



BALANCE SHEET AS ON 31st MARCH, 2019

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2019

(₹ in thousands)			(₹ in thousands)		
Schedule No.	As on 31-03-2019	As on 31-03-2018	Schedule No.	Year ended 31-03-2019	Year ended 31-03-2018
CAPITAL AND LIABILITIES			I. INCOME		
Share Capital	734501	664729	Interest Earned	37671666	34024216
Reserves and Surplus	47673074	40967624	Other Income	5143887	5321004
Deposits	384479485	328526218	Total	42815553	39345220
Borrowings	4809085	17358805	II. EXPENDITURE		
Other Liabilities & Provisions	14892738	11855077	Interest Expended	21556774	19721212
Total	452588883	399372453	Operating Expenses	8858862	7546487
ASSETS			Provisions and Contingencies	5571403	6157542
Cash and Balances with Reserve Bank of India	19931209	18617977	Total	35987039	33425241
Balances with Banks & Money at Call and Short Notice	9701636	7746460	III. PROFIT / LOSS		
Investments	77122006	78791061	Net Profit / loss (-) for the year	6828514	5919979
Advances	326733408	278527858	Profit / loss (-) brought forward	374766	326840
Fixed Assets	2500331	2231266	Total	7203280	6246819
Other Assets	16600293	13457831	IV. APPROPRIATIONS		
Total	452588883	399372453	- Transfer to Statutory Reserves	2000000	1500000
Contingent Liabilities	48354451	57159982	- Transfer to Capital Reserve	60361	293320
Bills for Collection	4608136	3190872	- Transfer to General Reserve	3400000	3340000
			- Investment Reserve Account	308000	NIL
			- Transfer to Special Reserve under IT Act, 1961	600000	500000
			- Dividend paid	219566	198352
			- Dividend Tax paid	45132	40381
			- Balance carried over to Balance Sheet	570221	374766
			Total	7203280	6246819

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)		(₹ in thousands)	
As on 31-03-2019	As on 31-03-2018	As on 31-03-2019	As on 31-03-2018
SCHEDULE - 1 CAPITAL			
Authorised Capital (100,00,00,000 Equity Shares of ₹ 1/- each)			
1000000	1000000		
Issued Capital (73,45,00,818 / 66,47,29,209 Equity Shares of ₹ 1/- each)			
734501	664729		
Subscribed and Paid-up Capital (73,45,00,818 / 66,47,29,209 Equity Shares of ₹ 1/- each)			
734501	664729		
Less : Calls unpaid			
Nil	Nil		
Add : Forfeited shares			
734501	664729		
Total	734501	664729	
SCHEDULE - 2 RESERVES AND SURPLUS			
I. Statutory Reserves			
Opening Balance	10860000	9360000	
Additions during the year	2000000	1500000	
Deductions during the year	Nil	12860000	
Capital Reserves	1195263	901943	
Opening Balance	60361	293320	
Additions during the year	Nil	1255624	
Deductions during the year	Nil	Nil	
Share Premium	8388796	8203328	
Opening Balance	208169	245574	
Additions during the year	66535	8530430	
Deductions during the year	66535	60106	
Revenue and Other Reserves	17265000	13925000	
Opening Balance	3400000	3340000	
Additions during the year	20665000	Nil	
Deductions during the year	Nil	17265000	
Investment Reserve Account	23799	23799	
Opening Balance	308000	Nil	
Additions during the year	331799	23799	
Deductions during the year	Nil	Nil	
Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	2860000	2360000	
Opening Balance	600000	500000	
Additions during the year	Nil	2860000	
Deductions during the year	3460000	2860000	
Balance in Profit and Loss Account	570221	374766	
Total	47673074	40967624	
SCHEDULE - 3 DEPOSITS			
A. I. Demand Deposits			
From Banks	59205	4227	
From Others	32085763	32144968	
From Depositors	27861737	27861737	
From Others	51705012	51705012	
II. Savings Bank Deposits	64836898	64836898	
III. Term Deposits	155551	449129	
From Banks	287342068	287497619	
From Others	248510340	248595469	
Total (I, II and III)	384479485	328526218	
B. i) Deposits of Branches in India			
384479485	328526218		
ii) Deposits of Branches outside India			
Nil	Nil		
Total	384479485	328526218	
SCHEDULE - 4 BORROWINGS			
I. Borrowings in India			
Reserve Bank of India	800000	10540000	
Other Banks	Nil	Nil	
Other institutions and agencies	4009085	6818805	
Subordinated debt	Nil	Nil	
Borrowings from outside India	Nil	Nil	
Total (I & II)	4809085	17358805	
II. Secured Borrowings included in I & II above			
Nil	1236988		
SCHEDULE - 5 OTHER LIABILITIES AND PROVISIONS			
Bills Payable	4205899	2976898	
Inter-office adjustments (net)	Nil	Nil	
Interest accrued	2545174	2178877	
Others (including Provisions)	8141665	6699302	
Total	14892738	11855077	
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA			
Cash in Hand (including foreign currency notes)	5167083	3627696	
Balances with Reserve Bank of India	14764126	14990281	
Current Accounts	Nil	Nil	
Other Accounts	19931209	18617977	
Total	19931209	18617977	
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
Balances with Banks	556080	719290	
Current Accounts	Nil	719290	
Other Deposit Accounts	556080	719290	
Total	111486479	111486479	
ii) Money at Call and Short Notice			
With Banks	250000	Nil	
With Other Institutions	806080	719290	
Total	1056080	719290	
II. Outside India			
Current Accounts	112871	20858	
Deposit Accounts	8782685	7006312	
Money at Call and Short Notice	Nil	Nil	
Total	8895556	7027170	
Grand Total	9701636	7746460	
SCHEDULE - 8 INVESTMENTS			
I. Investments in India			
Government Securities	74763785	76343810	
Other Approved Securities	Nil	Nil	
Shares	99567	102129	
Debentures and Bonds	514445	251966	
Subsidiaries / Joint Ventures	Nil	Nil	
Others	1741975	2093156	
Total	7719772	80149761	
Gross Investments in India	7719772	80149761	
Less : Provision for Investment Depreciation	1511316	1358700	
Net Investments in India	6208456	66562761	
II. Outside India			
Current Accounts	2234	Nil	
Deposit Accounts	Nil	Nil	
Money at Call and Short Notice	8895556	7027170	
Total	8895556	7027170	
Grand Total	161991739	129988339	
SCHEDULE - 9 ADVANCES			
A. i) Bills Purchased and Discounted			
2838978	2391284		
ii) Cash Credits, Overdrafts and Loans repayable on Demand			
212407951	182458799		
111486479	93677775		
Total	326733408	278527858	
B. i) Secured by tangible assets (includes advances against Book debts)			
323315681	274522072		
ii) Covered by Bank / Govt. Guarantees			
611000	572300		
iii) Unsecured			
2806727	3433486		
Total	326733408	278527858	
C. I. Advances in India			
Priority Sector	164130669	147967219	
Public Sector	611000	572300	
Banks	Nil	Nil	
Others	161991739	129988339	
Total	326733408	278527858	
II. Advances Outside India			
Nil	Nil		
Grand Total	326733408	278527858	
SCHEDULE - 10 FIXED ASSETS			
I. Premises			
At Cost as at 31st March of the preceding year	656696	655966	
Additions during the year	29619	730	
Deductions during the year	4167	Nil	
Total	682148	656696	
Accumulated Depreciation	120724	115816	
Depreciation to date	561424	540880	

