'S RESPONSE

With the threat of the third wave of the pandemic looming large, the Bank continues to remain cautious. Safety measures like alternative work arrangements, creation of awareness among employees, fully sanitizing the environment, providing health camps for employees and their families, reducing in-person interactions, redesigning working hours through implementation of shift system etc., are taken.

During the year our Bank conducted vaccination programmes at several centres including our Administrative Office covering 4663 employees constituting 99% of total eligible workforce. A high level committee by name “Quick Response Team” was also formed as directed by RBI to oversee the entire developments in the context of the spread of COVID 19.

Coming to the credit side, in line with the policies of RBI & Central Government, the Bank has provided credit to MSME sector under Emergency Credit Line Guarantee Scheme (ECLGS) at a concessional rate to help them tide over the economic distress. The Quantum of relief provided under ECLGS is Rs. 1,960 crore covering 8,556 borrowers’ upto March 31, 2021. The relief provided to borrowers on repayment of their loan-dues particularly interest burden, pursuant to regulatory directions, is a timely help to them to cope with the pressure on their strained cash flows.

We always extend our support and services to all our customers improvising our products and operational efficiency using the updated technology. At the same time we ensure that our hoary tradition well established by the founders of the Bank is maintained with no compromise on the core values.

MOVING TO PERFORMANCE OF YOUR BANK

In the current market scenario which is largely affected by the Covid-19 pandemic, your Bank recorded a reasonable growth rate during the year in comparison to previous year. In the reporting year, the biggest challenge faced by the Banking system was dealing with mounting stressed assets, restructured debts and NPA accounts. Despite these challenges, the Bank was able to post an 8% growth in its total business, with Deposits growing by 9% and Gross Advances growing by 7%. The total business of the Bank as on 31st March, 2021 stood at Rs. 81,558 crore.

PROFITABILITY

The Net Interest Margin or NIM of your Bank stood at 4% for the year ended March 31, 2021. CASA stood at 29% of Deposits which improved from 25% in the previous year. Credit Deposit Ratio has recorded 83% at the end of the year. As a result, the Net Interest Income rose from Rs. 1,676 to Rs. 1,830 crore registering a growth of 9%. Your Bank's operating profit rose from Rs. 1,341 crore to Rs.1,484 crore. Net Profit rose from Rs. 476 crore to Rs. 593 crore. The return on assets improved to 1.15% from 1% last year.

DEPOSITS

During the year, deposits have increased from Rs.40,832 crore to Rs.44,537 crore as on 31st March 2021 recording a growth rate of 9%. The cost of deposit of the Bank decreased from 6.20% in FY 2020 to 5.36% in FY 2021.

ADVANCES

As for advances, the position increased from Rs. 34,576 crore as on 31st March 2020 to Rs.37,021 crore as on 31st March 2021 registering a growth rate of 7%. The yield on advances decreased from 10.76% to 9.91% during the reporting year on account of the transmission of the cut in the key rates to the borrowers, as expected of us by the Regulator. The priority sector advances stood at Rs. 20,648 crore as at 31st March 2021 as compared to previous year amount of Rs. 17,507 crore and aggregated to 56% of the Bank's adjusted net credit which is well above the regulatory prescription of 40%.

NON PERFORMING ASSETS

The Gross NPA increased from 4.09% to 5.11%. With the Covid restrictions hampering the legal proceedings we could not make much progress during the year in the recovery of bad loans. The Net NPA increased to 2.97% compared to 2.29% last year.

As the standstill order was in vogue in the first 9 months, bank as a prudent measure made adhoc Covid provisions every quarter. During Q4 FY21 we utilized a sum of Rs. 309 crore from and out of the same towards provision for bad debts. Thus a net adhoc Covid provision of Rs. 31 crore was made during the year taking the total adhoc Covid provision to Rs. 156 crore.

INVESTMENTS / TREASURY OPERATIONS

During the year under review gross investments has increased from Rs. 9,236 crore to Rs. 9,523 crore. The total Yield on investments worked out to 8.20%. In the midst of a stressed scenario, I must acknowledge here the redemptive role played by our Treasury department. During the reporting year the Bank has booked treasury profit to the tune of Rs. 233.41 crore as against Rs. 159.60 crore last year, a handsome increase of Rs. 74 crore, by effectively manoeuvring the volatile yield movements and timely sale of securities. Further, the Non-interest income of the Bank registered a 4% growth from Rs. 680 crore to Rs. 705 crore mainly on account of increase in treasury income.

NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

The Bank's paid-up capital stood at Rs. 73.88 crore as on 31st March, 2021. The Bank's net worth increased from Rs. 5,253 crore as on 31st March 2020 to Rs. 5,799 crore as on 31st March 2021. The Capital Adequacy Ratio under BASEL III as at 31st March, 2021 stood at 19.52% which is well above the stipulated regulatory norm.

REWARDING SHAREHOLDERS

Your Directors declared an interim dividend of 30% on the equity shares for the financial year 2020-21 during the month of May 2021 itself, in pursuance of its constant philosophy of rewarding shareholders. In addition, your Directors have also recommended final dividend of 20% for FY 2020-21 in line with the extant directions issued by RBI on Dividend issue.

BRANCHES

During the financial year because of the pandemic, the Bank could expand its branch network by adding only two more branches totalling 702 branches and 1,724 ATM's as on 31st March, 2021.

TECHNOLOGY

The Covid 19 pandemic has accelerated the push towards digitalization with greater adoption of digital payments. Keeping in mind the Covid protocols the Bank swiftly introduced “ CUB EASY” a video KYC based account opening Application in the year 2020, which has garnered tremendous response.

