

CITY UNION BANK LIMITED
ANNUAL GENERAL MEETING – 18-08-2022
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. In view of the extended directions issued by the Ministry of Corporate Affairs and SEBI for holding the Annual General Meeting through Video Conferencing / Other Audio Visual Means, this year also the AGM is conducted in virtual mode. The Bank has provided the Annual Report together with the Notice of the Annual General Meeting for the year ended 31st March, 2022 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 2022 and our Banks continued efforts in overcoming the impact of the Global turmoil caused due to the adverse effects of the continuing pandemic and Russian Ukraine war.

GLOBAL ECONOMY

In the beginning of the year 2022 the World was emerging out of the pandemic which had ravaged the globe for the past two years. However the global economy was once again exposed to turbulence with the emergence of the Russia-Ukraine war, followed by sanctions on Russia by the Western Allies, escalating geopolitical tensions. This has crippled the financial architecture as the Russian banks could not participate in International Payment and Settlement systems. The war situation has exacerbated at a time when the world economy is grappling with a sharp rise in inflation and monetary policy stabilization in advanced western economies. The resurgence of COVID-19 pandemic in some major economies such as China and Korea in March 2022 and the associated lockdowns has further aggravated the global supply bottlenecks and input cost pressures severely impacting the world trade once again.

INDIAN ECONOMY

The Indian Economy is relatively well –positioned on the path of recovery, but it cannot be immune to global spillovers. The Reserve Bank of India through its Monetary Policy has been fortifying the macroeconomic fundamentals, making the Indian financial markets and institutions sound and resilient thus mitigating the impact of the turbulence in the global economy. There was a gradual turnaround in February and March 2022 with an increase in Urban demand for domestic air traffic due to ease in restrictions. Passenger vehicle sales which remained subdued for the better part of the year improved in February 2022. Several high frequency service sector parameters such as railway freight, GST Collections, toll collections, electricity and fuel consumption and import of capital goods showed a robust year-on-year expansion in February-March 2022. Merchandise exports remained buoyant and clocked double digit growth in March 2022. Foodgrains production touched a new record in 2021-22, with both kharif and rabi output surpassing the estimates for 2020-21 as well as the targets for 2021-22. On the positive front India's foreign exchange reserves increased by US\$30.3 billion to US\$607.3 billion in 2021-22 and even after the recent reduction it is still at a comfortable position of US\$580 billion. Going forward with the government's thrust on capital expenditure along with initiatives such as Production Linked Incentive (PLI) scheme, will augment the private investment activity and improve capacity utilization in 2022-23 which would contribute positively to the development of the Indian Economy.

BANKING SCENARIO

The Reserve Bank of India through its Monetary Policy has been fortifying the macroeconomic fundamentals, making the Indian financial markets and institutions sound and resilient thus mitigating the impact of the turbulence in the global economy. On the basis of assessment of the current and evolving macroeconomic situation, the MPC at its meeting held on June 08,2022, announced the following measures:

- Policy Repo rate increased by 50 basis points from 4.40% to 4.90% under liquidity adjustment facility.
- Bank Rate and Marginal Standing Facility rate (MSF) increased to 5.15%from 4.65% respectively.
- Standing Deposit Facility (SDF) stands adjusted to 4.65% from 4.15%
- SDF to replace the fixed rate reverse repo (FRRR) as the floor of the LAF corridor

The RBI Governor in his meeting with the CEO's of Public and Private Sector banks noted the key role played by the banks in supporting the economy throughout the pandemic weathering different storms. He advised the banks to take advantage of the emerging opportunities in the changing geo political set up and at the same time remaining watchful and taking proactive measures by raising capital whenever required to minimize the risks. Moreover he urged the banks to improve their grievance redress systems and provide continuous support to revive the economic activity. He also asked the banks to set up Digital Banking Units by modernizing their Digital Infrastructure and cyber security defence systems. The RBI's market operations remain supportive of recovery factoring in the developments in global financial and commodity markets. The domestic financial markets remain conducive to growth and credit off -take is gaining traction. The Banking sector being the backbone of any economy has to play a stellar role in the development of the Indian economy and its people in the years to come