(₹ in thousands)		(₹ in thousands)	
As on 31-03-2019	As on 31-03-2018	As on 31-03-2019	As on 31-03-2018
II. Other Fixed Assets (including Furniture and Fixtures)			
i) At Cost as at 31st March of the preceding year			
5370073	4773833		
ii) Additions during the year			
865047	612737		
Total	6235120	5386570	
iii) Deductions / Adjustments during the year			
18850	16497		
Total	6216270	5370073	
iv) Depreciation to date			
4277363	3679687		
Total	1989007	1690386	
Grand Total	2500331	2231266	
SCHEDULE - 11 OTHER ASSETS			
I. Inter-Office Adjustments			
974	Nil		
II. Interest accrued			
1442889	1414628		
III. Tax paid in Advance / Tax deducted at Source			
8605841	6492805		
IV. Stationery and Stamps			
5983	5540		
V. Non-Banking Assets acquired in Satisfaction of claims			
Nil	Nil		
VI. Others			
6544606	5544858		
Total	16600293	13457831	
SCHEDULE - 12 CONTINGENT LIABILITIES			
I. Claims against Bank not acknowledged as debts			
46536	45040		
II. Liability for partly paid Investments			
Nil	Nil		
III. Liability on account of outstanding Forward Exchange Contracts			
30207267	37680177		
IV. Guarantees given on behalf of Constituents			
In India	13529780	13189992	
Outside India	38065	38065	
V. Acceptances, endorsements and other obligations			
4025837	5876221		
VI. Other items for which the Bank is contingently liable			
369112	330487		
Total	48354451	57159982	</

7.3 Risk Category-wise Country Exposure* (₹ in crore)

Risk Category	Exposure (net) as at March 2019	Provision held as at March 2019	Exposure (net) as at March 2018	Provision held as at March 2018
Insignificant	1015.53	0.50	778.38	2.25
Low	20.99	Nil	94.85	Nil
Moderately Low	1.30	Nil	0.49	Nil
Moderate	Nil	Nil	0.83	Nil
Moderately High	Nil	Nil	Nil	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Total	1037.82	0.50	874.55	2.25

* Based on categorization followed by Export Credit Guarantee Corporation of India Ltd.

