

18th Annual General Meeting of Union Bank of India

August 04, 2020 – Mumbai

Address By: Shri Rajkiran Rai G, MD & CEO, Union Bank of India



Dear Shareholders,

- On behalf of the Board of Directors of the Bank, I extend my warm welcome to all the shareholders present today.
- Before I share about the Bank's business and financials as to how we performed in the financial year 2019-20, I would like to express my heartiest gratitude for your support in navigating through the challenges and opportunities over the year.
- Let me begin with a brief on business operating environment in the financial year 2019-20

1. Macro Economy

- Indian economy grew at 4.2% in FY 19-20, lower than 6.1% in FY 18-19 due to external economic headwinds amidst geopolitical uncertainties and weakened domestic demand, moderation in private sector investments, and health pandemic towards end of the fiscal year.
- The outbreak of Covid-19 pandemic resulted in nationwide lockdown bringing the businesses to abrupt standstill. The spread of virus has caused major disruptions in the both economy and the lives of people inducing major uncertainty in the growth outlook.
- The Govt. of India and Reserve Bank of India have responded with timely fiscal & monetary measures during the year to revive growth and investment, in general and in response to pandemic, including corporate tax cut from 30% to 22% and reduction of policy rates during the year. The RBI has reduced the policy repo rate from 6.25% at the beginning of the fiscal to 4.4% as of March 2020. The sharp reduction of 75 bps in March 2020 was announced by RBI to combat the impact of Covid-19 Pandemic. Other measures included moratorium on loan repayments, standstill facility, Targeted Long term Repo Operations (TLTRO), etc. to aid the individual & business borrowers impacted by the pandemic.

2. Banking Environment:

- Banking environment has remained volatile during the FY 2019-20. Credit off-take during the year was muted at 6.1%.
- On sectoral basis, Agriculture credit grew by 4.2 per cent in FY 2019-20; Industry, services and retail grew by 0.7 per cent, 7.4 per cent and 15.0 per cent respectively in FY 2019-20.
- Deposit growth in the system outpaced the credit growth and stood at 7.9% during FY 19-20 as compared to 10.0% in the previous year.
- Asset quality challenges persisted through the year. However, resolution of some of the large stressed accounts through Insolvency & Bankruptcy Code (IBC) has had positive impact during the year.



- The banking industry witnessed major developments in FY 19-20 in the form of Amalgamation of PSBs & impact of Covid-19 pandemic. On August 30, 2019, Govt. of India initiated major amalgamation drive of 10 public sector banks into 4 large PSBs with the aim of creating strong, robust & resilient banking system.

3. Business & Financials for FY 19-20:

- The overall business of the Bank stood at Rs. 797589 Crore as of 31st March 2020 as compared to Rs. 741307 Crore as of 31st March 2019.
- The advances portfolio grew at 6.6% y-o-y basis to Rs. 346921 Crore as of 31st March from Rs. 325392 Crore as of 31st March 2019
- The growth of deposits outpaced the credit growth registering 8.4% y-o-y. The total deposits as of 31st March 2020 stood at Rs. 450668 Crore as against Rs. 415915 Crore as of 31st March 2019
- The Bank registered operating profit of Rs. 9181 Crore in FY 19-20 as compared to Rs. 7521 Crore in FY 18-19, noting annual growth of 22.1%.
- With regard to asset quality, the Gross NPA ratio declined to 14.15% as of March 2020 as compared to 14.98% as of March 2019, reduction of 83 bps on y-o-y basis. At the same time, the net NPA also declined to 5.49% as of March 2020 as compared to 6.85% as of March 2019, reduction of 136 bps
- The capital adequacy ratio of the Bank stood at 12.81% as of March 2020 as compared to 11.78% as of March 2019. Bank received Rs. 11, 768 Crore capital infusion from the Govt. of India during FY 19-20 giving capital cushion for the Bank to pursue growth opportunities.

4. Enhanced Access & Service Excellence (EASE):

- EASE is a part of reforms agenda for public sector banks. The second phase, EASE 2.0 was launched in FY 2019-20 EASE 2.0 focuses on reform action Points across six themes to strengthen processes and systems like scoring and categorization of risk for high value Corporate/MSME Loans, implementation of IT based EWS, assessment of probability of default, capital mobilization, setting of dedicated sales channel, etc.
- Bank secured 4th rank under EASE 2.0 for December 2019.

5. Strengthening Human Capital:

- Bank strives to offer best employee experience by investing in its human capital and take measures to constant development of human resources. The industry has recognized and lauded the Bank's efforts by conferring numerous awards during FY 2019-20, for HR Innovation, Leadership, and Training.
- Bank has introduced innovative training methods through technology platforms to facilitate learning from anywhere through a dedicated portal & mobile application.
- During the FY 19-20, Bank has conducted 868 in-house training sessions, 336 locational programs and 70 workshops benefiting about 36179 employees.

