

Chairman's Farewell Message to his UCO Colleagues

27 Aug 2015

Dear Colleagues,

I shall be laying down my office as Chairman and Managing Director of UCO Bank on 31st Aug'2015 at the end of my five-year tenure.

My banking career which has spanned 37 years and four Public Sector Banks has been pretty long but eventful, challenging but invigorating, demanding yet satisfying. As a banker it has been my privilege to be part of a noble mission. A mission which made me witness first-hand the transformation and awakening of an emerging giant called India, the incredible growth of its agriculture and industry, the giant leaps in its science and technologies. And throughout this transformation, the banking sector stood like a rock at every step of the way to provide the vital capital so necessary to keep the wheels of progress running.

From a small farmer in some remote village to some top industrialist in a metro city, I have had the opportunity of dealing with them many times. Almost every such occasion offered some new insight about human nature, their prides and prejudices, their traditions and cultures, their hopes and ambitions.

On taking over at UCO Bank, it soon became clear to me that the institution had huge untapped potential to grow but some equally daunting challenges to overcome. There was an over-dependence on bulk business, lack of marketing focus, low customer base, weak asset management practices, non-utilization of technology to the desired level, ageing workforce, and a legacy of sizable non-performing assets.

My colleague EDs and I initiated the process of re-engineering the organization into a customer-focused, cost sensitive and profit-oriented business entity. All important aspects of the Bank's functioning came up for close scrutiny and reengineered as required, keeping the long-term interest of the Bank in mind. The organization structure was redrawn, the business model was changed,

systems and processes were overhauled. Products were redesigned to align with market requirements. Retail banking was given a new thrust. Huge focus was put on acquiring new customers in large numbers. Extensive use of technology became a vital part of our strategy to improve organizational efficiency and delivery of products and services, to expand outreach, and to strengthen control and supervision mechanism. Simultaneously, revitalizing bank's human resource was given top priority.

You will agree that the transformational measures yielded results. Our operating profit which stood at around Rs. 1700 crore as on Mar'10 has grown 2.88 times in the last five years to Rs.4910 crore. Between Apr'2010 and Mar'2015, our low-cost CASA deposit percentage has grown by 868 basis points from 23.56% to 32.24%, percentage of core deposit in total domestic deposit has grown rapidly from 52.66% to 75.12% (+2246 basis points) while percentage of high-cost deposit in total deposit has come down sharply by 2408 basis points from 24.22% to 0.14%. During the five year-period, Apr'10 to Mar'15, Bank opened more than double the number of brick-and-mortar branches (868) than it had during the entire last decade (387 branches). Our ATM installations have grown more than 4 times from 477 as on Mar'10 to 2096 as on Mar'15, while card user base multiplied seven times in the intervening period to reach 61.12 lakhs as on Mar'15. In the process, during last five years we achieved a CAGR of 11.85% in Total Deposits, 16.06% in CASA deposits, 12.73% in Total Advances, 23.54% in Operating Profit and 19.07% in Net Interest Income.

If I look back at my tenure in the Bank, every year brought its own mix of successes and challenges, but our direction was clear and we knew what we must do. To simplify our organization, to build capital, and to navigate intelligently through the slow-growth phase. Today, our bank is exposed to less risk and is better prepared in terms of human resource, technology prowess, products and processes.

My five years at the helm of UCO Bank can be summarized in a few words: In the face of significant challenges, we made significant progress.

But we have miles to go. Many more mountains to climb. Many more challenges to overcome. New competitors, new channels, new processes and new consumer expectations are shifting the banking industry paradigm. Banks can no longer just benchmark against core competitors or other universal banks. They need to take a more holistic view of the market, looking at partnerships between banks and non-traditional players such as Paypal & Facebook (who

both now offer international money transfer services) and emerging disruptors such as payment banks. To survive and thrive, banks will increasingly have to invest in techniques to develop new intelligence, to gain new customer insights (e.g. how likely customers are to change providers or have more than one provider), effectively segment their customers, develop deeper relationships and be the bank of choice. Along with employing currently dominant technologies, what will be of essence is developing the flexibility to quickly adopt new innovations in financial services as they gain acceptability and become commercially viable. This adaptability is as much a state of mind as it is a business capability, since it requires a willingness to be continually dissatisfied with the status quo. Please remember what Rainer Maria Rilke said:

"The future enters into us, in order to transform itself in us, long before it happens."

I take your leave confident in the belief that UCO Bank would achieve its stated objective of becoming one of the top banks in the country admired by peers, cherished and nourished by its proud employees and praised by its customers.

With sincere best wishes to all members of the UCO family.

ARUN KAUL