7.4 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank:
 Single Borrower Limit / Group Borrower Limit has not been exceeded during the year.

7.5 Unsecured Advances: Advances secured by intangible securities such as Rights, Licences, authorisations, etc. - Nil.

7.6 Amount of Provisions for Income-tax for the year: (₹ in crore)

Particulars	31st March 2019	31st March 2018
Provision for Income Tax	272.37	216.89
Deferred Tax Assets	-50.75	-2.83
Deferred Tax Liabilities	20.38	-16.06
Provision for Income Tax - Net	242.00	198.00

8. PENALTIES IMPOSED BY RBI

(i) During the year, RBI has imposed penalty of ₹ 36,650/- on discrepancies detected towards Soiled Notes Remittance.

(ii) Reserve Bank of India vide its letter dated 31st January, 2019 had imposed monetary penalty of ₹ 3 crore (Rupees Three crore Only) in terms of Section 47A (i) (c) read with Section 46 (4) (i) of the Banking Regulation Act, 1949 on the Bank for delay in adherence to its directives on "Time bound implementation and strengthening of SWIFT-related operational controls" contained in the RBI circular dated 20th February, 2018.

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 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
 As mentioned in the Accounting Policy of Income / Expenditure of certain items are recognised on cash basis.

iii) Effects of changes in Foreign Exchange Rates – AS 11
 The Bank is revaluing foreign currency transactions consistently at the weekly average rate of the last week, prescribed by FEDAI, instead of the rate at the date of the transaction as per AS 11. The management is of the view that there is no material impact on the accounts for the year.

iv) 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 and its employees contribute a defined sum every month to City Union Bank Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India to meet the post-retirement annuity payments of its employees.

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

a) The summarised position of the employee benefits recognised in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) is as under – Leave Encashment:

i) Changes in the present value of the obligations: (₹ in crore)

Particulars	31st March 2019
Present value of Obligation as at the beginning of the year	60.73
Interest cost	4.83
Current service cost	Nil
Past service cost - (non-vested benefits)	Nil
Past service cost - (vested benefits)	Nil
Benefits paid	(10.42)
Actuarial (gain) / loss on obligation	17.85
Present value of obligation at the year end	72.99

ii) Amount recognized in Balance Sheet: (₹ in crore)

Particulars	31st March 2019
Closing Present Value Obligation	72.99
Fair Value of Plan Assets	Nil
Difference	72.99
Unrecognised transitional liability	Nil
Unrecognised past service cost - non-vested benefits	Nil
Liability recognized in the Balance Sheet	72.99

iii) Expenses recognized in Profit & Loss Account: (₹ in crore)

Particulars	31st March 2019
Current Service cost	4.83
Interest cost	Nil
Expected return on Plan Assets	17.85
Net Actuarial (gain) / loss recognised in the year	Nil
Total expenses recognized in the Profit & Loss Account	22.68

iv) Principal actuarial assumption at the Balance Sheet Date:

Particulars	31st March 2019
Discount factor	7.55%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on Plan Assets	Nil

v) Segment Reporting – AS 17

Summary of the operating segments of the Bank are as follows: (₹ in crore)

BUSINESS SEGMENTS	TREASURY		CORPORATE / WHOLESALE BANKING		RETAIL BANKING		OTHER BANKING OPERATIONS		TOTAL	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Particulars	663.93	713.63	1251.84	1012.89	2344.84	2193.98	20.95	14.02	4281.56	3934.52
Revenue	365.33	399.20	323.94	263.31	534.68	535.39	16.04	9.85	1239.99	1207.75
Result	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Unallocated Expenses	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Operating Profit	1239.99	1207.75								
Other Prov. & Contingencies									315.14	417.75
Income Tax									242.00	198.00
Extraordinary Profit / Loss									Nil	Nil
Net Profit									682.85	592.00
Other Information:										
Segment Assets	9293.07	9261.49	12449.80	9879.61	22036.52	19710.73	Nil	Nil	43779.39	38851.83
Unallocated Assets									1479.50	1085.42
Total Assets	8263.44	8245.19	11314.16	8967.66	202026.37	17891.23	Nil	Nil	45256.89	39937.25
Segment Liabilities									39603.97	35104.08
Unallocated Liabilities									814.16	669.93
Total Liabilities									40418.13	35774.01
Segment Capital	1029.63	1016.30	1135.64	911.95	2010.15	1819.50	Nil	Nil	4175.42	3747.75
Unallocated Capital									665.34	415.49
Capital Employed									4840.76	4163.24