6. Giving back to society

- Union Bank Social Foundation Trust (UBSFT) has approved donations amounting to Rs.40.41 lacs and disbursed donations amounting to Rs.163.49 lacs during FY 2019-20.
- Employees of the Bank donated Rs. 7.58 Crore to PM Cares Fund during Covid-19 outbreak
- A Comprehensive campaign 'GO GREEN' was launched in the FY 2019-20 wherein 86905 saplings were planted under Union Vriksha and 43374 saplings were planted under and Union Harit initiatives.



7. Strategic Initiatives

- During the fiscal year 2020, Bank continued to strengthen its core pillars of strategy i.e. credit processing capabilities, verticalisation of sourcing & specialization in monitoring.
- Credit underwriting process is enhanced by augmenting Centralized processing centres (CPCs). As of March, 2020, 78% of credit proposals were underwritten at these CPCs.
- Bank has leveraged technology tools for effective credit monitoring. Predictive models based on machine learning algorithms have been deployed to generate early stress signals (ESS) to facilitate preventive credit monitoring. The early warning system covers about 90% of the loan book.
- Bank has put in place online digital platform for settlement of NPA accounts

8. Technology advancements

- During the year, Bank focussed on enriching the Internet & Mobile Banking infrastructure with new facilities to increase customer convenience and ease of Banking.
- One of the major developments Bank had undertaken was to upgrade its legacy core Banking system (CBS) from existing Finacle 7.x to Finacle 10.x making the technology infrastructure more robust
- Bank has developed system capabilities to facilitate purchase of insurance & mutual fund products through internet banking & mobile app.
- Bank has revamped its debit card issuance process completely eliminating manual intervention thereby reducing the current card activation of 48 hours to few seconds.

9. Amalgamation

- The erstwhile Andhra Bank & Corporation Bank have been amalgamated into Union Bank of India with effect from 1st April, 2020.
- The amalgamation has also significantly increased geographical reach of the Bank with 9500+ branches, 13300+ ATMs, 8000+ Business correspondents (BC) & 120+ million customers. The employee strength of the combined entity stands at over 75,000.
- The market share of the Bank would grow two-fold across the business segments & gain competitive advantage in key geographies with high business potential.
- Amalgamation would lead to strengthening of Bank's Balance sheet with greater capacity to lend, invest, raise capital and compete globally.
- The availability of bigger scale of talent pool & expertise of three Banks helps in increasing efficiency, better management of NPA and Risk Management.
- The core competencies of three Banks brought together would offer multiple synergies in terms of revenue upliftment, cost efficiency and business diversification.

10. Response & Preparedness to Covid-19 Pandemic

- As a responsible public sector organization, Union Bank made sure that the branch network was operational for delivering essential banking services, and extend govt. relief packages to reach the customers amidst nationwide lockdown due to coronavirus outbreak. Bank also provided emergency line of credit and liberalized working capital assessment model for businesses to support their liquidity needs during the lockdown
- The digital channels viz. internet banking & mobile banking were active enabling seamless access to Banking services 24x7 to our customers
- Over 88% of ATM network of the Bank across the country was live & kept operational



11. Going forward

- The GDP growth for FY21 is expected to contract sharply due to the disruption in economic activity due to lockdowns and risk aversion. However, we expect the businesses to start returning towards normalcy gradually in the later half of the year.
- The Covid-19 pandemic is expected to have sustained impact on the traditional business models forcing increased use of digital channels for business growth amidst social distancing measures, customer behavioural changes & risk aversion.
- Accordingly, Bank's long term strategy is pivoted around successful post-merger integration of processes & systems across the organization to deliver best-in-class services, capturing synergy benefits of amalgamation and build digital capabilities aimed at improving efficiency & customer-centricity.
- Bank has formulated the digitization road map encompassing internal processes, Products & service offerings, etc with the ultimate goal of creating a digital bank within Bank. Soon, availing Banks products & services through complete digital means would become a reality.
- The core competencies of the Bank would be strengthened by scaling up of Centralized underwriting capabilities, specialized credit monitoring through innovative technology tools & repurposed customer acquisition vertical for business sourcing.
- Bank's organization structure is redesigned to enable integrated & data-driven decision making by establishing Analytics centre of excellence to leverage and maximize the potential of advanced analytics to drive business, customer services & profitability.
- With over 75,000 employees onboard post amalgamation, Cultural integration, employee engagement & skill development is being given high priority as we develop into fostering performance-oriented culture with objective assessment.

Bank is optimistic that our holistic approach and initiatives would help us deliver value the customers, employees and shareholders.

Let me conclude with acknowledgement to various stakeholders. On behalf of the Board of Directors of the Bank, I convey my sincere gratitude to all the shareholders, our esteemed customers, Govt. of India, Reserve Bank of India, Securities & Exchange Board of India, Insurance Regulatory and Development Authority of India, Central Vigilance Commission and other institutions for the valuable guidance and support. My special gratitude is due to all the employees of the Bank for their commitment, dedication and service.

Thank you very much,

Rajkiran Rai G.
Managing Director & CEO