

Financial Results for the quarter and year ended March 31, 2015

The Board of Directors of Union Bank of India today approved the accounts of the Bank for the quarter and the financial year ended March 31, 2015.

Highlights

- ☛ Global Business up 9.0% (y-o-y) to Rs. 579627 crore as on March 31, 2015
- ☛ Savings deposit grew at 9.9% while share of high cost deposits declined to 5.8% (Mar 2015) from 12.6% (Mar 2014). In advances, RAM sectors grew at 24.0% (y-o-y), now contributing nearly half of domestic loan book
- ☛ Non-interest Income for the quarter (Q4/FY15) up 47.5% compared to a year ago, driven by 21.3% growth in core fee income. Exchange Profit and Recovery in written-off accounts increased by 35.3% and 31.4% respectively
- ☛ Operating expenses growth during Q4/FY15 contained at 7.0%
- ☛ Higher income growth and lower expenses growth helped Operating Profit for Q4 FY15 increase by 25.2% (y-o-y) to Rs 1652 crore over Q3/FY15.
- ☛ Net Profit for Q4 FY 2015 stood at Rs. 443 crore, up 46.7% (y-o-y) over Q3 FY15.
- ☛ Gross NPAs as percent to gross advances declined by 12 basis points to 4.96% as on March 31, 2015 from 5.08% as on December 31, 2014. This was possible by further reduction in pace of slippages from Rs.1738 crore in Q3/FY15 to Rs.1547 crore in Q4/FY15 and 125% increase in cash recovery & upgradation compared to Q3/FY15.
- ☛ Provision coverage ratio (PCR) has improved to 59.23% in March 2015 from 57.25% in December 2014.
- ☛ Return on average assets for Q4/FY15 increased to 0.47%, up by 13 bps over 0.34% in Q3/FY15. Return on Equity for Q4/FY15 also increased to 9.7% from 6.6% in Q3/FY15.
- ☛ Cost to income Ratio declined to 49.38% in Q4/FY15 from 51.13% in Q3/FY15.
- ☛ Capital Adequacy Ratio (Basel III) stood at 10.22%. Growth in RWAs (risk weighted assets) could be contained at 10.5% during FY15 compared to 12.1% growth in advances, reflecting Bank's capital optimization measures.
- ☛ Liquidity Coverage Ratio of the Bank for the quarter ended March 31, 2015 was 111.7% against regulatory minimum of 60% reflecting comfortable liquidity.
- ☛ The Bank believes that the HDR Framework (Human Resources, Digital Banking and Risk Management) will be key pillars of its growth in the medium term and thus, it is now engaged in further improving its process design, uplifting sales performance, building analytics & campaign management capabilities and deepening digital channels.

Business

- ✦ Global Business grew by 9.0% from Rs. 532007 crore as on March 31, 2014 to Rs. 579627 crore as on March 31, 2015.
- ✦ Global Deposits increased from Rs. 297675 crore as on March 31, 2014 to Rs. 316870 crore as on March 31, 2015, registering a growth of 6.5%. Domestic Deposits increased by 6.6% from Rs. 292812 crore as on March 31, 2014 to Rs. 312230 crore as on March 31, 2015.
- ✦ CASA deposits grew by 5.5% to Rs. 92650 crore as on March 31, 2015 from Rs. 87801 crore in the previous year. CASA share in total deposits stands at 29.2%. Domestic CASA ratio stood at 29.7%. Savings bank deposits increased by 9.9% over a year ago and by 5.2% over December 2014. Through *Tabulous Banking* initiative launched in mid-2014, the Bank could open 35000 SB accounts in FY15 while during the year about 13 lakh dormant SB accounts were activated with special efforts. A total of 113 lakh CASA accounts were opened during the year.
- ✦ Share of high cost deposits in total deposits declined from 12.6% in March 2014 to 8.5% in December 2014 and further to 5.8% in March 2015
- ✦ Global Advances increased from Rs. 234332 crore as on March 31, 2014 to Rs. 262757 crore as on March 31, 2015 recording a growth rate of 12.1%. Domestic Advances increased by 11.3% from Rs. 216751 crore as on March 31, 2014 to Rs. 241284 crore as on March 31, 2015.
- ✦ Advances to productive sectors of economy, i.e. retail, agriculture, and MSMEs, which we together call as 'RAM' sectors, grew by 24.0%, from Rs. 95917 crore as on March 31, 2014 to Rs. 118904 crore as on March 31, 2015.
- ✦ Overseas Business grew by 16.2% from Rs. 22445 crore as on March 31, 2014 to Rs. 26074 crore as on March 31, 2015.