Part B – Geographic Segment: The Bank operates only in India.

vi) Related Party disclosures – AS 18

(i) **Related Parties:** Parent / Subsidiaries / Associates / JV - Nil
 Key Management Personnel - Dr. N. Kamakodi

(ii) **Related Party Transactions:**

Particulars	31-03-2019	31-03-2018
Remuneration	₹ 1,15,99,000	₹ 81,25,000
Outstanding Housing Loan	₹ 41,36,804	₹ 42,12,687

Reserve Bank of India vide its letter DBR.Appt. No. 8199/08.42.01/2018-19 dated 29th March, 2019, has revised the remuneration of the MD & CEO which shall be paid on a subsequent date.

vii) Leases – AS 19

a) Lease rent paid for operating leases are recognized as an expense in the Profit & Loss Account in the year to which it relates.

b) Future lease rents and escalation in the rent are determined on the basis of agreed terms.

c) At the expiry of initial lease term, generally the Bank has an option to extend the lease for a further pre-determined period.

d) The Bank does not have any financial lease.

viii) Earning Per Share – AS 20
 The details of EPS computation is set out below:

Particulars	31st March 2019	31st March 2018
Earnings for the year (₹ in crore)	682.85	591.99
Basic weighted average number of shares (Nos.)	71,33,39,443	64,48,91,384
Basic EPS (₹)	9.57	9.18
Dilutive effect of stock options (Nos.)	60,21,955	18,83,528
Diluted weighted average number of shares (Nos.)	71,93,61,398	64,67,36,455
Diluted EPS (₹)	9.49	9.15
Nominal value of shares (₹)	1	1

ix) Consolidated Financial Statements (CFS) – AS 21

The Bank has no Subsidiaries / Joint Venture / Associates. Hence reporting under CFS is not applicable.

x) Accounting for Taxes on Income – AS 22

The major components of the Deferred Tax Asset and Liabilities as at 31st March, 2019 are as follows:

Components	31st March 2019	31st March 2018
Deferred Tax Liability:		
Depreciation on Fixed Assets	3.83	5.39
Special Reserve under IT Act	120.93	98.99
Total Deferred Tax Liability (A)	124.76	104.38
Deferred Tax Asset:		
Provision for Advances (NPA)	17.84	17.67
Leave encashment	27.24	21.02
Provision for FITL	1.34	1.32
Provision for Standard Assets	44.34	0.00
Total Deferred Tax Asset (B)	90.76	40.01
Net Deferred Tax Liability / (Asset) - (A-B)	34.00	64.37

xi) Accounting for Investments in Associates in CFS – AS 23

The Bank has no Associates. Hence reporting under CFS – AS 23 is not applicable.

xii) Discontinuing Operations – AS 24

The Bank has not discontinued any operations. Hence reporting under CFS – AS 24 is not applicable.

xiii) Interim Financial Reporting – AS 25

Quarterly review have been carried out with reference to RBI and SEBI circulars and prescribed formats.

xiv) Intangible Assets – AS 26

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

xv) 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.

xvi) Provisions & Contingencies – AS 29

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

10. ADDITIONAL DISCLOSURES

10.1 Break-up of Provisions and Contingencies (₹ in crore)

Particulars	31st March 2019	31st March 2018
Provision for		
- Depreciation on Investments (net)	22.51	95.74
- Non Performing Assets	270.00	303.00
- Standard Assets	21.50	1.50
- Income Tax (including Def. Tax)	242.00	198.00
- Restructured Accounts	-4.00	-0.80
- Country Exposure	-1.75	1.71
- Others	6.88	16.60
Total	557.14	615.75

10.2.1 Movement in Countercyclical Provisioning Buffer for NPA (₹ in crore)

Sl. No.	Particulars	31st March 2019	31st March 2018
a)	Opening Balance	9.65	9.65
b)	Additions during the year	Nil	Nil
c)	Deductions during the year	Nil	Nil
d)	Closing Balance	9.65	9.65

Reference to RBI circular DBR. No. BP. BC. 79/21.04.048/2014-15 dt 30th March, 2015, the Bank has not utilised Countercyclical Provisioning Buffer for making NPA provisions.

10.2.2 Movement in Floating Provisions (₹ in crore)

Sl. No.	Particulars	31st March 2019	31st March 2018
a)	Opening Balance	9.00	9.00
b)	Additions during the year	Nil	Nil
c)	Deductions during the year	Nil	Nil
d)	Closing Balance	9.00	9.00

10.3 Drawdown from Reserves

The Bank has not drawn any amount from Reserves during the year.