The evolution and adoption of newer technology has led to a significant improvement in deepening the digital transmission services. During the year, “Device Binding” in Mobile banking app was introduced as an enhanced security measure to customers whereby mobile banking app can be accessed only from the registered mobile device. Today, Payment System has assumed great importance and it is considered as the lifeline of Digital Banking and in tune with the trend improvisation takes place at our end also. Our “CUB All in One App” is now fully integrated with Unified Payment Interface (UPI) & Scan and pay functionalities. Even Non-CUB customers can use this application for payment purposes.

Investment options have been introduced in Net/Mobile Banking whereby customers can make investments in Sovereign Gold Bonds, Mutual Funds, IPO / Rights Application through ASBA etc. Our Bank has introduced Interoperable Card Less Cash Withdrawal (ICCW) from ATM using UPI in our NCR ATMs whereby customers can withdraw from the ATM without using Debit cards. Moreover during the Covid 19 pandemic and lockdown, some of our staff members were compelled to work from Home. The Bank provided them with secured VPN (Virtual Private Network) connectivity with installation of Antivirus and Patch management solutions.

RISK MANAGEMENT

The Bank has in place, a sound Risk Management Architecture, established by the active involvement and supervision of Board of Directors. The Board of the Bank has constituted a Risk Management Committee, which assesses the Bank's risk profile and key areas of risk in particular. Under the supervision of the Risk Management Committee of the Directors, the Risk Management Committee of Executives functions to ensure that the policy guidelines approved by the Board are implemented and faithfully adhered to.

The Bank has a Risk Management team headed by the Chief Risk Officer, who reports directly to MD & CEO/ Risk Management Committee (RMC) of the Board. The overall risks faced by the Bank and the risk appetite are evaluated by the Risk Management Department which frames policies and procedures, verifying the models that are used for pricing products, identifying new risks etc. Risk Management practices have been aligned with the best industry practices and are adaptable to the dynamic operating environment and market conditions.

The Bank is BASEL II compliant since 31st March, 2009. The Bank has implemented the BASEL III Capital Regulations from 1st April, 2013, by computing the Capital and Risk weighted Assets as per RBI guidelines dated 2nd May, 2012. The Bank presently adopts Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk. Necessary initiatives have been taken for moving over to advanced approaches under BASEL III as per the timelines indicated by RBI. The Risk Management Department of the Bank effectively functions to measure, monitor and control all risks paving way for effective Enterprise-wide Risk Management.

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 & Environment sustainability particularly water resource management etc. In the year under report, we have spent a total sum of Rs.10.95 crore towards these activities.

During the year, we prioritized our outgoes under CSR towards containing the spread of Covid 19. We provided Covid Relief Fund to the various municipalities and Government bodies to the extent of Rs.125 lacs. As allowed by a Circular from the Ministry of Corporate Affairs stating that any exgratia given to Temporary / Casual / Daily Wage Workers / Security Guards can be accommodated under CSR, we disbursed a sum of Rs.93 lacs to such workers in our Bank. In the current year, at the onslaught of the second wave of the pandemic, we spent a sum of Rs.3.25 crore towards supply of Oxygen concentrators to various hospitals and towards Chief Ministers Relief Fund.

As in the past, the Bank has continued its contribution towards conservation of Water bodies, & conservation of rainwater for groundwater recharge. The project on recharge of groundwater focused on desiltation of older ponds for collection of water.

This was conducted at various districts in Tamilnadu which also covered cleaning and deepening of various lakes and rivers particularly in Kumbakonam, to augment ground water levels and conserve water for agricultural purposes.

HUMAN RESOURCE

As on 31st March, 2021, the Bank had on its roll 5,843 employees including 50 Executives. The Human Resource function continued to build & provide a cordial and safe work atmosphere to all employees by implementing the Covid guidelines issued by Union Health Ministry and State Government on the staff strength at workplace. The commitment and grit shown by our employees during the testing times has been exemplary.

It also needs a mention here that during the reporting year, the management of the Bank considering the risks and efforts made by all employees during hard & continuing phases of COVID pandemic, has granted COVID incentive in monetary terms to all employees of the Bank.

When I acknowledge the sincere services of our employees during the pandemic times, I feel pained to mention that the bank lost six of our Cubians on account of this terrible Covid. I pay my sincere homage to them.

In the context of COVID 19, considering the need to adhere to safety norms & to continue the professional development of its employees, the Bank has developed an e-learning Management System (LMS). LMS is a software application for administration, documentation, tracking, reporting and delivery of educational courses / training programmes. It facilitates online learning process at users' convenience. Initially an audio video lecture series on various fundamental aspects of credit was presented by the MD & CEO of the Bank. This has been made available to all staff members. Audio programmes on various other topics on banking are underway.

Further, during the reporting year, the management of the Bank has entered into pay settlements with CUB Officers Association (CUBOA) and CUB Staff Union (CUBSU) containing various monetary & non-monetary benefits.

In fact the settlement which is due in September 2021, was advanced and made effective from 01st January 2021. Further, the pay structure of all Executives was also revised w.e.f. January 2021.

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. The tireless efforts of our CUBians under the challenging conditions are truly laudable. The Bank has maintained a healthy work environment right from its inception and it needs to be mentioned here that there are no instances 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 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.

With the grace of Almighty and with all your support, I am confident that our 116 years old organisation will continue to progress with added vigor touching new horizons of growth and glory in the years to come.

I hope and pray that the world emerges victorious in its undaunted fight against the pandemic very soon.

My best wishes to you all once again.

Thank you

(R. MOHAN)
CHAIRMAN