OUR BANK'S RESPONSE

During the year our Bank added 25 New Branches taking its total to 727 branches. As part of our Innovative strategy to compete with peers and garner more market share our Bank during the year 2022 had launched "5 New Current Account Products" in lieu of the existing products, exclusively to tap the New generation entrepreneurs and startups. The category of 5 New Current Accounts is as follows

- Start-Up CA
- Regular CA

- Silver CA
- Gold CA for existing general CA customers
- Platinum CA for existing CUB Classic CA customers

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 overall outstanding balance of borrowers who availed ECLGS as on 31.03.2022 is Rs 14,366 crore & the ECLGS portion on the same as on 31.03.2022 is Rs 2,656 crore. The Emergency Credit Linked Guarantee Scheme (ECLGS) which was introduced by the Central Government on June 28,2021 provides 100% guaranteed coverage to Banks for extending emergency credit to businesses affected by the pandemic to meet their working capital requirements. Also in order to overcome the unforeseen circumstances, adhoc Covid Provisions were also made over and above the requirements as specified by RBI.

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 the age old tradition well established by the founders of the Bank is maintained with no compromise on the core values.

MOVING TO PERFORMANCE OF YOUR BANK

The Financial Year FY2021-22 was largely affected by the Covid-19 pandemic & in the last Quarter by the Russia-Ukraine war. Amidst this our Bank recorded a reasonable growth rate during the year. Despite the various challenges, our Bank was able to post an 9% growth in its total business, with Deposits growing by 7% to 47,690 crore and Advances growing by 11% to 41,156 crore. The total business of the Bank as on 31st March, 2022 stood at Rs. 88,846 crore. In the reporting year, the biggest challenge faced by the Banking system was dealing with mounting stressed assets, restructured debts and NPA accounts.

PROFITABILITY

The Net Interest Margin or NIM of your Bank stood at 3.98% for the year ended March 31, 2022. CASA stood at 33% of Deposits which improved from 29% in the previous year. The Net Interest Income stood at Rs. 1,916 crore as compared to Rs. 1,830 crore during the previous

year recording a growth of 5%. The Bank has recorded a growth of 9% in Operating Profit from Rs.1,468 crore in FY 2020-21 to Rs. 1,595 crore in FY 2021-22. The operating profit to NII constitutes 83.24%. Net Profit rose from Rs. 593 crore to Rs. 760 crore in FY2022. The return on assets improved to 1.35% from 1.15% last year.

INVESTMENTS / TREASURY OPERATIONS

The gross Investment increased by ₹2,771 crores to ₹12294 crores as on 31st March 2022 from ₹9,523 as on 31st March 2021. Out of this, the investments in Government bonds alone remained at ₹12,137 crore constituting 98.72% of the total investment. . During the year, the Bank utilized the volatile yield movements to some extent and through timely sale of securities booked profit to the tune of ₹62.10 crore and profit on our foreign exchange operation during the same period stood at ₹194.74 crores as against ₹91.91 crores during the previous financial year.

NET OWNED FUNDS / CAPITAL ADEQUACY RATIO

The Bank's paid-up capital stood at Rs. 73.95 crore as on 31st March, 2022. The Bank's net worth increased from Rs. 5,799 crore as on 31st March 2021 to Rs. 6,550 crore as on 31st March 2022. The Capital Adequacy Ratio under BASEL III as at 31st March, 2022 stood at 20.85% which is well above the stipulated regulatory norm.

REWARDING SHAREHOLDERS

Your Directors have also recommended dividend of 50% for FY 2021-22 in line with the extant directions issued by RBI on Dividend issue, in pursuance of its constant philosophy of rewarding shareholders.

BRANCHES

During the financial year because of the pandemic, the Bank could expand its branch network by adding 25 new branches totaling 725 branches and 1,732 ATM's as on 31st March, 2022.

TECHNOLOGY

The evolution and adoption of newer technology has led to a significant improvement in deepening the digital transmission services. Continuing with its Digital Thrust our Bank also

launched two new Digital products "CUB Keychain Debit card & CUBFIT Watch Debit Card" not only for its existing customers but also for Non-Customers of the bank. The products are attractively priced and therefore would go a long way in drawing new Customers to the bank. CUB EASY Pay Keychain is a wearable payment device which allows customers to tap and pay purchases on merchant – POS (Point of Sale Terminals) linked to CUB Accounts, authenticated by PIN entry for an amount upto Rs.5,000/-.

Our Bank has partnered with GOQii, one of the top smart health fitness brands in India to offer CUBFit Watch Debit card. It has also the features of a registered health tracker to monitor vitals like Heart rate Variability, O2 levels, Body Temperature, Blood Pressure and track activities. The attractive feature is that it enables contactless payments for purchases at all the participating stores. It needs a special mention that City Union Bank has received the "Banking Finnoviti Awards" for UPI 123 Pay at the Finnoviti Conference and Awards 2022 held in Mumbai on May 05,2022.

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.. Risk Management practices have been aligned with the industry practices and are adaptable to the dynamic operating environment and market conditions. The Bank is exposed to a variety of risks notably, Credit Risk, Market Risk and Operational Risk. The main objective of risk management department is to strike a proper balance between risk and return, and it operates within the Board approved risk policy, which is communicated to all the departments. The identification, measurement, monitoring and management of risks remain main focus areas of our Bank. Business and revenues are to be weighed in the context of the risks implicit in the bank's growth. The Risk

Management Policy is subject to review on a periodical basis depending upon the guidelines / directions are given by RBI from time to time or whenever any situations warranting review.

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.11.81 crore towards these activities.

The approach and methodology of CSR activities undertaken by CUB has been consistent with the established norms of social sector projects, and focuses on creating "public good. A major outcome of CSR activities is the impact on the brand image of the organisation. The local population are already aware of the efforts that CUB has been undertaking over the course of its existence for supporting the local economy. Currently the projects by design are responsive to the needs identified by the stakeholders – particularly the government engineers/managerial staff.

CUB plays a leading role in creating a sustainable future. Considering the need of the hour, the Bank has been progressively investing in protecting water bodies in and around its headquarters at Kumbakonam, Tamilnadu and also in various other districts viz., Thiruvarur and Nagapattinam. The Bank concentrates on de-silting of storage water tanks of ancient temples / lakes / ponds to keep the water level high. Small Water Bodies have always been a part of the rural landscape which enables agriculture, irrigation, drinking water supply etc.

Several projects have been undertaken by the Bank for the renovation of lakes and large water bodies. Continuous recharging has resulted in a higher groundwater table which has helped farmers. CUB's contribution towards rebuilding of "Bamini River" canals in the delta region has provided connectivity between lakes. The Government officials have acknowledged that CUB's water conservation initiatives have resulted in better coordination of government programmes

The CSR activities undertaken by CUB in the period 2017-18 to 2021-22 have been highly successful in creating the desired impact on the ground. It is noteworthy that CUB's CSR activities have created behavioural change among the stakeholders in the governance of waterbodies and solid waste management.

HUMAN RESOURCE

As on 31st March, 2022, the Bank had on its roll 5,367 employees including 50 Executives.

Human Resource Development and Industrial atmosphere plays a prominent role in an organization's growth and our Bank has always maintained cordial relations among its employees at all times. As a part of HR strategy, the Bank offers its employees various monetary and non-monetary benefits based on their performance in the form of ESOP, Performance Linked Pay (PLP) & Ex-gratia and ensures that each employee feels part of the Bank and strives to deliver to the best of his abilities.

During the year, Human Resource function played a pivotal role to provide a cordial safe work atmosphere to all employees,. Further, awareness is being created on regular basis with regard to precautions and safety measures to be adopted by employees while on and off the work place, particularly in the context of the Covid pandemic.

In line with the Bank's expansion plans, 25 new branches were opened in various states for which the Human Resources Department provided adequate manpower. Specific efforts were made towards talent acquisition through campus recruitments, skill development, and manpower training. The employees so chosen are imparted trainings at various centres of excellence such as NIBM, CAFRAL, IDRBT, SIBSTC etc on various areas of Banking. Training is also provided to employees at our Staff Training colleges. Job rotation is being followed to ensure every employee gains experience in all the areas of banking. It is pertinent to note here that there has not even been a single occasion of employee unrest in the Banking history of CUB.

The bank has a policy on Prevention of Sexual Harassment at Workplace which provides protection for Women employees working in the organization. An internal compliance committee has been set up to redress the complaints received under the Sexual Harassment.

Continuous efforts are being made to enhance the quality of existing personnel and to attract new talent

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

(M.Narayanan)

CHAIRMAN