10.4 Customer Complaints:

Sl. No.	Particulars	Number of Customer Complaints					
		General		ATM related		Total	
		FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
a)	No. of complaints pending at the beginning of the year	63	4	108	69	171	73
b)	No. of complaints received during the year	1470	1063	30599	21051	32069	22114
c)	No. of complaints redressed during the year	1504	1004	30558	21012	32062	22016
d)	No. of complaints pending at the end of the year	29	63	149	108	178	171

Classification of Customer Complaints (General) received during the quarter ended 31-03-2019 compared to the previous quarters

Sl. No.	Classification	Complaints received during the quarter ended									
		31-03-2018		30-06-2018		30-09-2018		31-12-2018		31-03-2019	
		No.	%	No.	%	No.	%	No.	%	No.	%
1	Credit/Debit Cards	168	34.50	103	26.68	103	26.89	45	12.57	74	21.57
2	Internet Banking/ Mobile Banking/ e-Banking	118	24.23	82	21.24	112	29.24	124	34.64	87	25.36
3	Staff Behaviour	2	0.41	0	0.00	0	0.00	1	0.28	0	0.00
4	Discriminatory Pricing	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
5	Retail	129	26.49	105	27.20	100	26.11	139	38.83	68	19.82
6	Others	1	0.21	7	1.81	7	1.83	0	0.00	0	0.00
7	Non-interest charges	23	4.72	37	9.59	29	7.57	20	5.58	38	11.08
8	Delay in services	12	2.46	23	5.96	5	1.31	1	0.28	38	11.08
9	Remittances	20	4.11	17	4.41	7	1.83	7	1.95	17	4.96
10	Pension and Other Government services	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
11	Loans and Advances- Sanction	13	2.67	10	2.59	20	5.22	21	5.87	17	4.96
12	Liability Products- Credit of funds	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
13	Third party service complaints	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
14	Marketing agents such as Direct Selling Agents (DSAs)	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
15	Recovery and collection agents	1	0.21	2	0.52	0	0.00	0	0.00	4	1.17
16	Others (to be specified)	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Total		487	100.00	386	100.00	383	100.00	358	100.00	343	100.00

10.5 Awards passed by the Banking Ombudsman

Sl. No.	Particulars	31st March 2019	31st March 2018
a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
b)	No. of Awards passed by Banking Ombudsman during the year	Nil	Nil
c)	No. of Awards implemented during the year	Nil	Nil
d)	No. of unimplemented Awards pending at the end of the year	Nil	Nil

10.6 Number of frauds reported, amount involved in such frauds, quantum of provisions made during the year and quantum of unamortised provision debited from "other reserves" as at the end of the year. (₹ in crore)

Sl. No.	Particulars
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vi) Debentures / Bonds 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) Individual scrips under 'Held for Trading' category are valued at Market Price. Individual scrips in Available for Sale / Held for Trading are valued at scrip-wise, aggregating category-wise and net depreciation, if any, for each category is charged to Profit and Loss Account, while net appreciation, if any, is ignored.

5.2 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.

5.4 Profit / Loss on sale of Investments in any category is taken to the Profit and Loss Account. However, in case of sale of investment in 'Held to Maturity' category, the profit is first credited to Profit and Loss Account and thereafter an amount equivalent to profit, net of statutory reserve and taxes, is appropriated to the Capital Reserve Account.

5.5 Commission, brokerage, broken period interest etc. on securities incurred on acquisition is debited to Profit and Loss Account. Commission, incentives, brokerage received on subscription is deducted from the cost of the securities.

5.6 The Investments shown in the Balance Sheet are Net of Depreciation, if any.

5.7 The Non-Performing Investments are identified and provided for as per RBI guidelines.

6. **LOANS / ADVANCES AND PROVISIONS THEREON**
Advances have been classified as per the Asset Classification norms laid down by the Reserve Bank of India. The required provisioning for Standard Assets and for Non-Performing Assets have been made as per the Regulatory Norms.

6.2 Advances shown in the Balance Sheet are net of provisions and interest reserve on NPA accounts, technical write offs, ECGC / DICGC claims received and provisions for Restructured accounts.

6.3 Partial recoveries in Non-Performing Assets are apportioned first towards charges and interest, thereafter towards principal with the exception of non-performing advances involving compromise settlements in which case the recoveries are first adjusted towards principal. NPAs are classified into Sub-standard, Doubtful and Loss Assets based on the following criteria stipulated by RBI:

i) Sub-standard: A loan asset that has remained non-performing for a period less than or equal to 12 months.

ii) Doubtful: A loan asset that has remained in the sub-standard category for a period of 12 months.

iii) Loss: A loan asset where loss has been identified but the amount has not been fully written off. Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below.

Sub-standard Assets:
i) General provision of 15% on the total outstanding;
ii) Additional provision of 10% for exposures which are unsecured ab initio (i.e. where realizable value of security is not more than 10 percent ab initio);
iii) Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.