Financial Performance for the quarter ended March 2015

- ✦ Domestic Net Interest Margin (NIM) stood at 2.46% for January-March 2015 as against 2.57% for October-December 2014. It was 2.62% a year ago. Global NIM for January-March 2015 was 2.37% as against 2.50% for October-December 2014 quarter. It was 2.55% a year ago.
- ✦ Net Interest Income for January-March 2015 up by 3.4% to Rs. 2122 crore from Rs. 2052 crore in January-March 2014.
- ✦ Non Interest Income for January-March 2015 stood at Rs. 1143 crore, up 47.5% over a year ago. Exchange Profit and Recovery in written-off accounts increased by 35.3% and 31.4% respectively during FY15. Core Fee Income recorded a growth rate of 21.3%.

- ✦ Growth in Operating expenses during Q4/FY15 was contained at 7.0% at Rs.1613 crore. Within overall opex, non-employee expenses increased by 6.0%.
- ✦ Due to higher income growth and control in expenses, Net Profit for January-March 2015 stood at Rs. 443 crore, which is 46.7% higher over October-December 2014.
- ✦ Return on average assets (annualised) stood at 0.47% for January-March 2015 as against 0.34% for October-December 2014 and 0.68% for January-March 2014.
- ✦ Yield on funds stood at 8.68% for January-March 2015 as against 8.93% for October-December 2014 and 8.98% for January-March 2014.
- ✦ Yield on investments stood 7.63% for January-March 2015 as against 7.51% for October-December 2014 and 7.69% for January-March 2014.
- ✦ Return on equity (annualised) stood at 9.70% in January-March 2015 as against 6.60% in October-December 2014 and 13.64% in January-March 2014.
- ✦ Earnings per share (annualised) stood at Rs. 27.92 in January-March 2015 as against Rs. 19.03 in October-December 2014 and Rs. 36.74 in January-March 2014.

Financial Performance for FY 2014-15

- ✦ Domestic Net Interest Margin (NIM) stood at 2.58% in FY 2014-15 compared to 2.64% in FY 2013-14. Global NIM for FY 2014-15 was 2.48% as against 2.56% for FY 2013-14.
- ✦ Net Interest Income for FY 2014-15 up by 7.17% to Rs. 8444 crore from Rs. 7879 crore in FY 2013-14.
- ✦ Non Interest Income for FY 2014-15 stood at Rs. 3523 crore, up by 24.8%. Core non-interest income increased by 14.3% to Rs.1869 crore. Exchange Profit and Recovery in written-off accounts increased by 43.4% and 19.7% respectively during FY 2014-15. Core Fee Income recorded a growth rate of 14.5%.
- ✦ Growth in Operating expenses was contained at 12.1% in FY 2014-15 compared to 21.5% increase during the corresponding period in FY 2013-14. Non-employee expenses growth was even lower at 8.4%.
- ✦ Operating profit for FY 2014-15 stood at Rs. 5823 crore, up 11.6% over Rs. 5218 crore for FY 2013-14. Provisions for the year stood at Rs.4042 crore, showing a growth of 14.8%.
- ✦ Net Profit for FY 2014-15 stood at Rs. 1782 crore, up 5.0% from Rs. 1696 crore in FY 2013-14.
- ✦ Return on average assets (annualised) stood at 0.49% for FY 2014-15 as against 0.52% for FY 2013-14.
- ✦ Yield on funds declined to 8.9% for FY 2014-15 as against 9.0% for FY 2013-14.
- ✦ Yield on investments increased to 7.6% for FY 2014-15 from 7.5% for FY 2013-14.

- ✦ Return on equity (annualised) stood at 9.73% in FY 2014-15 as against 9.98% FY 2013-14.
- ✦ Earnings per share (annualised) stood at Rs. 28.13 in FY 2014-15 as against Rs. 27.99 in FY 2013-14.

Asset Quality

- ✦ Gross NPAs decreased to 4.96% as on March 31, 2015 from 5.08% as on December 31, 2014 and 4.08% as on March 31, 2014.
- ✦ Amount of quarterly slippages has been declining for three consecutive quarters - from Rs.1968 crore in Q2/FY15 to Rs.1738 crore in Q3/FY15 and further to Rs.1547 crore in Q4/FY15. This was possible through Bank's stepped up efforts for monitoring. As a result, delinquency ratio (annualised) has come down from 3.4% in Q2/FY15 to 2.9% in Q3/FY15 and to 2.6% in Q4/FY15.
- ✦ Simultaneously, collection efforts led to cash recovery and upgradation increasing to Rs.867 crore in Q4/FY15, which is 125% higher than the amount in Q3/FY15. For the full year, too, cash recovery was Rs.1537 crore, almost 100% higher than in FY14.
- ✦ Even recovery in written-off accounts almost doubled to Rs.80 crore in Q4/FY15 over preceding quarter; while for the full year it was at Rs.317 crore, i.e. 20% growth over FY14.
- ✦ Net NPA ratio is at 2.71% as on March 31, 2015 as against 2.95% as on December 31, 2014 and 2.33% as on March 31, 2014.
- ✦ Provision Coverage increased to 59.23% as on March 31, 2015 from 57.25% as on December 31, 2014. It was 59.89% as on March 31, 2014.

Capital Adequacy

- ✦ The Bank has taken multiple initiatives to optimise risk weighted assets (RWAs) as a means to shore up capital adequacy ratio. This is reflected in a lower growth rate in RWAs during FY15 at 10.5% compared to 12.1% growth in gross advances.
- ✦ Capital Adequacy ratio of the Bank under Basel III is 10.22% as on March 31, 2015.
- ✦ The Tier I CRAR is 7.50% within which Common Equity Tier 1 is 7.24% compared to regulatory minimum of 5.50%.

IT Initiatives

- ✦ Tabulous Banking, a tablet based Savings Bank account opening process under its customer service excellence
- ✦ Biometric Authentication at ATMs through UIDAI
- ✦ Card to card fund transfer through ATM
- ✦ MTNL Bill Payment using IMPS

- ✦ PKI Authentication for Internet Banking User
- ✦ Online PPF for Internet Banking customers
- ✦ Union Bank in association with IRCTC launched IRCTC Union Bank RuPay Prepaid Card. The Prepaid card is the first of its kind in the industry where both virtual as well as physical cards are being issued.

Business Transformation

- ✦ The Bank has started a new wave of transformational journey to “scale new heights”. Union Bank will focus on building on existing strengths and new initiatives across following Five Key Areas:
 - Better customer experience and process efficiency through process improvements and digitization across branches, asset and liabilities processes;
 - Higher customer cross-sell through smart analytics leveraging internal customer data;
 - Higher liabilities and assets sales productivity across the distribution network and marketing teams;
 - Better service performance, migration and sales from multi-channel including ATM, Call Centre, Mobile and Internet; and
 - Stronger HR proposition across training, performance management, manpower, succession planning, leadership development.
- ✦ New strategies will be devised for generating fee-based income and setting up a strong channel-agnostic digital proposition, enabling customer migration towards such channels for operational efficiency and customer convenience.

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Date: 12th May, 2015
Place: Mumbai