Doubtful Assets:
i) Secured portion:
i) Up to one year - 25%
ii) One to three years - 40%
iii) More than three years - 100%
ii) Unsecured portion: 100%

Loss Assets:
100% to be provided on the total outstanding.

6.6 **Floating Provisions:**
The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

6.7 **Provision for Country Exposure:**
In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories, namely, insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedules of the Balance Sheet.

7. **FIXED ASSETS, DEPRECIATION & AMORTIZATION**
7.1 Premises and other Fixed Assets are accounted at acquisition cost less depreciation.
7.2 Depreciation has been provided on the composite value for premises acquired with land and building, where cost of the land is not separately identifiable.
7.3 With effect from 1st April, 2014, in accordance with the Companies Act, 2013, the Bank has provided depreciation based on useful life of the assets in line with Schedule II of the Companies Act, 2013. Further, the method of depreciation is on Straightline Method (SLM) in respect of all fixed assets. Depreciation on assets purchased and sold during the year is provided on pro-rata basis.

8. **STAFF BENEFITS**
8.1 Provision towards leave encashment is accounted on actuarial basis in accordance with the guidelines contained in Accounting Standard 15 (Revised 2005) issued by ICAI.
8.2 Liability for Gratuity to staff is contributed to the Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.
8.3 Payments towards contribution schemes such as Provident Fund and Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India are charged as expenses as they fall due.

9. **EMPLOYEE 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 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.

10. **SEGMENT REPORTING**
The Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17.
Business Segment is classified into (a) Treasury, (b) Corporate and Wholesale Banking, (c) Other Banking Operations.

11. **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.
Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares.

12. **IMPAIRMENT OF ASSETS**
An assessment is made at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, an estimate of the recoverable amount is made and impairment loss, if any, is provided for.

13. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**
13.1 In conformity with AS 29 'Provisions, Contingent Liabilities and Contingent Assets' issued by the Institute of Chartered Accountants of India, the Bank recognises provision only when:
a) it has a present obligation as a result of a past event,
b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
c) a reliable estimate of the amount of the obligation can be made.

13.2 No provision is recognised for:
i) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii) Any present obligation that arises from past events but is not recognised because:
a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
b) a reliable estimate of the amount of obligation cannot be made.
Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.
Contingent Assets are not recognised in the financial statements.

13.3 **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.

15. **NET PROFIT**
The Net Profit disclosed in the Profit and Loss Account is after considering:
15.1 Provision for taxes on income in accordance with statutory requirements.
15.2 Provision for bad and doubtful advances and investments.
15.3 Contingent Provision for Standard Assets.
15.4 Other usual and necessary provisions.

16. **SPECIAL RESERVES**
Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors of the Bank has passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2019

	2018-2019		2017-2018	
	(₹ in Thousands)			
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit as per P & L Account	6828514		5919979	
Adjustments for:				
Depreciation	614981		524644	
Provisions & Contingencies - Tax	2420000		1980000	
Provisions & Contingencies - Others	3151403		4177542	
Profit on sale of Investments	-325572		-938265	
Profit on sale of Assets	-26736		158	
Foreign exchange fluctuations	-544562		-743549	
Operating Profit before working capital changes	12,118,028		10,920,509	
Adjustments for:				
Funds advanced to Customers	-50865551		-43222863	
Other Operating Assets	-174599		1609754	
Deposit from Customers	55953267		27368834	
Borrowing from Banks	-12549720		12048832	
Other operating liabilities	-375737		-890307	
Purchase and sale of investments (Net)	1779174		-8495734	
Cash Generated from Operations	5,884,862		-660,975	
Taxation - Income Tax	-1915800		-1169979	
Net cash flow from Operating Activities - A	3,969,062		-1,830,954	
Cash flow from Investing activities				
Purchase of Fixed Assets	-894666		-613467	
Sale of Fixed Assets	267739		8199	
Net cash used in Investing Activities - B	-866,927		-605,268	
Cash flow from Financing activities:				
Proceeds from issue of Share Capital	3237		3558	
Proceeds from share premium	208169		245574	
Dividend Paid	Nil		-197843	
Tax on distributed profits	-45133		-40380	
Net cash flow from Financing Activities - C	166,273		10,909	
Net increase in Cash and Cash equivalents A+B+C	3,268,408		-2,425,314	
Cash and Cash equivalents at 31-03-2018	26,364,437		28,789,751	
Cash and Cash equivalents at 31-03-2019	29,632,845		26,364,437	

INDEPENDENT AUDITOR'S REPORT

To The Members of CITY UNION BANK LIMITED

Report on the Audit of Financial Statements
Opinion
We have audited the financial statements of City Union Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31st March, 2019, the Profit & Loss Account, and the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the return of 14 branches and office audited by us and 839 branches and offices audited by branch statutory auditors. The branch audited by us and those audited by other auditors have been selected by the Bank in accordance with guidelines issued by the Bank and the Reserve Bank of India. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view of the state of affairs of the Bank as at 31st March, 2019, and Profit and its Cash Flows for the year ended on that date.

Significant estimates and judgment involved
Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

A. Identification of Non-Performing Assets (NPA) and Provisions on Advances
(Reference to Schedule 9 read with Statement of Accounting Policies Note 6 - Schedule to the Financial Statements)

	(₹ in thousands)
Gross Advances	₹ 3906,52,543
Provisions	₹ 39,19,135
Net Advances	₹ 3,87,33,408

Significant estimates and judgment involved
Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

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We have evaluated details for a sample of exposures for identification of NPA and calculation of Loan Loss provisions including valuation of primary and collateral as at 31st March, 2019 involving certain degree of estimation. We have evaluated and understood the Bank's internal control systems, completeness, accuracy and relevance of data and to ensure that the same is in compliance with the RBI guidelines on the Prudential Norms on Income Recognition, Asset Classification & Provisioning.

We also selected samples to test potential cases of 'ever greening' of loans.

We tested samples to ensure completeness of documentation, adherence of the approval process to the Bank's Policy and Board minutes, credit review of customers, review of Special Mention Accounts (SMA), Reports and other related documents including evaluation of the past trends of management judgement, governance and review of internal control.

B. Valuation of Financial Instruments (Investments)
(Reference to Schedule 6 read with Statement of Accounting Policies Note 5 - Schedule to the Financial Statements)

Subjective estimates and judgment involved
Key Audit Matter
Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments classified as HTM are carried at amortized cost and investments classified as AFS and HFT are marked-to-market on a periodic basis as per the RBI guidelines. Accordingly, our audit was focused on valuation of investments as a key audit matter because of the management judgement involved in determining the value of investments based on the policy of the Bank, impairment assessment for HTM book and the overall impact on the financial statements of the Bank.

Auditor's Response
Our audit approach included assessing the design, implementation and operating effectiveness of management's key internal controls over classification and valuation of investments. The appropriateness of the valuation methodology and test checking the inputs used such as pricing, measure of volatility and discount factors. Compared the valuation methodology in accordance with the relevant accounting standards / RBI circulars, master directions and guidelines issued from time to time.

We tested the investments and re-performed independent valuation where no direct observable inputs were used. We reviewed the assumptions used, by considering the alternate valuation method and sensitivity of other key factors assessing whether the financial statement disclosures appropriately reflect the Bank's exposure to investments valuation risks with reference to the requirements of the prevailing accounting standards and RBI guidelines.

Information Technology - IT Systems and Controls
Key Audit Matter
The Bank's Key Information Technology (IT) systems is used to record all the operational and financial transactions on a daily basis. The financial accounting and reporting process are highly dependent on information systems and hence we tested automated controls in IT systems.

In addition, large transaction volumes, ensuring integrity and data protection, the Bank's Information systems has to be capable to handle the increased cyber risk emanating across the globe.

We have identified IT systems and controls as key audit matter because of the level of process automation, large volume of automated transactions, level of cyber security established by the management and the complexity of the IT architecture of the Bank.

Auditor's Response
We involved our IT Specialists to obtain a detailed understanding of the Bank's IT Systems and its related controls. We tested a sample of assessment in the areas of applications, databases and operating systems that are relevant to our audit in the fields of Core Banking Solutions (CBS) and Treasury Systems.

We obtained a detailed understanding on the General IT controls which includes evaluation of Bank's control to evaluate granting access right, segregation of duties, new user creation, removal of user rights and preventive controls. We involved our IT Specialists to evaluate and review the security configuration on certain critical aspects of cyber security on information security, operational security, data and client information, monitoring and recovery management.

D. Direct and Indirect Taxes
(Reference to Notes to Accounts, Note 10.1 & 12.1 read with Statement of Accounting Policies Note 4 - Schedule to the Financial Statements)

Key Audit Matter
The Bank has evaluated tax positions including matters under dispute which involves significant judgements to determine the possible outcome of these disputes.

Auditor's Response
We have reviewed the nature of the amounts recoverable, obtained details of completed tax assessments and demands for the year ended 31st March, 2019, the sustainability and the likelihood of the amounts recoverable which are pending final resolution.

Information Other than the Financial Statements and Auditor's Report Thereon
The Bank's Board of Directors is responsible for the other information. The other information comprises the CSR initiatives, Director's Report, Annexures to Director's Report, Shareholders' Information, Business Responsibility Report, Corporate Governance Report, Management Discussions & Analysis Report, List of Branches, Basel III Disclosures, Decade Progress included in the Bank's Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and the Basel III Disclosures, and accordingly, we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility for the Preparation and Maintenance of the Financial Statements
The Bank's Board of Directors is responsible for the matters stated in Section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, provisions of Section 29 of the Act and the Companies Act, 2013 in the manner so required for banking companies and give a true and fair view in conformity with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users based on these financial statements.

As part of an audit in accordance with Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to the financial statement in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with governance, we determine those matters that were of most significance in our audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to out-weigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

The Balance Sheet and the 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 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014.

1. As required by Sub-Section (3) of Section 30 of the Banking Regulation Act, 1949, 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) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
c) Since the Key operations of the Bank are automated with the Key applications integrated to the Core Banking Systems, the audit is carried out centrally as all the necessary records and data required for the purpose of our audit are available therein. However, during the course of our audit we have visited 14 branches and offices. The returns received from the offices and branches of the Bank not visited by us have been found adequate for the purpose of our audit.

2. Further, as required by Section 143(3) of the Companies Act, 2013, we report that:
a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from offices and branches not visited by us;
c) The reports on the accounts of the offices and branches audited by other branch auditors of the Bank under Section 143(8) of the Companies Act, 2013 have been sent to us and have been properly dealt with by us in preparing this report;

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 with the returns received from the offices and branches not visited by us;
e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the Accounting Policies prescribed by Reserve Bank of India.

(f) On the basis of the written representations received from the Directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
(g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report 'Annexure A' to this report, and in accordance with the provisions of Section 143(3) of the Companies Act, 2013, we report that:
(i) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts including derivative contracts - Refer Note 10.1 to the financial statements;
(ii) There has been no delay in transferring the funds to the Investor Education and Protection Fund Account by the Bank.

(iv) The disclosures required on holdings as well as dealing in specified bank notes during the period from 8th November, 2017 to 30th December, 2016 as envisaged in notification G.S.R. 3308(E) dated 30th December, 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.
(v) With respect to the matter to be included in the Auditors' Report in accordance with the requirements of Section 197(16) of the Companies Act, 2013 as amended:
In our opinion and to the best of our information and according to the explanations given to us, the remuneration payable to the auditor by the Bank for the financial year ended 31st March, 2019 is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.

For M/s. SUNDARAM & SRINIVASAN Chartered Accountants Firm No.004207S P. MENAKSHI SUNDARAM Partner M.No.217914

Place : Chennai Date : 17th May, 2019

"Annexure A" to the Independent Auditors' Report of even date on the financial statements of City Union Bank Limited (Refer paragraph 2)(g) - Report on other legal and regulatory requirements in our Independent Auditors' Report

Report on the Internal Financial Controls over Financial Reporting under Clause (b) Sub-section (3) of Section 143 of the Companies Act, 2013

To The Members of CITY UNION BANK LIMITED
Opinion
We have audited the Internal Financial Controls over Financial Reporting ("IFCR") of City Union Bank Limited ("the Bank") as at 31st March, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, an adequate Internal Financial Controls systems over Financial Reporting and the aforesaid Internal Financial Controls were operating effectively as at 31st March, 2019, based on the criteria of Internal Financial Reporting and the essential components established by Reserve Bank of India. The essential components of Internal Control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls over Financial Reporting
The Bank's Management and Board of Directors are responsible for establishing and maintaining Internal Financial Controls based on Internal Control over Financial Reporting criteria established by the Bank considering the essential components of Internal Control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its Business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility
Our responsibility is to express an opinion on the Bank's Internal Financial Controls over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an Audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the Internal Financial Controls over Financial Reporting and the operating effectiveness of these Internal Financial Controls. Our audit of Internal Financial Controls over Financial Reporting included obtaining an understanding of Internal Financial Controls over Financial Reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of Internal Control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's Internal Financial Controls System over Financial Reporting.

Meaning of Internal Financial Controls over Financial Reporting
A Bank's Internal Financial Control over Financial Reporting is a process designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's Internal Financial Control over Financial Reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting
Because of inherent limitations of Internal Financial Controls over Financial Reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the Internal Financial Controls over Financial Reporting to future periods are subject to the risk that the Internal Financial Controls over Financial Reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For M/s. SUNDARAM & SRINIVASAN Chartered Accountants Firm No.004207S P. MENAKSHI SUNDARAM Partner M.No.217914

Place : Chennai Date : 17th May, 2019

ANNEXURE - I Disclosure on Restructured Accounts - Year Ended 31-03-2019

Sl. No.	Asset Classification Details	Under CDR Mechanism						Under SME Debt Restructuring Mechanism						Others						TOTAL					
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss															