

MANAGEMENT DISCUSSION AND ANALYSIS

1 Global Economy

- 1.1 Global economy recorded slower than normal growth followed by weak fundamentals in last two years. Series of events including war in Europe, tightening monetary policies, inflationary pressure and supply shocks impacted the global growth performance in FY 2022-23. Financial market conditions across the globe were highly volatile with more frequent rate hikes and events of capital outflows. Prolonged tightening policy actions in the Advanced Economies (AE) drove the major instabilities in capital markets and its repercussions were felt in Emerging Market Economies (EMEs) too. Disruption in supply chain of essentials had led to inflationary pressure and pushed the world towards 'cost of living crisis'. Soaring prices of food, energy and intermediate commodities pushed the central banks to take tougher policy actions which constrained growth in the FY 2022-23. Nevertheless, sustenance in demand conditions across the globe as a part of post pandemic recovery, somewhat prevented the world from facing a recession.
- 1.2 Global commodity prices were on higher trajectory due to geo-political tensions and supply chain disruptions. Prices cooled-off from December 2022 onwards, soon after correction in the prices of meat, vegetable oil and dairy products. However, prices of cereals moderated marginally whereas sugar prices increased which posed upward pressure to food indices.
- 1.3 In H1:2022 crude oil prices hovered at USD 100 followed by a gradual softening in H2: 2022. Crude oil demand faced some down-turn in the H2:2022 due to weak industrial activity in Europe, COVID lockdowns in China, and winter blizzards in the US and Canada that disrupted holiday travel.
- 1.4 Driven by sharp rise in prices of food, metals and essential commodities, consumer price inflation remained elevated across the globe during 2022. Along with food and energy prices, core inflation (excluding food and fuel) too remained elevated in 2022.
- 1.5 Global financial markets remained highly volatile in 2022 due to geopolitical tensions, soaring inflation and tightening monetary policy. Overall, the US S&P index fell by 17.9% in H1:2022. European stocks too remained low in H1:2022 amid the rising interest

rates and weak economic activities. Financial markets in Emerging Markets underperformed in H1:2022 as growing inflationary pressures, recession fears, and monetary tightening in the major Advanced Economies had significant repercussions on investors' sentiments in EMEs.

- 1.6 Bond yields across major AEs hardened in H1: 2022 due to surging inflationary pressure and tightening monetary policy stance. The US 10-year treasury yield raced up to a 3-year high in H1:2022 as the markets priced-in more aggressive Fed tightening than previously anticipated. Nevertheless, in H2:2022, bond yields across major AEs softened on signs of easing inflationary pressures and expectations of less aggressive rate hikes. Bond yields in major EMEs have moved with a hardening bias driven by domestic monetary tightening as well as global cues in H1:2022. Hardening of yields continued in H2: 2022 as spillovers of tighter monetary policy impulses from AEs continued to impact the EMEs.
- 1.7 In its latest World Economic Outlook report, the International Monetary Fund (IMF) has projected global growth at 2.8% in 2023 and 3.0% in 2024. The projections are lowered by 0.1 percentage point each for 2023 and 2024 from January publication. Instability in financial conditions in Advanced Economies and prolonged impact of war are the down-side risks to global growth.
- 1.8 The IMF expects consumer prices to increase by 7.0% in 2023, which is 0.4% more than January 2023 estimates. In 2024, consumer prices are expected to cool down moderately to 4.9%. World Trade volume is expected to grow by 2.4% in 2023, which remains largely unchanged from January 2023 forecasts. World trade volume is expected to revive back in 2024 with 3.5% growth.

2. Domestic Economy

- 2.1 As per the National Statistics Office (NSO) provisional estimates of national income, Indian economy has grown by 7.2% in FY 2022-23 compared to growth of 9.1% in FY 2021-22. The GDP at constant (2011-12) prices in FY 2022-23 is estimated to attain a level of ₹ 160.06 lakh crore, as against ₹ 149.26 lakh crore in FY 2022-23. From supply side, agriculture, industry and services sector estimated to have grown by 4.0%, 4.4%, and 9.5% respectively in FY 2022-23 compared to

3.5%, 11.6% and 8.8% respectively in same period previous year. While agricultural growth improved compared to previous year, industry sector growth was seen on a lower trajectory.

- 2.2 The Reserve Bank of India (RBI) in its latest recent monetary policy, projected real GDP growth for FY 2023-24 at 6.5%, with Q1 at 8.0%; Q2 at 6.5%; Q3 at 6.0%; and Q4 at 5.7%. These numbers indicate recovery from pandemic-led slow-down and overall broadening of economic activity; the expected moderation in inflation; the fiscal consolidation with focus on capital spending. Downside risks to growth emanate from tightening monetary policies, failure of financial institutions in AEs, monetary policy actions of the U.S Federal Reserve (the US Fed), drag from net external demand, global financial market volatility, EL Nino impact on agriculture and Oil shocks, etc.

3 Price scenario:

- 3.1 Headline inflation, measured by the consumer price index (CPI), remained above the RBI's upper target level of 6% in H1:FY 2022-23. Global commodity price shocks resulted in spill-overs in domestic markets. In Q1 FY 2022-23, the heat wave and consequent production losses added to a sharp pick-up in prices. As a result, headline inflation reached to 7.3% in Q1 FY 2022-23, and 6.9% in Q2 FY 2022-23. Pricing pressure continued to remain higher in H2 FY 2022-23 too followed by improvement in domestic demand, spike in input costs and stickiness in core inflation. In Q3 and Q4 FY 2022-23, headline inflation was at 6.1% and 6.5%, which was comparatively lower than the first half, but continued to be higher than RBI's policy mandate.
- 3.2 Prices of food basket showed upward bias during the year due to sustained price pressures from cereals and spices and a pick-up in protein-based food inflation. Nevertheless, prices of vegetables and other perishables showed some transient corrections in H2, which pulled the overall numbers marginally. Volatility in fuel prices continued as a part of global supply shocks and related spill-over. However, during the entire year FY 2022-23, core inflation (excluding food and fuel) was sticky at 6% reflective of higher prices of essential services.
- 3.3 Inflation trajectory for FY 2023-24 would be shaped by both domestic and global factors and expectations remain largely range bound with gradual cooling. The RBI projects CPI inflation at 5.1% for FY 2023-24, with Q1 at 4.6%, Q2 at 5.2%, Q3 at 5.4 % and Q4 at 5.2%.

4. Stock market performance

- 4.1 In FY 2022-23, domestic financial markets were impacted by global spillovers, especially in the equities and forex segments. Domestic equity market remained in mild losing phase in H1: FY 2022-23 while showing better resilience than most of its global peers. In H2 FY 2022-23, equity markets resumed the positive tone amidst strong buying by the Foreign Portfolio Investors (FPIs), robust corporate earnings, correction in commodity prices, and good progress of the monsoon.
- 4.2 Sensex declined by 2.5% in H1:2022-23 to close at 57,108. Sensex gained 2.7% in H2 to close at 58,992 on March 31, 2023. Continuing the resilience, the BSE banking index (the Bankex), gained by 0.9% in March 2023 in contrast to declines of 25.2% and 13.8% in the US and European banking benchmarks respectively in March 2023.

5 Yield Movement:

- 5.1 During H1:2022-23, G-sec yields exhibited two-way movements. The benchmark 10-year yield rose by 64 basis points (bps) during Q1, driven by the rise in US yields and crude prices; the announcement of a larger than anticipated Central Government borrowing calendar for H1:2022-23, higher than expected CPI inflation prints, and repo rate hikes.
- 5.2 During H2, G-sec yields were largely range-bound. Yields hardened in October 2022, tracking higher than expected domestic CPI inflation for September. The yield moderated in November, taking cues from softening US yields with a lower-than-expected US CPI print and declining crude prices. In Q4, yields softened in early February on a lower than anticipated market borrowing programme of the central government for FY 2023-24. The yield on 10-year G-Sec closed 2022-23 at 7.31%.
- 5.3 Yields on T-bills firmed up across tenors in sync with the increases in the policy repo rate and the introduction of the Standing Deposit Facility (SDF) and moderation in surplus liquidity.

6 External Sector

- 6.1 Amidst persisting geopolitical tensions and slowing external demand, merchandise exports lost pace, with growth of 6.7% to USD 450 billion in FY2022-23. Merchandise imports, however, remained buoyant, at USD 714 billion, rising 16.5% from year ago, reflecting strong domestic demand conditions. These developments led to a widening of the merchandise trade deficit.

- 6.2 The current account deficit (CAD) was 2.8% of GDP in Q1:2022-23. The CAD narrowed to 2.2% of GDP in Q3 from 3.7% in Q2, mirroring the trend in merchandise trade deficit for FY 2022-23.
- 6.3 Net Foreign Direct Investments (FDI) flows stayed strong at USD 28 billion, albeit lower than USD 38.6 billion a year ago. The FPIs reduced their exposure in domestic capital market, reflecting the generalized risk aversion towards EME assets in the face of the strengthening of US dollar, intensified geopolitical tensions, elevated global inflation and faster policy tightening by major central banks.
- 6.4 In the currency market, the Indian rupee (INR) traded with a depreciating bias against the US dollar (USD) in H1:2022-23. Market interventions by the RBI contained volatility and ensured orderly movement of the INR. The appreciation of the US dollar, triggered by aggressive rate hikes and the hawkish stance of the US Fed, exerted depreciation pressure on EME currencies in H2 2022. Dragged by these concerns, the INR touched an all-time low of 83.2 per USD in October 2022. Nevertheless, the INR outperformed major EME currencies, including the Argentine Peso, the South African Rand, and the Turkish Lira during 2022-23.
- 6.5 India's foreign exchange reserves stood at USD 578.4 billion, equivalent to 9.7 months of merchandise imports in FY 2022-23.
- 6.6 Non-food bank credit of scheduled commercial banks (SCBs) rose 15.4% year-on-year (y-o-y) as at end-March 2023 from 9.7% a year ago. Improvement in bank credit was seen across all major sectors. Credit to the agriculture sector grew by 15.4% (y-o-y) in FY 2022-23 as compared with 9.9% a year ago, supported by the above normal monsoon and the enhanced target for agricultural credit. Credit growth to industry registered a growth of 5.7% in FY 2022-23 as compared to 7.5% previous year, led by medium industry and sustained growth in the micro, small and medium enterprises (MSME) segment. Retail loans with growth of 20.6% y-o-y, aided by housing and vehicle loans, remained the major driver of overall credit growth during the FY 2022-23.

7 Liquidity conditions:

- 7.1 Liquidity conditions remained highly volatile during the FY 2022-23. In H1:2022-23, the focus of liquidity management moved to gradual, calibrated withdrawal of surplus liquidity in a non-disruptive manner. Accordingly, surplus liquidity moderated further in H2:2022-23.

- 7.2 In FY 2022-23, the RBI brought-in various modifications in the liquidity operations including introduction of the SDF at 25 bps below the policy repo rate thereby removing Fixed Rate Reverse Repo (FRRR) as the floor for Liquidity Adjustment Facility (LAF) from April 2022. In September, it announced the merger of the 28-day variable rate reverse repo (VRRR) with the fortnightly 14-day main auction.
- 7.3 Further, the RBI provided a forward- looking guidance for remaining vigilant, agile, and nimble in its liquidity management operations to meet the productive requirements of the economy while mitigating the impact of global spillovers on domestic financial markets.

8 RBI's policy decisions:

- 8.1 During FY 2022-23, the Monetary Policy Committee (MPC) increased the policy repo rate by 250 bps, and policy remained focussed on progressively aligning inflation with the target, while supporting growth.
- 8.2 Reflecting these developments, the weighted average call money rate (WACR), on an average, was broadly aligned with the repo rate with 3 basis points (bps) above the repo rate in H2 as compared with 27 bps below in H1 of FY 2022-23.

9 Banking environment:

- 9.1 In FY 2022-23, despite a hostile global financial environment, Indian banking system remained resilient with improved profitability, adequate capital buffers and moderate levels of non-performing loans.
- 9.2 Aggregate deposits of SCBs registered a faster growth (9.6% y-o-y as on 24th March 2023, as compared to 8.9% growth as on 25th March 2022) during FY 2022-23, due to considerable increase in interest rates.
- 9.3 Banks' deposit and lending rates moved higher in tandem with increases in the policy repo rate. The Weighted Average Lending Rate (WALRs) on fresh rupee loans rose by 181 bps during May 2022-March 2023. The weighted average domestic term deposit rate (WADTDR) on fresh deposits increased by 242 bps during May 2022 to March 2023. The transmission to WADTDR on outstanding deposits has picked-up gradually, reflecting the longer maturity profile of term deposits contracted at fixed rates.
- 9.4 Asset quality of the SCBs improved, with the overall non-performing assets (NPA) ratio declining to

4.5% in December 2022 from 6.5% a year ago. Asset quality improved across all the major sectors.

10 Resources Mobilisation

Total deposits of the Bank stood at ₹11,17,716 crore. CASA deposits stood at 35.25% of total deposits.

Composition of Deposits:

(₹ in crore)

Particulars	31.03.2022	31.03.2023
Total Deposits	10,32,392	11,17,716
CASA Deposits	3,77,193	3,94,055
Saving Deposits	3,04,541	3,20,075
Current Deposits	72,652	73,980

Initiatives taken during the year:

- Bank aimed at an exclusive focus on Salary accounts. The salary portfolio has shown a growth of 26.55%.
- Special SB products such as SBHNI Prime was launched to cater to the needs of the affluent section of society.
- Special Account for Minors (Industry First product): **Union Muskaan** launched to inculcate Saving habits among children and to help parents/guardians build a corpus for the child's future. The scheme also has the additional feature of a free term insurance facility attached with RD linked to each MUSKAAN Account.
- Pan India's 233 branches have been identified for handling/accepting bulk deposits of ₹2 crores and above. This has helped other branches to concentrate on retail term deposits and the CASA portfolio.
- Special Retail Deposit Schemes in the slab of 599 days, 700 days, 800 days & 3 years launched to give momentum to growth in the retail deposit segment. This helped your Bank garner total of ₹1,00,000 Cr (approx.) from 20,46,357 accounts as on 31.03.2023
- MOU signed with Indian Navy and Naval Dockyard Mumbai for opening Salary accounts of Navy Personnel and Naval Civilians
- "Pravasi Hamara Gaurav" drive was conducted, and 77 NRI meets were organized in Pan India with a focus on garnering quality business from NRIs.

- Dedicated NRI Back office has been established at Mangalore with a view to providing support to NRI & NRI focussed branches. Customer queries & grievances are also handled by the team.
- Relationship Managers have been posted at regional offices & other identified centres to cater to the needs of Top clients / HNI customers at their doorstep and provide them with personalized service on case to case basis.

11 Credit Management

11.1 Overall Credit:

The Bank's total advance was ₹8,09,905 as of 31.03.2023, the corporate & others advance stood at ₹3,73,188 Crore. 14 Large Corporate Branches (LCB) and 56 Mid Corporate Branches (MCBs) across the country are catering to the needs of corporate clientele. Your Bank has made judicious disbursements to investment-grade projects of the large corporate, thus participating in the growth opportunities in the Indian economy.

11.2 Mid Corporate:

- Your Bank registered growth of 15.12% on a YOY basis in Mid corporate accounts.
- A total of 171 New Business Proposals amounting to ₹21,615 crore have been approved during FY 2022-23, out of which final sanction has been accorded in 64 accounts amounting to ₹7704 crore.
- To increase non-interest income, enhancement was accorded in Non-Fund Based limit (Off Balance sheet exposure) amounting to ₹3000 crore in 91 accounts.

11.3 MSME:

Business Growth:

(₹ in crore)

Particulars	31.03.2022	31.03.2023	YoY Growth (%)
Total MSME Advances	110577	125022	13.06

MSME advances have registered YoY growth of 13.06 % during the FY 2022-23.

Performance under identified MSME Schemes:

Detailed below is the performance of your Bank under the identified MSME Schemes during the year.

Name of the scheme	Sanctioned A/c (Number)	Sanctioned Amt. (₹ In Crore)
Union MSME Suvridha	5,525	4,307
Union Nari Shakti	19,637	2,357
Union Equipment Finance	899	819
Union Ayushman Plus	567	378
Union Solar	108	105

Union Nari Shakti: An exclusive scheme for financing women entrepreneurs i.e. "Union Nari Shakti" Scheme with attractive features such as waiver of Processing charges, reduced margin requirement, collateral coverage, rate of interest etc. The total number of accounts financed as on 31.03.2023 is 24,669 with sanctioned amount of ₹ 3232.57 Crores and outstanding balance of ₹ 2598.11 Crores. During the FY 2022-23, your Bank sanctioned 19,637 fresh accounts to the tune of ₹ 2357.33 Crores. Including the enhancement portion in the existing accounts, your Bank sanctioned 20,618 accounts to the tune of ₹ 2489.64 Crores. To take a leap further, Your Bank has introduced end-to end digital New platform for Fresh Nari Shakti applications during the FY 2022-23. This platform enables Existing to Bank (ETB) & New to Bank (NTB) customers to avail loan above ₹ 2.00 Lakhs & up to ₹ 10.00 Lakhs through mobile and web application interfaces in a self-service mode.

MSME Loan Points: During the financial year, MSME processing centers of your Bank have sanctioned/appraised credit proposals (including Agri and corporate) of ₹35,598 Crore, out of which ₹ 18,140 Crore was within their own delegation.

Outreach Camps: Executives from the Central Office have regularly visited their assigned regions to drive the growth of the MSME business. This has resulted in increased monitoring of their regions with improved MSME business numbers.

Cluster Schemes: Bank has approved 33 cluster schemes across Pan India. During the financial year, the utilization under the approved clusters has increased from ₹2191 Crore as on March 2022 to ₹10,113 Crore as on March 2023.

To cater to MSME Client Base and timely address their credit requirements, 80 additional Union MSME First Branch (UMFBs) were launched during the FY 2022-23 taking the number of total specialized branches to 105 with an MSME portfolio of ₹9000.00 Crores.

To cater to the requirements of the Startups, a specialized Startup Branch was launched in Bangalore during FY 2022-23.

Creation of the Dedicated "Centralized Guarantee Cell" for Credit Guarantee Schemes: In order to have focused approach and freeing field functionaries for marketing activity and business growth, operational activities related to credit guarantee are shifted to a dedicated back-office structure. The Guarantee Cell is set up at MSME Vertical, Central Office. Further, a need was felt for automation of the process. To ensure timely compliance with the credit guarantee-related activities, an inhouse portal called 'Credit Guarantee Management Solutions (CGMS)' was created. This portal had a pivot role in the API integration of fresh guarantee coverage with CGTMSE. CGMS was made live on 1st September'22 for all India Branches. Currently, all the new credit guarantees are obtained online through the CGMS portal, and also guarantee fee is debited directly to accounts from the backend. This is to ensure seamless activities related to obtaining guarantee coverage under the various Schemes, claim lodgment, and maintenance of the portfolios in time bound manner.

Training Programme: During FY 2022-23, Marketing officers were introduced to the MSME Loan Points (MLP), and each of them was imparted an orientation and training programme on credit appraisal and marketing. In order to have the complete development of credit officers posted at MSME Loan Points (MLP), including the MLP Heads, training was provided within the existing training structure to improve the knowledge level for better implementation at their job role.

PMEGP (Prime Minister's Employment Generation Programme): Bank is playing an instrumental role in the implementation of the PMEGP Scheme across all the regions with regular monitoring at all levels. During the FY 2022-23 Bank has enabled 7,562 Individuals to embark on the entrepreneurship journey with total assistance (Margin Money) of ₹ 298 Crore.

PMMY (Pradhan Mantri Mudra Yojna): To promote entrepreneurship and to enable micro credit to the aspiring youth, Bank has been at the forefront in implementing the Pradhan Mantri Mudra Yojna by sanctioning 814221 applications with a total

sanction of ₹ 13,078 Crore during the FY 2022-23.

PMSVANidhi (PM Street Vendor's Atma Nirbhar Nidhi): To implement the financial inclusion of Street Vendors by providing them with micro-credit and inculcating the habit of financial discipline among them, your Bank has assisted 1,15,695 street vendors with ₹193.83 Crores under PMSVANidhi scheme during the FY 2022-23.

Initiatives to reduce environmental footprint as a part of ESG initiatives:

Digital Banking Initiatives: MSME Customers can now apply for loans digitally for their business requirements. On this front, Bank has launched an end-to-end digital solution like Straight through Processing (STP) Kishore and Tarun Mudra Loans (up to ₹10.00 Lacs). Union Nari Shakti (up to ₹10.00 Lacs) and GST Gain (up to ₹25.00 Lacs) are also available digitally.

Union Solar (New Product): Bank has launched this product to finance the borrowers for installing Solar Power Plants for their captive use and help in moving towards usage of non-conventional sources of energy. In order to make the scheme attractive and cost-effective, waiver of collateral requirements and concessional rate of interest is approved.

12 Retail:

The Total Retail Advances (excluding PWO) reached ₹1,59,702 crores registering overall Y-o-Y growth of 17.19%.

Product-wise Y-o-Y growth under Retail Lending is as under:

(₹ in crore)

Scheme	Actual March'22	Actual March'23	Growth over March' 22	% Growth Over March 22
Home	71929	79726	7797	10.84
Miles	12705	16597	3892	30.63
Education	7590	9419	1829	24.10
Mortgage	12607	14308	1701	13.49
Personal	6126	11734	5608	91.54
Others	26025	28812	2787	10.71
Total Retail Advance (incl. PWO)	136982	160595	23613	17.24
PWO (-)	709	893	184	25.95
Total Retail A d v a n c e (E x c l u d i n g PWO)	136273	159702	23429	17.19

- Total Retail growth of ₹23429 Crore over March'22.
- Growth on YOY basis is at 17.19 %.
- PAN India basis, RLPs (CPCs) sanctioned Retail loans of ₹ 32375 Cr during FY 2022-23.

Initiatives Taken:

- Separate scheme for Special Education Loans for Abroad Study, Special Education Loan Scheme for Premier Medical Institutes (Union Medicos)
- Dedicated education loan officers are earmarked in the field as the single point contact for education loans.
- Introduction of a separate Retail Gold loan scheme for Education loans.
- Introduction of Digital Education Loan for Studies in Premier Institutes.
- Launch of Union Suraksha Personal loan to finance for credit life premium.
- UBISL has been empaneled as CSA for canvassing education loan leads.
- Maruti Suzuki Integration with Bank's Lending Automation System (LAS).

12.1 Agriculture: Agriculture lending has always been the priority area for your bank. Agriculture advances constituted 17.77% of the Gross advances of your Bank as of 31.03.2023. Your Bank registered a Y-o-Y growth of 14.20% in Agriculture during FY 2022-23 with an outstanding of ₹1,51,993 Cr as of 31.03.2023.

Outstanding credit to small and marginal farmers as of March 31, 2023, stood at ₹95,171 Cr, which constituted 13.33 percent of ANBC against the benchmark of 9.50 percent of ANBC. During FY 2022-23, Bank issued 4.11 lakh fresh Kisan Credit Cards amounting to ₹6,896.45 Cr.

12.2 Priority Sector Advances:

Your Bank remains committed to extending credit facilities to the needy segments of society. Your bank's priority sector advance stood at ₹302006 Cr as on March 31, 2023. Against the statutory target of 40% under Priority sector advances, your Bank achieved 42.31 percent of the Adjusted Net Bank Credit (ANBC) for the Quarter that ended March-2023 after excluding the PSLC sales and including the investments in RIDF/SIDBI/MUDRA/NHB.

Against the statutory target of 18% under Agriculture Priority as on March 31, 2023, Bank's performance is 18.97%. Bank could also sell the

surplus of ₹15450 Cr under PSLC-Small & Marginal Farmer.

(₹ in crore)

Particulars (Including RIDF)	31.03.23	31.03.22	Y-o-Y (%)	% to ANBC	Benchmark FY 2022- 23 (% of ANBC)
Priority Sector Credit (After Deducting PSLC- Sold)	302006	272282	10.91	42.31	40%
Agriculture Priority Sector (After Deducting PSLC-Sold)	135430	127343	6.35	18.97	18%
Small & Marginal Farmers (After Deducting PSLC- Sold)	95171	88194	7.91	13.33	9.50%
Credit to Weaker section (After Deducting PSLC- Sold)	118631	104698	13.30	16.62	11.50%

Specific Lending for Social Upliftment

Your Bank has continued to keep its focus on social development and equal opportunities for all segments of society. Accordingly, your Bank extended credit facilities to various weak and unserved sections of society, specifically women, minority communities, and self-help groups.

- **Women Beneficiaries:** With a view to promoting entrepreneurs among women and making them self-reliant, your Bank encourages credit to women entrepreneurs. During FY 2022-23, Total outstanding loans to women beneficiaries increased from ₹89110 crore in March 2022 to ₹105954 Crore in March 2023, i.e., a growth of 18.90%.
- **Minority Communities:** Your Bank is extending finance to the minority communities in line with the Government of India directives on the welfare of minority communities. As on March 31, 2023, the outstanding credit to minorities stood at ₹28,314 crore, which constitutes 9.38 percent of Priority sector advances.
- **Weaker Section:** Your Bank has been actively participating in financing for weaker sections of society. Finances to weaker section net sale of PSLC-SF/MF has increased from ₹104698 crore to ₹118631 crore, as on March 31, 2023, registering a growth of 13.30 percent. Outstanding credit stood at 16.62 percent of ANBC against a benchmark of 11.50 percent.
- **Rural Self Employment Training Institute (RSETI):** With the aim of mitigating the employment problem among the rural youth, your Bank has established

24 RSETIs in districts where your Bank has “Lead Bank Responsibility”. As of March 31, 2023, the total number of candidates trained in our RSETIs is 308494, out of which 205525 candidates have been employed. Thus, in total, your Bank has 30 RSETIs (including 24 RSETIs wherein our Bank is the Lead Bank) present across the country, creating employment opportunities for Unemployed Rural youth.

- **Regional Rural Banks (RRBs):** Your Bank sponsors Chaitanya Godavari Grameen Bank (CGGB), Guntur, Andhra Pradesh state. It has a network of 238 CBS Branches spread over three districts of Andhra Pradesh, namely, East Godavari, West Godavari & Guntur. The business of CGGB has increased to ₹17582.21 crore, with a growth of 19.77 percent during FY 2022-23. Total Deposits stood at ₹7481.59 Cr and Advances at ₹8820.64 Cr with a Net profit of ₹232.34 Cr. The Gross NPA is 0.63%, and Net NPA is 0% as of 31.03.2023.

- **Pradhan Mantri Fasal Bima Yojana (PMFBY):** Your Bank is implementing PMFBY for the benefit of farmers who face climatic adversities very often and suffer a lot. All farmers, including sharecroppers and tenant farmers, grow the notified crops in the notified areas covered under PMFBY.

Area Specific Schemes

Bank has formulated 32 Area Specific Schemes based on the available potential for the benefit of the farmers in the respective areas to augment lending under agriculture.

- **Atmanirbhar Bharat Schemes/Emerging Renewable Sectors:**

Your Bank has started capitalizing on huge investment taking place in Agri Infrastructure, Animal Husbandry, and Food Processing through various Atmanirbhar Bharat Schemes like the Agri Infrastructure Fund, Animal Husbandry Infrastructure Development Fund, and Pradhan Mantri Formalization of Micro Food Processing Enterprises.

Your Bank is also leveraging other schemes under renewable energy like Compressed biogas schemes, solar power plants, and solarization of pump sets under the PM KUSUM Scheme to help in achieving sustainable development goals and improving Green Financing.

- **Digitization of KCC**

Your Bank rolled out Kisan Credit Card Auto Renewal STP (Straight Through Processing) in

the entire state of Karnataka on 29.11.2022 & in the state of Madhya Pradesh on 30.11.2022. Fintech has been onboarded and will be scaled up gradually in all remaining states where land records are digitized). Kisan Credit Card STP for Fresh sanctions up to ₹ 1.60 lakhs has been rolled out in the State of Madhya Pradesh on 11.11.2022 and launched in 11 branches of Karnataka state on 20.03.2023 on a pilot basis.

12.3 Financial Inclusion:

Summary of performance during the FY 2022-23:

(₹ in lacs)

S. No	Parameters	31.03.2022	31.03.2023
1	No. of PMJDY A/cs	244.78	280.00
2	Balances in PMJDY A/cs (Cr)	7780	9046
3	RuPay Cards issued A/cs	118	156
4	Aadhaar Seeded A/cs	204	229
5	Zero Balance A/cs	42	47
6	Overdraft Sanctioned	2.44	2.41
7	APY (cumulative)	25.01	33.77
8	PMJJBY in PMJDY A/cs	6.52	8.39
9	PMSBY in PMJDY A/cs	29.77	36.57
10	No Transactions at BC Point	1045	1110
11	Amount of Transactions at BC Point (Cr)	62945	71618
12	Average Enrolment Per Day Per Branch at Aadhar Enrolment Centres (Nos)	10	14
13	Financial Literacy Camps	3358	4128

- 35.65 lakhs PMJDY accounts are opened during FY 2022-23, Your Bank has achieved 132% of the target under PMJDY Saturation Drive Campaign.
- Total Deposit balances in PMJDY accounts have increased by ₹ 1266 crores over the previous year (i.e., from ₹7780 crore to ₹9046 crore).

- Cumulative enrolments under APY increased by 8.77 lakhs during the year. As of 31.03.2023, Your Bank has achieved 123% of the Target of 7.1 lakhs allocated by the Dept. of Financial Services for FY 2022-23 for APY enrolments.

- No of BCs increased to 17662 from 16948.

New initiatives taken:

- Enrolment of New Pension Scheme (NPS) at BC Points.
- BC Monitoring Mobile App is made live at the Google Play store to enable the Branch/RO/CO to complete the BC Monitoring through Mobile and will have the advantages like Paperless Inspection of BCs, Geo Tagging, Social Audit concept, Real-Time MIS of the audit coverage, Risk categorization, a tool for Preventive Vigilance measures and Early Warning Signal of irregularities at BC points, availability of Reports through Dashboard, etc.

13 International Banking

Overseas business of your Bank stood at ₹36,229 Crore as on March 31, 2023, compared to ₹17,429 Cr as on March 31, 2022. Your Bank has three overseas branches in Hong Kong, DIFC (Dubai), and Sydney (Australia) and operates in London, United Kingdom, through its wholly owned subsidiary, Union Bank of India (UK) Ltd, and in Kuala Lumpur (Malaysia) through its Joint Venture - India International Bank (Malaysia) Berhad, which is a Joint Venture with Bank of Baroda and Indian Overseas Bank. The Gross Advance portfolio of the foreign branches has grown by 43.55%, and Operating Profit has grown by 7.46% for the FY 2022-23.

Trade Finance

Your Bank offers a bouquet of Trade Finance products and services to exporters and importers through an extensive, well-equipped branch network that operates in India and abroad. The agenda is to support 150 Authorized Dealing branches spread across the length & breadth of the country, Centralized Trade Finance Back offices, and Centralized SWIFT Back Office for orderly growth of the Trade Finance portfolio, formulate policies, and innovate new products as per the market demands and changing regulatory norms.

Bank aims to improve synergies and trade flow between Domestic Offices and Foreign Offices/ Correspondent Banks and the trading community by forming a strong link between them.

Your Bank facilitates the growth of Export Credit by actively involving branches, trade bodies & other stakeholders.

Global Payments & Services

International Exchange Vostro Branch- International Exchange Vostro Branch (IEVB) facilitates Inward Remittances from Overseas locations to India & Opening & Maintenance of Vostro Accounts for Foreign Banks, Rupee Drawing Arrangements of Exchange Houses & Special Rupee Vostro Accounts.

Your Bank is in the process of introducing various Foreign Exchange Services at your fingertips via its "Vyom" App, like Inward & Outward Remittances, followed by various other Trade Finance products through the mobile app.

Correspondent Banking Relations - Your Bank is a pivot in maintaining and reviewing RMA relationships with a network of 717 banks in 114 countries. Your Bank has 943 RMAs with 673 Banks in 94 Countries and Nostro Relationships with 33 Banks.

"Trade Finance Set Up"

Your Bank is well-equipped to provide a wide range of products and services to exporters and importers through an extensive branch network that operates domestically and internationally.

Your Bank facilitates the growth of Export Credit by actively involving branches, trade bodies & other stakeholders.

To facilitate the Trade Community, Forex Service Charges have been rationalized and aligned with the market. Bank has also introduced many system-related enhancements and updates in the SWIFT system.

Your Bank has in place Centralized Trade Finance back offices at Mumbai & Mangaluru for central processing of Trade Finance Transactions, which are exclusively set up to provide a one-stop solution for access to our customers.

Your Bank is committed to ensuring FEMA compliance across your Bank. The department ensures timely submission of RBI / FEMA-related returns and issuing instructions concerning revisions in FEMA / RBI guidelines.

Exporters/Importers meet

Various Exporters/Importer meets were conducted across India to increase awareness of the banking facilities offered by your Bank. New products like Union Trade Current Account (UTCA) and Trade NXT have been introduced for the benefit of our customers. Also, existing schemes like Union Exports have been made more attractive.

TRRACS Software, EDPMS / IDMPMS

Your Bank has in place the Trade Regulatory Reporting and Compliance Solution (TRRACS) software that is

continuously leading to a reduction in pending EDPMS / IRMs / Export advances entries over a period of time, and we could succeed in the removal of these entries substantially, enhancing customer satisfaction.

LIBOR to ARR (Alternate Reference Rate) / RFR (Risk-Free Rate) Transition

With the introduction of an Alternate Reference Rate (ARR) to replace LIBOR, there is a major transition in the Global Trade Ecosystem. Your Bank has taken the initiative to implement & Automate the ARR regime in its Trade Finance operations.

Centralized SWIFT Back Office (CSBO)

SWIFT is an integrated web-enabled messaging software that runs centrally and is accessed by the interface channels and branches, facilitating the electronic exchange of financial and non-financial messages.

A centralized SWIFT office has been set up in Mumbai for handling cross-border transactions over the SWIFT network and for ensuring smooth & fully secured transmission of messages.

Trade Finance Solution – Trade NXT

As part of digitization and redesigning of trade finance processes, your Bank has launched Trade Finance Solution, i.e., Trade NXT.

Trade NXT is a Unique Digital Trade Services Platform for our customers to transact Foreign exchange transactions efficiently & at their convenience. The platform supports all types of trade transactions, including Exports, Imports, Guarantees, and Remittances.

Key Features:

- ❖ **Convenience** - Avail service from your home or office, No need to visit branches.
- ❖ **24x7 Availability** - Trade-related transactions can be initiated round the clock.
- ❖ **Customization** - Personalized dashboards and customized templates.
- ❖ **Paperless Banking via Digitization** - Dedicated portal for managing all trade transactions, Auto mailer intimations of advice, and SWIFT messages.
- ❖ **Process Improvement** - Driven by AI and OCR Technologies to initiate and process transactions (Implementation under progress)
- ❖ **Efficiency** - Substantial improvement in TAT due to Digitization and Centralization
- ❖ **Relationship Manager** - Improved Customer service through dedicated Relationship Managers

- ❖ **Compliance** - Complying with Regulatory Norms & Procedures along with International Best Practices.

FEMA Audit

The branches that are authorized to deal (Authorised Dealers) in Foreign Exchange Transactions, including CSBO, and Trade Finance Processing Back Offices, are subjected to FEMA compliances.

KYC / AML-CFT Measures

Your Bank has been taking comprehensive steps to implement KYC norms/guidelines across your Bank. Bank has a board-approved policy on Know Your Customer (KYC) standards, Anti-Money Laundering (AML), and Combating of Financing of Terrorism (CFT) measures, in line with the extant RBI Master Direction on KYC.

Workshops / Events held by Bank

- India International Cargo & Logistics Exhibition from 30.11.2022 to 02.12.2022 at Mumbai & companies have participated in the exhibition.
- Almus Rupee Money Conference'2022 on 10.12.2022 at Mumbai.
- BFSI Insight Summit 2022 from 21.12.2022 to 22.12.2022, in Mumbai.
- FIEO's capacity building programme under the initiative district as an export hub on 21.1.2023 at Jaipur.
- IESS (International Engineering Sourcing Show) Chennai – 16th to 18th March 2023

14 Treasury operations

- To act as a prudent liquidity manager in line with Bank's corporate goal, Treasury aims at generating optimum profit while managing the credit, market, and liquidity risks as per policy guidelines. Better cash management by different short-term money market instruments and forex market. Maintaining a decent SLR & Non-SLR investment book with appropriate Modified duration will help us to enhance our profitability.
- Conserve your Bank's capital by reducing high capital-intensive instruments and increase the NIM and ROCE by leveraging the less capital-intensive instruments.

a. Summary of performance during 2022 – 23:

During the FY, the repo rate increased by 250 bps, from 4.00 to 6.50 percent, to tame the higher inflation. This results in hardening of the yields and

10 year G-sec made a high of 7.62 in June 22 from 6.84 in March 22. Accordingly, bank took prudent investment decision and kept the duration lower in the AFS book to minimize the impact of the yields hardening. The modified duration of AFS book was kept at 1.32 in FY22-23 against 1.20 in FY21-22. Bank made investment at opportune time to augment the interest income from the investment portfolio. Bank's total domestic investment was to the tune of ₹3, 45,370 crore as on 31-03-2023 whereas it was ₹3, 53,002 crore as on 31-03-2022.

Bank has actively managed the liquidity and the liquidity position remains comfortable during the FY 2022-23.

Bank has good presence in USD-Rupee Spot and USD-Rupee Forward markets and command good market share in merchant foreign exchange flows.

Summary of performance:

(₹ in crore)		
Particulars	FY 2022 -23	FY 2021-22
Interest income	24,438.39	22,780.00
Profit on sale of Investment	1,083.00	3,401.00
Exchange profit (Forex)	813.00	640.00
Total Treasury Income	26,334.39	26,821.00

b. New Initiatives during the Year:

Debt syndication:

Debt syndication activity started during the FY, and Bank has earned fee-based income to the tune of ₹ 1.51 Cr.

c. Treasury Strategy:

- As interest rate is likely peaked in most of the economies as inflationary pressure is ebbing, interest rate cycle is expected to reverse. We are closely looking into all the opportunities and accordingly diversifying the portfolio with adding duration to this to maximize the trading gain as well as to augment the interest income.
- Explore all available arbitrage opportunities in the financial market, such as forex Vs. money market, dated securities Vs. interest rate future (IRF), dated securities Vs. overnight index swap (OIS), long-term treasury liabilities Vs. structured derivatives etc.

- Strengthening manpower through various in-house and external training like ACI dealing certification, mastering the trading game, etc., for improving overall efficiency level at every stage.
- To make the sales team even more capable by increasing the size of members and using the digital mode to onboard new customers and provide a seamless experience to old and new customers of your Bank. Exploring possibilities of expanding PD business through the sales team.

d. Increasing existing customer business share and onboarding new customers:

Treasury Relationship group will drive FX business from existing as well as acquisition of new customers; White label screen to customer can increase FX volume; Trade Finance solution (Finstra) will provide more FX Business due to flexibility to customers for document handling.

15 Asset Quality

Summary of Performance:

NPA Level reduced from ₹ 79,587 crore as of March 2022 to ₹ 60,987 Crore as of March 2023 with reduction of ₹ 18,600 crore.

The details of NPA movement are as follows :

(₹ in crore)

Particulars	FY 2021	FY 2022	FY 2023
Gross NPA	89788	79587	60987
Gross NPA %	13.74	11.11	7.53
Net NPA	27281	24303	12928
Net NPA %	4.62	3.68	1.7
Fresh Slippages +	17443	22877	12518
Increase in O/S			
Cash Recoveries /	7865	13595	11943
Upgradation			
Recovery in TWO	2537	2750	5549
Write-Offs	16983	19484	19175
PCR	81.27	83.61	90.34

Digital Initiatives Taken under project UNION SARAS:

- Showcasing properties on the common auction platform, i.e., eBkay, under the Indian Banks Auctions Mortgaged Properties Information (IBAPI) portal launched by IBA at monthly prefixed dates for the entire financial year to enable the filed functionaries to showcase all the eligible properties for auction.

- Use of digital platforms (portals like 99 acres.com, housing.com, foreclosure .com, and OLX) for wider publicity to attract more and more bidders while auctioning NPA.

Recovery Strategies initiated:

Restructuring of NPA Accounts.

Recovery through legal recourse :

- Swift and effective use of legal remedies under SARFAESI and DRT Acts for quick recovery.
- Creation of a strong/flawless database for SARFAESI actions and DRT filed accounts.
- Filing of Suits in all the eligible accounts without fail and close follow-up of the SUITS that have already been filed before DRTs.

Recovery through OTS :

- Focus on negotiated settlements for OTS/ resolution of NPA accounts are discussed with high ticket borrowers during visits by Executives.
- Structured OTS Scheme (OSDL-2023) for Doubtful-II, III, and Loss NPA account with R/L OS Balance up to ₹ 5 crore is launched w.e.f. 31.03.2023.

Bank will continue to lay emphasis on guarding against fresh slippages and focus on recovery/Upgradation vigorously so as to bring down the level of NPA consistently.

Weekly Mega recovery camps were planned to be organized on a Pan India basis.

Recovery through sale of assets to ARCs/NARCL :

- Bank will identify NPA accounts to explore for the Sale of distressed assets to ARCs/NBFCs/BANKs/ FIs so as to keep the NPA levels at an acceptable level in line with the requirements of the regulator.
- Shifting of High-level NPA to NARCL

Recovery through NCLT :

- To improve the timely recovery performance of your Bank , emphasis has also been given to the identification of eligible accounts to be filed before NCLT for reduction of NPA levels.
- Under personal insolvency Form 'B' had been issued to all the guarantors of the corporate debtor.
- Initiating action against personal guarantors where CIRP is going on.

Recovery through specialized branches :

- NPA Accounts with O/s of 20.00 lakh and above up to ₹ 25.00 crore are transferred to ARBs.

- 7 new ARBs are opened during the current Financial year for a focused approach in the Resolution/ Recovery of NPAs of ₹ 20 lakhs to less than ₹ 25 crores.

Various campaigns are launched to improve the recovery performance, like provision buster, Thunder-2, Heat the beat, Pace the race-I, II, III, and DRT Campaign.

National Lok Adalat was conducted on various dates as per the National Lok Adalat calendar. Apart from this, Lok Adalat is also conducted by Regions at regular intervals under Aegis of District Legal Service Authority.

16 Relationship Banking

Your Bank earned an income of ₹353.36 crore through the distribution of third-party products during the year 2022-23.

(₹ in crore)

Business Parameter	ACTUALS FY 2021-22	ACTUALS FY 2022-23	% Achievement
Life Insurance	170.24	233.69	56.04%
Non-Life Insurance	48.14	50.76	39.50%
Health Insurance	38.03	49.13	44.57%
Mutual Fund	17.66	19.77	42.74%
Total Income	274.07	353.36	50.34%

INITIATIVES DURING THE YEAR

- Revival of Corporate tie-up with Nippon India Mutual Fund to grow business under the Mutual Fund segment.
- Corporate tie-up with LIC Mutual Fund.
- Select Insurance products from SUD Life, Care Health, and Manipal Cigna were onboarded on the VYOM app for purchase through digital channels. Products from other channel partners are in the process of being onboarded shortly.
- Mutual Fund investments through the VYOM app were made live in November'22
- A personal loan scheme was introduced for premium funding of Credit life insurance policies.

NEW PRODUCTS LAUNCHED:

UNICARE: 'UNICARE' policy from Bajaj Allianz General Insurance Company was launched to cater to the needs of HNI customers of your Bank

PINK Health: Manipal Cigna's Cancer plan for women.

Chola Farmer Care package: Policy launched by Chola MS for compensation to the farmer due to property losses, accident losses, other personal losses, and loan protection up to the sum insured or loan outstanding, whichever is lower.

SMS alerts to customers and conversion of the leads shared by ACoE. SMS alerts are already being sent to customers.

A redemption option for Sovereign Gold Bonds has been developed in Finacle, doing away with the manual process of sending physical applications.

DIGITAL INITIATIVES:

1. M/s. Fintech Blue Solutions Pvt. Ltd. is working on developing a digital platform. SUD Life, Care Health, and Manipal Cigna working in VYOM. Onboarding other channel partners is under process.
2. M/s. Finwizard Technology Private Limited has developed a digital platform for Mutual Funds. Platform running successfully on VYOM.
3. Branch portal under process for Mutual Funds.

17 Government Business

- ❖ Non-Interest Income from Govt Business reached ₹ 132.90 Crores, showing a growth of 70% against last year's performance of ₹ 78.18 Crores.
- ❖ Total Govt. resources reached ₹ 3,15,196 Crores W/w Govt CASA reached ₹ 68,368 crores.
- ❖ Finished 2nd Position in National Pension System Citizen Model, after SBI in PSB Category. This year your Bank added 33,558 accounts, showing a growth of 35.27% against last financial year.
- ❖ Mobilised 22,208 Pension Accounts and recorded 54.31% growth over the previous year.
- ❖ Added 2,87,560 new Small Savings Scheme accounts and reached 12.96 lakh A/Cs. Recorded 14% growth over the previous year.
- ❖ Tax Challan collection reached 6.2 Million in the FY, amassing ₹ 90,381 crores.
- ❖ Enabled NPS Account opening Integration through Banking Correspondents.
- ❖ Signed MoU with Indian Navy for Salary Account opening.
- ❖ Signed MoU with Gram Volunteers/Ward Volunteers & Village Secretariats / Ward Secretariats (GVWV & VSWs) Department, Vijayawada, for opening Employees Salary Accounts
- ❖ Integration with EPFO for Pension Disbursement for EPFO pensioners.
- ❖ 21 Central Nodal Agency (CNA) accounts were added with a budget of ₹4,316 Crore and a present balance of ₹812 Crores.
- ❖ Mobilised 226 Single Nodal Agency (SNA) accounts and 1700 plus sub-agency accounts with

a budget of ₹ 35,000 crores & present balance of ₹ 5,733 Crores.

- ❖ Mobilised 3,700 plus Gram Panchayat Accounts and also canvassed 33 MPLAD Accounts of newly elected MPs.
- ❖ Enabled e-Stamping facility in 630 branches under 15 States.
- ❖ Enabled online bond subscription facility for RBI Bond.
- ❖ Provided Collection facility of Vidyalaya Vikas Nidhi of 595 Navodaya Vidyalaya School.
- ❖ Mobilised Hybrid Annuity Model (HAM) Escrow account of NMCG.
- ❖ Mobilised Current Account of 4G Saturation Project Account of BSNL with Budgetary Allocation of ₹ 24,000 Crores.
- ❖ Mobilised Account of U.P. JAL NIGAM (RURAL) at Orai.

Various type of collection facility through Payment Gateway was enabled for 17 Government Organizations, namely:

- Kerala State Beverages
- Central Pollution Control Board
- Etawah Safari Parks Samiti
- Karnataka Housing Board
- HSIDC
- Panvel Municipal Corporation
- NBCC (India) Ltd (EMG NEW MOTI BAGH)
- Udupi City Municipal Council
- Odisha Lift Irrigation Corporation Ltd
- Gujarat Matikam Kalakari and Rural Technology Institute Gujarat
- The Fertilisers and Chemical Travancore Limited
- Odisha Power Generation Corporation Ltd.
- Indian Institute of Food Science and Technology
- Netaji Subhash University of Technology
- NIFT – Shimla, Jodhpur and Kolkata
- Navodaya Vidyalaya Samiti
- Arun Jaitley National Institute of Fin. Mgt

18. Human Resources Management

Your Bank has been at the forefront when it comes to introducing industry best practices in order to empower its workforce as well as in order to achieve its corporate objectives. In addition to the focus on people development, the focus during FY 2022-23 has

also been on stabilizing the automation and digitization of processes being launched by your Bank so that they can function seamlessly.

The industry has also recognized and lauded your Bank's efforts through numerous awards received during 2022-23 for HR innovation, Leadership, Preferred Workplace & Training.

Union Prerna Project:

Skill profiling exercise:

Your Bank has undertaken skill assessment and gap assessment for employees in Scale 4 & 5 in order to connect essential requirements of their jobs and their abilities and knowledge needed for that job to develop futuristic capabilities for the bank. An in-house skill profiling tool has been developed, which will assess the skill of employees based on their self-declaration and multiple choice questions, which are designed to test a mix of knowledge and scenario-based testing on a group of skills having a mix of traditional and new age skills required in banking. The exercise will help your Bank in associating skills required for specific jobs within the bank, determining the levels of expertise required for various roles, helping analyze skill gaps in employees, training need analysis, providing skill development opportunities for the employees, etc.

Succession Planning Exercise:

Your Bank has undertaken the succession planning exercise for key executive positions in order to plan smooth execution of leadership transition to ensure business continuity with the help of a Talent Management & Succession Planning Tool that has been developed to provide the list of probable successors for different critical positions. The tool with various data inputs like role suitability, PMS score, behavioral competency mapping, functional competency mapping, role history, etc., provides suitable successors for a particular position.

The exercise will help your Bank to identify the necessary skills, knowledge, and attributes to succeed the incumbent in each key position of the bank. Probable successors can be assessed against the competencies and skills of potential successors and fill the gaps between these through targeted training and development activities, to ensure that successors have the knowledge, skills, and abilities necessary to succeed in future leadership roles.

Wings Programme for Branch Heads (Scale IV & Above):

The Wings Programme is an exclusive training programme to promote women's leadership at Scale IV & above. The training programme content

includes fostering Growth Mindset, Decision Making, Negotiation Skills, Effective Time Management, and other behavioral skills along with Business strategies.

Power Him & Empower Her:

The Power Him and Empower Her committees have been created with a focus on gender-centric issues of males and females in their career trajectory. The members of these committees are reaching out to employees grouped with specific issues like employees not appearing for promotion, employees facing career progression problems, constraints, etc. The committees conduct various discussion sessions and motivate employees through various interactive ways like workshops, webinars, etc., to help them manage their work-life balance. Various CSR initiatives and camps have also been undertaken by these committees, which has helped your Bank in garnering business opportunities as well.

Employee Wellness (Employee Assistance Program):

Bank has taken the initiative to extend various wellness facilities for employees for their holistic well-being under Union Prerna's Suraksha- HR Benefits Program. An employee assistance programme was conducted on a pilot basis at three centers Mumbai, Delhi & Bengaluru. Through this programme, the employees and their dependent family members benefitted through counseling assistance which helped the employees who were experiencing issues like financial instability, improving work relationships, performance improvement, mental health, occupational stress, coping with major life events, etc. Through these interactions, we have been able to identify some of the major issues faced by the employees, which are anxiety, interpersonal & relationship conflict, work-life balance, confused thinking, negative thoughts, and marital conflicts. With regular counseling of employees, your Bank will benefit from the improved mental health of employees, reduced absenteeism, increased productivity at work, and reduced stress levels in employees.

Learning & Development:

Bank has embarked on an ambitious journey to become one of the top 3 PSB lenders in the country. Consequently, our employees need to be equipped with skills that make us competitive and ahead of our peers. With this foresight, our Bank has embarked on a new L&D journey to build a future-ready talent pool with skill sets that complement the vision of your Bank and promote culture.

The major step in this journey is the creation of 9 Union Learning Academies (ULAs) to enable Unionites to achieve this bold ambition set forth for your Bank and

drive thought leadership in the broader BFSI space. Your Bank has made significant investments to ensure that each Unionite has access to a best-in-class faculty network, new-age content, external collaborations and innovative training design.

In order to keep the learning journey of its workforce uninterrupted various webinars, short duration/long duration programs were conducted. 172 Inland External training programs were conducted, which covered 703 employees, and 7 Overseas programs were conducted, which covered 43 employees. A total of 1171 long-duration programs were conducted, which covered 45965 employees, and 290 small-duration programs were conducted, covering 39414 employees (A total of 1461 internal training programs were conducted covering 85379 employees) at the ZLC level.

A total of 136 training programs were conducted by all ULAs and trained over 3500 employees in FY 2022-23. More than 66000 Learning Hours of training are imparted by ULAs to improve the proficiency level of the participants in various new age skills.

During FY 22-23 total of 14 advanced training programs and 20 functional/core training programs were developed. Also, 28 case studies have been developed by the faculty members.

Faculty members are encouraged to write articles and publish the same in reputed magazines/journals. A total of 180+ articles written by our faculty members are published in reputed journals like Indian Banker, Banking Finance, banker Plus, IIBF, etc.

Bank has empaneled four premier academic institutes, i.e., ISB-Hyderabad, IIM-Indore, IIM-Kozhikode & MDI-Gurugram, to help the training system to bring in fresh perspectives & ideas in training curriculum through their expertise from diverse background & global experience.

To create a think tank and innovation & research hub for your Bank and undertake new research to infuse best-market practices in the training system, Bank inducted 11 Research Officers in the training system through the internal selection process. Our research officers have completed 20+ research projects, out of which 10 are already published.

Mega Experiential Training Action (META) is a highly digitized and cost-effective training initiative with a wider reach to bring in a substantial increase in training hours per employee is initiated.

This is oriented towards enhanced participation to inculcate & nurture the spirit of continuous learning/innovation amongst staff members. META Learning has 4 pillars, and each pillar has a unique design and methodology with an objective of participative

learning: 1. Query-Based Training Sessions: Practical/ need-based/ targeted training to respond to the field functionary's concerns. 2. Staggered Training Program: To enhance two-way communication and outcome-oriented learning. 3. Union Manch: Platform to share the success stories of the Field. 4. UBIQUE: To crowdsource innovative/creative ideas to resolve various issues which are affecting your Bank's performance.

Bank also rolled out exclusive learning series, namely 'Union Learnathon', to supplement the training and developmental needs of staff members for career development. In the Union Learnathon series, 8800 MCQs, 97 Practice sets, and 26 Digdarshika were hosted to foster the culture of continuous learning and intended to upskill staff members. Under Union Prajna (e-learning module), several Union Radio and Union Podcasts are hosted.

The training system of your Bank has won several awards like IAC Corporate Awards 2023 for "Pioneering Work in Creating Future Ready Inclusive Organization", "The BML Munjal Award for Business Excellence through Learning & Development," and "31st National Award for Innovative Training Practices 2020-21 under BFSI and IT/ITES services category instituted by ISTD".

Official Language:

Your Bank received 18 prestigious Kshetriya Rajbhasha Puraskars from the Department of Official Language, Ministry of Home Affairs, GoI in various Regions/ FGMOs:

Manpower Strength:

The total manpower of your Bank as of 31.03.2023 stood at 75,594.

	OFFICERS		CLERKS		SUB-STAFF		TOTAL		TOTAL STRENGTH
YEAR	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
2020-21	31629	11505	17763	8225	6585	2495	55977	22225	78202
2021-22	31326	11469	16389	7705	5979	2333	53694	21507	75201
2022-23	31814	11734	16774	7886	2170	5216	53804	21790	75594

The effectiveness and efficiency of your Bank's human resources have a direct bearing on the growth of the bank. We have long been working to ensure that there is always a sufficient workforce available in all fields and functional outlets of your Bank in order to provide a high level of service to our clients.

Your Bank has been reviewing the requirement of staff in various cadres every year, and an analysis of the vacancies in various cadres is being made having regard to the growth of the business, future branch expansion/ rationalization, attrition on account of resignations, retirements on superannuation/ VRS, etc.

During the Financial year 2022-23, your Bank received 85 Shields for outstanding performance in Official Language Implementation from different TOLICs (Town Official Language Implementation Committees) set up by the Govt. of India, Ministry of

Home Affairs, Rajbhasha Vibhag, across the country. A total of 183 individual prizes were won by the staff members of your Bank in various Hindi Competitions across the country. Digital KCC STP is available in Hindi and Kannada Languages. SMS facility for all customers is available in 13 languages. The call Centre facility is also available in 11 Indian languages. The Mobile Banking application – 'VYOM' is available in 12 Indian languages. During the year, your Bank also published Cartoon Books on the Mobile Banking application 'Mera Bank-Hamesha Mere Saath' and 11 cartoon books on 'Ethics' in Hindi.

'Union Dhara', Your Bank's quarterly bilingual corporate in-House Journal, and 'Union Srijan' Hindi Magazine of your Bank received the prestigious Public Relations Council of India (PRCI) Gold award in 'Best in-House Magazine' and Consolation Award under 'Journal Print Regional Award' categories respectively. 'Union Srijan' Hindi Magazine of your Bank has also won the prestigious Ashirwad Award. 'Union Dhara' has published special issues on 'Jammu & Kashmir' & 'Operation'. Union Srijan also published special issues on 'Haryana' & 'Senior Citizens'.

The guidelines for reservation in employment for specified categories are strictly followed by your Bank as per Govt. Policy on reservations. Accordingly, the indents are placed with the Institute of Banking Personnel Selection (IBPS), Mumbai. The representation of all reserved categories of employees within the overall staff strength is as detailed below:

Particulars	Officers		Clerks		Sub-staffs		Total	
Total Employees	43548		24660		7386		75594	
Within which								
Scheduled Castes (SCs)	7521	17.27%	4680	18.98%	2668	36.12%	14869	19.67%
Scheduled Tribes (STs)	3432	7.88%	1934	7.84%	614	8.31%	5980	7.91%
Other Backward Classes (OBCs)	12787	29.36%	7597	30.81%	2372	32.11%	22756	30.10%
Ex-Servicemen	884	2.02%	3214	13.03%	614	8.31%	4712	6.23%
Women	11734	26.95%	7886	31.98%	2170	29.38%	21790	28.82%
Minority Communities	3119	7.16%	1723	6.99%	557	7.54%	5399	7.14%

19 Network

The branch network of our Bank is widely spread across the country with 8577 branches and 3 overseas branches (Hongkong, Sydney, Dubai DIFC) as on March 31, 2023. Out of these, 58 percent of the branches are in rural and semi-urban centers.

Table 11: Branches Network As on 31.03.2023

	Rural	Semi-Urban	Urban	Metro	Foreign	Total
No. Of Branches	2545	2458	1755	1819	3	8580
Branches (%)	30	29	20	21	—	100

Your Bank has also total 17662 Business Correspondents, 10835 ATMs, 7 Digital Banking Units (DBU), 5 Owned Subsidiaries, 3 Joint Ventures and 1 Associate Organisation.

20 Information Technology

Your Bank is committed to becoming a next-generation digital savvy Bank with a focus on inclusive, responsive, and responsible banking through customer centricity, employee empowerment, and value creation for all stakeholders. Your Bank continues to progress on this agenda with the launch of multiple new-age initiatives by adopting several technologies like Augmented Reality/Virtual Reality (AR/VR), Artificial Intelligence /Machine Learning, Natural Language Processing, Blockchain, etc.

Your Bank has been transforming IT architecture to ensure high-performance access to business systems and cloud-based applications, complying with regulatory norms without compromising security. We are also employing Enterprise Solution Architecture Practices for new applications to support innovations in diverse, dynamic, and complex environments.

Your Bank invested in infrastructure, technology platforms, and digital applications, which included the integration of our core banking applications with Internet banking, mobile banking, ATMs, and electronic payment systems. Also introduced various other banking platforms, such as Tabulous Banking, Talking

ATMs, and multi-function Sampurna ATMs that provide a number of value-added services, such as mobile top-up, e-cash remittance, direct tax payment, inter Bank mobile payment service remittance, NEFT, and mutual funds payments.

Major strides by your Bank in digital adoption include:

- First public sector Bank (PSB) to go live on the account aggregator ecosystem;
- The first PSB to achieve triple ISO for its IT systems; ISO 27001:2013 (Information Security Management System), ISO 22301:2019 (Business Continuity Management System) & ISO 31000:2018 (IT Risk Management).
- First PSB to implement end-to-end auto-renewals of MSME loans up to ₹1 million;
- First PSB to implement multi-language in Finacle, mobile banking applications, and SMS;
- Union Bank stands 2nd in ATM Switch Processing among all banks across the country.
- Average Monthly CBS transactions – 194+ crore. Daily average transaction volume in the last six months increased by 20%.

- The average system uptime is 99.97% which is at par with the best-in-class Bank under EASE 4.0.
- First Bank in India to introduce Metaverse in Banking.
- Achieved prestigious PCI-DSS (Payment Card Industry – Data Security Standard) certification covering all the payment Systems and processes dealing with cards to secure card payment infrastructure.
- Introduction of several innovative solutions like WhatsApp Banking, Voice Banking, Open Banking Architecture, Digital Platform, Straight Through Processing (STP), Robotic Process Automation (RPA), Pre-Approved Personal Loans (PAPL), etc.

Bank has implemented various advanced Technology solutions like Interactive & Personalised video-based solutions, Whatsapp Banking, Palm Banking, Video KYC Solutions, etc., and is in the process of implementing Microservices Architecture for container-based cloud-ready applications complying with regulatory norms without compromising security. At the same time, Bank is fostering Enterprise Solution Architecture Practices for new applications to support new innovations in diverse, dynamic, and complex environments.

Further, Bank is also working along with the RBI IT innovation Hub on Digital Ledger based Block Chain Technology, and RBI has selected Union Bank among other Peer banks for doing a pilot on Central Bank Digital currency (CBDC). Union Bank of India is the pioneer in launching the Account Aggregator platform and is also working closely with all Technology stakeholders to integrate with Open Network for Digital Commerce (ONDC) and Open Credit Enablement Network (OCEN) for Digital Lending. Our Bank is the first among PSBs that enable Bank Rupay Credit Card on UPI. Artificial Intelligence (AI) based conversational Banking is being implemented using Amazon Alexa and Google Assistant Voice Bots. Services like Balance Inquiries, Account statements, Cheque Book requests can be done using voice banking.

Union Bank of India offers a “Digital Experience” to its customers through innovative products like Uni-verse – The Metaverse of Banking, which is a virtual Lounge for customers to access various product information with an immersive user experience.

Bank has recently set up a Testing Centre of Excellence (TCoE), Application Performance Monitoring System, App Modernisation Tools (Kubernetes), etc., to achieve robust system performance, and Robotic Process Automation is implemented for reducing manpower utilization. Straight Through Process (STP) journeys are implemented to ease the process of availing/renewing

loans through Digital Channels.

Multiple promising fintech companies and new start-ups are being onboarded through the Sandbox Platform. Bank has developed a comprehensive Digital Trade Platform for Exporters and Importers, bringing ease of doing business 24/7 and a delightful user experience.

Bank’s on-premises private cloud hosts more than 140 applications. Bank has implemented Office 365 through Software As a Service (SaaS) and is in the process of adopting the public cloud.

Bank has a very strong and resilient IT system with strong BCP to ensure Zero Data Loss for critical applications of your Bank. Bank has invested in Advanced Performance Monitoring Tool for real-time monitoring of IT infrastructure and a DR Automation tool for all critical applications in order to perform automated DR Switchover for BCP. Further, Bank has established a Site Recovery Manager (SRM) solution for Private Cloud for online replication of data and automating the recovery process from DC Site to DR Site.

Bank has set up the Cyber Security Centre of Excellence, which in coordination with the Cyber Security Operations Centre (CSOC), ensures “Security Defence in Depth” and protects your Bank’s Information assets from breaches and compromises & ensures robust cyber resilience through continuous surveillance.

Union Bank of India is transforming to become a next-generation digital Bank and has envisaged the potential of open banking with fintech as partners and have leveraged the benefits of APIs.

Bank is in the process of digital transformation by exploring innovative solutions, Fintech partnerships, and new emerging technologies such as AI/ML, 5G, Blockchain, Metaverse, DevSecOps, etc. Bank has established an Analytics Centre of Excellence (ACOE), which will effectively use Data Lake for proper analysis of customer data and preferences by leveraging the technologies like AI/ML.

As a part of the futuristic and innovative strategy, we are planning to endeavour in the following areas.

- Cloud Native Applications, which can be hosted on Hybrid Cloud to move digital resources where they are needed quickly.
- Enable AI & Virtual Reality (VR) for new-age banking.
- Banking through the Internet of Things (IoT) and Connected devices.
- Security and Fraud Prevention.
- Implementing a Micro services-based Omni-

Channel Platform to cater to unified customer experience on various channels.

- Use of new practices like DevOps tools for continuous Development, integration, and deployment of in-house projects and app modernization.

Progress on Digital Channels

Growth on Digital Channels (Figures in Crs)				
Channels	31.03.2022	31.03.2023	Annual Growth	
			Absolute	(%)
Mobile Banking Users	1.65	2.13	0.48	29
Internet Banking Users	0.68	0.74	0.06	9

21 Transaction Monitoring & Fraud Management

Bank has put in place Off-site Transactions Monitoring System (OTMS) within A&ID since 2013 which is responsible for monitoring various types of transactions, especially monitoring irregularities in transactions, by means of which, early signals can be triggered.

With the presence of an effective and proactive mechanism of EFRMS, bank has also implemented real time monitoring of newly opened SB & CD accounts in the CBS - Finacle itself.

Bank has a full-fledged Fraud Management team which carries out the root cause analysis of frauds on a continuous basis and puts forth all the suggestions for mitigation of frauds and plugging the loopholes, present in the system, if any.

During the FY 2022-23, the AML/CFT team (Anti Money Laundering / Combating of Financial Terrorism) has submitted 10 typologies to FIU-India. In FIU-India Bi-monthly meeting, the Principal Officer has presented in detail the various scenarios and typologies observed by the AML-CFT team and the same was appreciated by FIU-Ind.

22 Risk Management

Your Bank has a proactive approach toward risk management. Its risk philosophy involves developing and maintaining a healthy portfolio within its risk appetite and regulatory framework. Your Bank constantly endeavors to ensure that the business function partners with the risk management function to enhance shareholder value and ensure judicious use of available capital.

Risk Management is a Board driven function in your Bank with the Risk Management Committee (RMC)

at the apex level supported by operational level committees of top executives for managing various risks. The Board of Directors of your Bank approves the Risk appetite and Risk policies of your Bank. The RMC supervises the implementation of the risk strategy and policies, reviews the level and direction of risk, prudential ceilings, and portfolio diversification, and monitors the risk reporting. The risk strategy and policies are effectively communicated to all branches and offices of your Bank .

Your Bank addresses Credit, Market, and Operational risk through appropriate policies, organization structure, risk management techniques, adequate systems and procedures, and monitoring and reporting mechanisms. Risk management activity has been extended to field-level units by posting Risk Officers at FGMOs and ROs. The primary responsibility of these Risk Officers is to identify, assess, monitor, report, and suggest mitigants. It has a well-defined risk appetite statement and an independent risk function to ensure that your Bank operates within its risk appetite.

Credit Risk Management

Your Bank has well-defined credit appraisal mechanisms and risk management frameworks in place for the identification, measurement, monitoring, and control of the risks in credit exposures.

Your Bank has various instruments like Credit Risk Management Policies, Credit Approval Committees, Prudential Exposure Limits, a Risk Rating system, and Risk-based pricing for Credit Risk/Portfolio Management.

Your Bank has a standardized and well-defined approval process for all advances. It adopts a committee approach for credit sanctions and has approval committees at various levels.

The business environment is analyzed and researched in a structured manner by a dedicated team of experts to decide Bank's outlook and growth appetite in the identified industries/sectors/segments. Your Bank has also subscribed to industry research/analysis reports from top research companies for internal consumption. Risky sectors are monitored continuously and wherever warranted; exposure concerned is reviewed immediately.

Your Bank also conducts Stress Tests every quarter on its Credit portfolio. Stress Scenarios are regularly updated in line with RBI guidelines, industry best practices, and changes in macroeconomic variables.

Your Bank has put in place an Early Warning Signal (EWS) system based on a predictive analytical approach, which helps to identify the stress signals well in advance and helps to take appropriate mitigation

measures to maintain the desired credit quality of borrowers on a regular basis.

Your Bank uses various Credit Risk Assessment Models and scorecards for assessing borrower-wise credit risk. Your Bank also has in place a 'Dynamic Rating framework', which facilitates early identification of stress and triggers and adoption of appropriate mitigation mechanisms. Bank has also introduced the 'Credit Risk Review Framework' for large value accounts to strengthen loan underwriting.

Your Bank has adopted an IT platform for credit appraisal processes through Lending Automation Solutions (LAS). Internal Rating models are hosted on these platforms, which are interfaced with CIBIL, RBI defaulters' lists, etc.

While arriving at Bank's CRAR, the capital charge on credit risk is computed based on a Standardized approach.

Your Bank has adopted the RAROC Framework for optimal risk-reward considerations, wherein RAROC computation for all fresh sanctions/reviews/renewals of MSME and Corporate proposals above a certain cut-off limit is mandatory. Credit decisions related to the concession in Rate of Interest (ROI) are linked to the RAROC of the borrower, which will help in maintaining the profitability of your Bank and value creation for the stakeholders.

Asset Liability and Market Risk Management

Asset Liability Management Policy, Treasury Policy, and Market Risk Policy aid in the management and mitigation of interest rate risk, liquidity risk, and market risk in the banking and trading books. The overall responsibility of managing the market risk lies with the Asset Liability Committee (ALCO). The fundamental focus is to add value both from the earnings perspective and the economic value perspective. The ALM Desk and Mid-Office measure and monitor the market risk in your Bank ing and Trading books, respectively.

The Asset Liability Committee meets regularly to review and decide on the size, mix, tenor, and composition of various assets and liabilities. It primarily does identification, measurement, monitoring, and management of liquidity and interest rate risk. The pricing of asset and liability products is also decided by ALCO.

Your Bank ensures proactive liquidity management, develops stress scenarios, and also has a contingency funding plan in place. Bank has adopted the liquidity risk management guidelines issued by RBI pursuant to the Basel III framework on liquidity standards. These include intraday liquidity management, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio

(NSFR). Monitoring of liquidity is proactively done both through the stock approach and flow approach.

Market Risk stems from the Trading positions assumed by your Bank in debt/equity instruments, forex transactions, and Derivatives. The key drivers of Market Risk are Interest Rate Risk, Equity Risk, and Forex Risk.

Some of the key risk measures include position limits, tenor limits, price sensitivity measurement tools such as PV01 and Modified Duration (MD), Value At Risk (VaR), Net Overnight Open Position Limit (NOOPL), Daylight Limits, Stop loss limits at both dealer and security level is being monitored on a daily basis.

The Risk measures are further supplemented by a Board-approved 'Stress Testing Policy', which guides your Bank in assessing the potential impact of adverse scenarios on your Bank 's Investment book, including forex exposures and their impact on your Bank 's Profit & Loss. The Stress Testing results are being submitted to the Board on a periodic basis.

The Market Risk capital charge of your Bank is computed using the Standardized Measurement Method (SMM) by applying the regulatory factors.

Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. To manage Operational Risks, your Bank has in place a comprehensive Operational Risk Management Framework, whose implementation is supervised by the Operational Risk Management Committee (ORMC) and reviewed by the Risk Management Committee of the Board.

An independent Operational Risk Management Cell implements the framework. Under the framework, your Bank has three lines of defence. The first line of defence is the business unit (including support and operations) which is primarily responsible for managing Operational Risk on a day-to-day basis. The second line of defence is the Risk Management Department, which develops policies, procedures, and techniques to assess and monitor the effectiveness of your Bank's internal controls. Internal Audit is the third line of defence. The team reviews the effectiveness of governance, risk management, and internal controls within your Bank.

The comprehensive systems and procedures, internal control system, and audit are used as primary means for managing Operational risk. Your Bank has in place a Board approved Operational Risk Management Policy based on Reserve Bank of India guidelines. All new products/processes introduced by your Bank pass through a Product & Process Risk Evaluation process to identify and address the operational risk issues.

Variations in existing products, as well as risks in outsourcing activities, are also reviewed. Your Bank has compiled data relating to operational losses incurred during the last seventeen years, and it is analyzed for taking corrective measures so that these losses do not recur. The process has also been put in place to conduct Risk and Control Self-Assessment (RCSA) for assessing the residual risks in the products/processes of your Bank. Key Risk Indicators (KRIs) have been identified for various processes, and the threshold limits have been fixed.

Your Bank is currently following the Basic Indicator Approach (BIA) for capital computation under Operational Risk.

Your Bank is also creating a risk awareness culture by embedding it through the existing training system at all levels. Internal as well as external training is conducted in your Bank for the Risk Officers. To imbibe the risk culture in your Bank across various functions and field functionaries, e-learning modules on Risk Management have been made mandatory.

As part of digital adoption, your Bank has developed a Vendor Risk Management System. It captures all the details related to vendors, and it also hosts a risk assessment model, focusing on the risk associated with the outsourced activity.

Your Bank has a robust Business Continuity Plan and Disaster Recovery Plan that is periodically tested to ensure that it can meet any operational contingencies. A well-documented Board approved Business Continuity plan is in place to minimize business disruptions and system failure and potential impact on its business, employees, and customers during any unforeseen adverse event or circumstances. The plan is designed in accordance with the regulatory guidelines and is reviewed regularly. Further, Bank has also constituted a BCP Quick Response Team (QRT) for IT and Non IT related Disruptions. QRT monitors the disruption and gives necessary directions to various Verticals/fields, and also monitors the situation till normalcy is restored.

Group Risk Management

Group Risk entails the risks faced by any of the group entities that have a common resonance across the group, which may have a group-wide impact.

Your Bank, through its group entities, participates in diversified financial services like banking, securities and capital markets, insurance, mutual fund, and retail asset businesses. Bank has put in place a framework/policy for the assessment of risks for its Group entities, internal controls, mitigants, and capital assessment under normal and stressed conditions.

Environment, Social, Governance (ESG) & Climate Risk Management

Your Bank's Board has acknowledged the need to address the impact of ESG & Climate change risk. Your Bank is committed to addressing the challenges to the environment by creating a positive impact through its businesses.

The Risk Management Committee (RMC) looks into Climate Risk related matters of your Bank. Your Bank has formed the ESG Steering Committee (ESGSC), which comprises EDs and Heads of business & control verticals for ESG transition in your Bank. Your Bank has formulated a Board approved ESG Risk Framework & Climate Risk Policy.

The Stakeholders' Relationship Committee (SRC) of the Board will oversee your Bank's ESG programme, strategy, initiatives, policies, reporting, and disclosures. The SRC also reviews and evaluates the ESG risks identified by your Bank and collaborates with the Board and its Committees to monitor and establish the mitigation plan for such risks.

Your Bank has identified vertical-wise ESG-related action points and timelines. A Sub-committee has been formed comprising verticals looking after the premises of your Bank, Information Technology & Operations to formulate action points to achieve net zero in your Bank's own operations. Further, another Sub-committee has been formed under the credit verticals of your Bank, which will be the driving force behind the transition of the credit portfolio of your Bank towards sustainable/green finance. The Committee is working on finding out new avenues and opportunities for sustainable finance by measuring & reducing the percentage of credit exposure to polluting industries in the loan portfolio of your Bank. Under the RMD, a separate ESG risk desk has been formed. Your Bank has also started the integration of ESG in all its training programmes.

Your Bank is in the process of incorporating ESG & Climate Risk in its ICAAP. Your Bank is also taking help from external experts for providing consultancy services related to the ESG Transition of your Bank.

Your Bank is working towards setting a time-bound quantitative target for reduction in emissions/reduction in emissions intensity/carbon neutrality. Your Bank will be aligned with national goals and targets in the nation's collective transition to a low-carbon economy.

Enterprise Risk Management (ERM)

An ERM framework enables a firm to gain a clear view of its overall risk level. It helps to manage and align risk with strategy at a whole Bank level. It encompasses,

among others, a Risk Appetite framework and the establishment of consistent Risk culture in your Bank.

Your Bank has a Board approved ERM policy in place. Bank also conducts a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) wherein the material risks faced by your Bank are listed, and their measurement and management methodologies are enumerated. Besides the Pillar-I risks, the Pillar-II risks are also assessed. The adequacy of the capital under normal & stressed conditions and to meet future business requirements are also assessed.

23 Compliance

Your Bank has implemented a robust compliance system along with a well-documented Compliance Policy. The focus of the compliance function is adherence to regulatory compliance, statutory compliance, compliance with fair practice codes and other prescribed codes, government policies, your Bank's internal policies, and prevention of money laundering and funding of illegal activities.

Your Bank conducts regular Compliance Test Checks of various Banking functions undertaken by various Central Office Departments, Field Level controlling offices, and branches.

Your Bank has an in-house Compliance package to monitor & manage responses to communications received from Regulators (RBI, SEBI, etc.) / Government of India (MoF) and IBA. Periodic compliance test checks are put in place for the effective implementation of mandatory guidelines. The role & responsibility of the Compliance Function is clearly defined for every tier in your Bank. Your Bank has a well-established reporting system to ensure regulatory and statutory compliance through the self-certification process. A compliance certificate is submitted by branches to the respective ROs & from ROs to FGMOs. FGMOs & CO verticals submit the Compliance Certificate to the Compliance Department every quarter. A field-level structure of compliance has been established through Zonal Compliance Officers and Zonal Compliance Monitoring Committee.

Your Bank has implemented a Compliance Monitoring Tool, an application built In-house to enable individual-level compliance monitoring, certification, and verification in line with the EASE 4.0 deliverables.

24 Internal Audit

An effective and efficient internal audit function provides independent assurance to the Board and senior Management on the quality and effectiveness of your Bank's internal control, risk management, and

governance systems and processes.

During the year FY 2022-23, Bank has conducted 7279 Branch audits and 656 audits for other units.

Apart from the above audits, Bank has a Concurrent Audit system covering 1863 branches/units covering 55.12% of the Total Deposits and 76.92% of the Total Advances of your Bank, which ensures compliance with RBI guidelines and also conducts Management Audit, IS Audit, Swift Audit, Bill of Entry audit, Foreign Branches' audit, Forex Branches audit and Expenditure Audit for effective follow-up and monitoring.

25 Cyber Security

Your Bank puts cyber security front and center to safeguard the bank's stakeholder interests while growing its digital business with an omnichannel presence. Bank has cultivated a strong cybersecurity culture to increase digital trust among its stakeholders. Bank has established the Cybersecurity Centre of Excellence (CCoE) at its premises in Hyderabad, tasked with learning, imbibing, and implementing industry-leading new-generation cybersecurity technologies that will not only protect your Bank's cybersecurity assets but also focus on a comprehensive awareness and education programme for its employees and customers. CCoE has signed MoU with external institutes such as the Centre for Development of Advance Computing (CDAC), Hyderabad and Cyber Security Centre of Excellence, Department of IT & Electronics, Government of West Bengal (WB-CS-CoE) for using their expertise in conducting cybersecurity awareness webinars/training for stakeholders.

Your Bank has also developed a Comprehensive Cybersecurity Awareness Programme (CCSAP) for customers and employees. Your Bank reaches out to customers with awareness campaigns across multiple channels, such as SMS, emails, ATMs, display units in branches, social media, and on Bank website. Cybersecurity awareness webinars for customers are being conducted pan India at Bank's all zonal office locations. A unique, first-of-its-kind initiative has been the introduction of cybersecurity mascots "U SuRksha" and "U rKshak" to personalize and promote educational cybersecurity safety tips to its people. Bank has designated Digital Ambassadors in all Branches to spread cybersecurity awareness at the grassroots level.

In addition, your Bank drives initiatives to further the Ministry of Home Affairs, Government of India's Cyber Jaagrookta Diwas (CJD), which is observed on the first Wednesday of every month. On this day, Union Bank sends e-mails on cybersecurity topics to customers, posts creatives on social media, and invites eminent speakers from the cybersecurity domain to conduct

engaging webinars. In sync with international practice, the annual National Cybersecurity Awareness Month (NCSAM) is celebrated throughout the month of October with a daily webinar on different cybersecurity topics. Your Bank, during its training programs, is also disseminating information regarding reporting Cybercrime in the National Cyber Crime portal of Govt of India by visiting <https://cybercrime.gov.in> or dialing 1930.

Bank is strengthening and promoting cybersecurity culture amongst its staff members by implementing an annual action plan for various cybersecurity activities which includes conducting town hall meetings pan India, daily mail with cybersecurity tips, interactive puzzles, and crosswords. To evaluate and help employees to know their cyber hygiene risk profile, My Cyber Hygiene, an online cybersecurity self-risk assessment programmes, is made available for staff members.

Bank regularly publishes internal booklets and news snippets to update staff members on the latest cybersecurity news and trends. The booklet, "Union Shield", has been released in various regional languages to maximise its reach and spread awareness. A monthly phishing simulation exercise for all employees creates awareness and identifies weak points among the staff that can be addressed with additional training and handholding. Union Bank has also formulated the Cybersecurity Executive Development Programme (CSEDP) to offer in-house certification for senior management in IT and Cybersecurity. Your Bank has also created a robust cybersecurity governance structure comprising policies, procedures, guidelines, and committees at the executive and Board levels.

State of the Art technologies

Your Bank has harmonized its policies and action plans in line with Digital Payment Security Controls for Internet banking, mobile banking applications, ATM operations, and other generic security controls. Your Bank's Data Centre (DC) & Disaster Recovery (DR) site has ISO certifications for Information Security Management Systems (27001) and Business Continuity Management System (22301). Your Bank's Enterprise Risk Management System is ISO 31000 certified. Your Bank has PCI-DSS certification for all card payment systems and ATM Switch operations. Multiple measures are in place to protect systems and confidential Bank/customer data, such as a defense-in-depth architecture with layered defensive mechanisms and a data loss or leakage prevention strategy. This includes protecting data processed on end-point devices, data in transmission as well as data stored on systems. Data security and protection are also mandated at your Bank's vendor-managed facilities.

Union Bank of India has also implemented a cybersecurity framework and established a 24x7 Cyber Security Operation Centre (C-SOC) with a dedicated, skilled team that works around the clock. The C-SOC helps to identify, detect and prevent cyber threats. It is tightly integrated with critical business applications to monitor attack vectors at various layers. Bank has adopted the 'Security by design' approach to strengthen the cybersecurity posture of your Bank by automating its data security controls and developing a robust IT infrastructure.

To provide holistic protection for its cyber infrastructure, Bank has adopted a 'Defence in depth' strategy with a comprehensive, multi-layered security architecture in place. Your Bank has also implemented cybersecurity solutions at each level, like perimeter security, network security, application security, endpoint security, identity, and access management, threat Intelligence, and data security to protect its IT assets. The Ethical Hacking Lab, set up by your Bank under its CCoE, is tasked with identifying the gaps in the perimeter or internet-facing application/assets of your Bank on a daily basis.

The Vulnerability Assessment/Penetration Testing Lab (VA/PT) is also under CCoE, and it conducts a quarterly VA or PT of critical applications and all the applications twice a year. With the help of external vendors, your Bank also conducts red-teaming exercises to identify the vulnerabilities, business risks, the efficacy of the defences, etc., in its IT infrastructure. These simulate the actions of an attacker and test the mitigating controls that are already in place.

Cyber Security Awareness

Bank never failed in bringing innovative ideas for incorporating Cyber Security at the root level of the Organization. Some of them are:

- First Bank to launch Cyber Security Mascot (**U-SuṛKsha (Female Mascot) and U-ṛKshak (Male Mascot)**) for creating Cyber Security Awareness.
- Developed My Cyber Hygiene portal for evaluating the cyber awareness level of staff.
- Introduced daily cyber security awareness programme "SABKO BATAOO" which provides knowledge on Cyber Security to Staff.
- Conducting Town Hall Meetings PAN India to spread awareness of Cybersecurity among staff members & customers across the zones in India.
- Your Bank, in coordination with CDAC, Hyderabad, is conducting online webinars for Bank customers across India.
- Created Multilingual Podcasts on Cyber Security Awareness.

Your Bank conducted the Cybersecurity Awareness campaign "CyberSecurityAwarenessMission-2022-23" across India during the month of October 2022. Daily webinars were conducted virtually for all the employees of your Bank .

Bank is also observing Cyber Jaagrookta Diwas every month on the first Wednesday, and the following activities are being conducted:

- Cybersecurity Awareness programme to customers/staff in association with CDAC Hyderabad.
- Cybersecurity Awareness creatives are being posted on social media platforms.

26 Operations

INITIATIVES TAKEN

Video KYC has been made live for all DBUs, 3 FGMO (Ahmedabad, Mumbai, Pune) & 5 regions (Ludhiana, Lucknow, Mumbai South, Thane & Kanpur). Around 4000+ accounts have been opened through V-KYC. Video KYC Cell has been set up in Lucknow.

UVConn 2.0:

UVConn is a digital platform where customers can access basic enquires and services using Whatsapp Messenger. UVConn leverages the WhatsApp communication platform to connect with customers for inquiries related to their accounts. UVConn currently Live in 7 languages (English, Hindi, Kannada, Telugu, Tamil, Bangla, and Marathi). There are 6 Enquiries and Services (Account Balance, Mini Statement, Cheque Status, Cheque Book Request, Stop Cheque, Locker rent inquiry, Green PIN, ATM Card block/Unblock, PPF Balance, SSA Balance), and Positive pay. Currently, 10 Lakhs+ users are on-boarded over UVConn, and 45 Lakhs+ inquiries are triggered by customers over UVConn.

Projects implemented:

E-nomination : Nomination through Mobile banking, Internet banking, branch banking, WhatsApp banking, and Corporate website.

Positive Pay : Reconfirmation of Cheque. Presently it is made mandatory in cheques of ₹5.00 lacs and above. The facility is available through Branch, SMS, Mobile, UVConn, Internet banking, and corporate website. Limit options are also made available to the customers.

- There are more than 110 reconfirmations daily above ₹5.00 lakhs.

- Now report on Positive can be generated by branches also- First in the PSUs
- Bulk uploading of cheques for reconfirmation in Internet banking -First in PSUs.

Simplified/ Instant DEMAT Account Opening :

Opening of DEMAT account through the DAO menu in Finacle in less than one minute and through Internet banking in 2 minutes.

Revamping of Chatbot - Implementation in Internet & Mobile Banking :

The chatbot is implemented in Internet Banking & Mobile Banking. New features have been added. Now chatbot is made available in Hindi & English. Only a few banks have a Hindi version. Chatbot in UVCONN under development.

GRIEVANCE REDRESSAL MECHANISM

The Grievance Redressal Mechanism has been strengthened to cater to the need of the customers. The roles and responsibilities at each level of the Grievance Redressal Mechanism have been clearly identified and defined. Mechanism to resolve the complaints and Standard Operating Practices has been defined at all levels to speed up the process of grievance redressal.

Grievance Redressal Policy: - Policy outlines the framework for addressing customer grievances; it aims at minimizing instances of customer complaints and grievances through a well-structured escalation matrix and pre-defined TATs depending on the nature of the complaint. The purpose is to ensure prompt as well as effective redressal of customer complaints.

Union Care 2.0 Handbook has been issued by the bank, which covers the categorization of complaints, probable reasons for complaints and remedial measures, escalation matrix, and updated contact details of officials nominated for resolving customer complaints in the area of ATM, Internet Banking, Pension, Mobile Banking, Door Step Banking, NEFT/RTGS, ASBA/DEMAT, etc. The Handbook helps the Field Functionaries for early resolution of customer complaints in a better way.

Your Bank has now uploaded the contact and other details of FGRO and RGRO on our website to enable ease to the customer in quick resolution of complaints. We have also issued a detailed action plan, Do's & Don'ts, and alternate arrangements during the tour/leave of RGROs/FGROs for redressal of grievances posted at ROs/ZOs. Now our website contains the structured Grievance Redressal Mechanism from the Chief Grievance Officer level to ZO and RO levels.

The details of customers complaints received during the financial year 2022-23 are given below:

Particulars	Count
Complaints outstanding as of 1st April 2022 (including BO Complaints)	1,395
Complaints received during the year (including BO Complaints)	2,52,086
Complaints resolved during the year (including BO Complaints)	2,52,954
Complaints outstanding as of 31st March 2023 (including BO Complaints)	527

Union Bank of India caters to its customers across metropolitan, urban, semi-rural, and rural areas through a range of delivery methods to enable them to access our products and services, including physical branches, rural branches, financial inclusion outlets, internet banking, and telephone banking. As of March 31, 2023, we had 8,870 domestic branches in India across 28 states and 8 union territories. We also have 219 Retail Loan Points and 125 MLPs as of March 31, 2023, to serve as dedicated credit processing centres for customers in the RAM sectors.

Our international operations include the operations of our subsidiary, Union Bank of India (UK) Limited, and our three branches in Hong Kong, DIFC, and Sydney. In addition, we have a representative office in Abu Dhabi. Our Bank also has a joint venture in Malaysia, India International Bank (Malaysia) BHD. We are planning to open a branch in Gujarat International Finance Tec-City (GIFT City) [in Fiscal 2023] when regulatory approvals are in place. As on March 31, 2023, our Bank had 10,835 ATMs, of which 7,889 were located at our branches (on-site), and 2,946 were located off-site. Most of our ATMs function 24/7 and are located at various commercial establishments and at other convenient locations, offering our customers the convenience of facilities, such as cash withdrawal, balance enquiry, mini statements of accounts, and fund transfer. We also operate cash deposit machines and passbook kiosks. Further Bank has made 27 services like Cash Deposit and Withdrawal, Green Pin, Request for Loan, etc., operational in 7 Digital Banking Units (DBU).

Business Correspondents act as agents on our behalf and accept deposits or make cash payments when customers would like to deposit or withdraw money to or from their accounts at locations other than a traditional Bank branch. We have adopted technologies and processes to serve the changing requirements of our customers and to ensure efficient and accessible services to our customers through our diversified

branch network and various platforms.

All our branches and offices, including our training centres, have implemented core banking solutions. Our international branches have also implemented core banking solutions that connect all our multiple delivery channels to a common platform. Core banking solutions facilitate the networking of branches, enabling customers to operate their accounts and avail of banking services from any of our branches on the core banking solutions network, regardless of where that customer maintains their account. Our core banking solutions deployment comprises three sites, the primary site, the near site, and the disaster recovery site, located in different seismic zones.

27 Analytics Capabilities

Bank has embarked on its journey of scaling up its analytics capabilities and enhancing its data culture and competencies. The Analytics Centre of Excellence (ACoE), set up by your Bank, collaborates and communicates across business verticals to develop bespoke use cases and dashboards. Bank has formulated a dedicated Policy for ACoE to drive the effective use of analytics within your Bank.

Some of the areas where Analytics has been used in your Bank are mentioned below:

Digital Lending: Analytics is being used to understand customers' behaviour and account information, thereby offering pre-approved personal loans to existing customers through end-to-end digital journeys.

Fraud Detection: Analytics is used to identify potential frauds. Bank is using real-time analytics to monitor transactions and identify unusual patterns that could indicate fraud.

Operations: Bank has deployed an ML-based model to identify churn in CASA customers and also prescribe appropriate action for their retention.

Marketing and Sales: Analytics-generated leads have helped your Bank identify potential customers, offer personalized products and services, and improve customer satisfaction.

Risk Management: Analytics is used to identify, measure and manage risk across your Bank. Your Bank uses predictive analytics to assess the likelihood of default on loans and identify potential NPA.

Smart Reporting: Bank has developed many visual dashboards to track business under the CASA, Retail loans, and MSME loans portfolio with peer banks in the market.

28 Credit Compliance and Monitoring

To re-tune the processes and improve data accuracy and operational efficiency, we have done 'End-to-End' automation of the CERSAI registration process, and we have integrated the same through the LAS platform. In this new process, CERSAI of loan assets will be registered with the help of LAS, which will eradicate the current issues and difficulties faced by field functionaries.

Bank Guarantee E-confirmation Software:

As an integral part of business, your Bank issues guarantees on behalf of the customers for various purposes. At present, the beneficiary organization of your Bank Guarantee seeks confirmation of details of the issuance of your Bank guarantee from issuing bank's centralized cell, i.e., the E-Confirmation Cell' (ECC) at Credit Compliance & Monitoring, Central Office.

In order to ease the process for E-confirmation, a new in-house software is prepared, enabling us to check Bank Guarantee details and send E-confirmation to the beneficiary's email ID in your Bank's prescribed format with a single click. This software will result in the time-saving and error-free submission of E-confirmation.

QR code for Collection:

Dynamic QR Code through SMS and WhatsApp message at regular intervals to be sent to the borrower on a registered mobile number with Loan details and overdue details.

The borrower will scan the QR Code, which will provide him/her Loan Account details for information and the option for payment of EMI/Overdue or amount of his/her own choice, followed by generation of e-Receipt

Tie-up with Mom and Pop stores:

A list of the Kirana stores/ general stores (along with the location /address) providing Business Correspondent Services in a nearby area of the borrower has to be provided through SMS and Whatsapp to the borrower for payment of Loan EMI either in Cash or through handheld devices used by them.

29 Vigilance

The Vigilance department in your Bank is headed by the Chief Vigilance Officer (CVO), who acts as an extended arm of the CVC. The CVO is assisted by a team of Functional Vigilance Officers and Field Vigilance Officers stationed at the Central Office and Zonal Vigilance Cells / Regional Vigilance Cells, respectively, headed by a DGM and 6 AGMs. The vigilance administration in your Bank acts as a moral gatekeeping of the employee's conduct in order to promote sound business decisions

necessary for the perpetual growth & profitability of the organization.

The facets of vigilance are classified into preventive, participative & punitive. Rather than punitive actions, the efficiency of vigilance in an organization is counted on efficiency in bringing Reformation in systems & procedures by preventing unhealthy practices and ensuring hassle-free delivery services.

Your Bank has adopted a Whistle Blower Policy pursuant to which employees of your Bank can raise their concerns relating to fraud, malpractice, or any other activity or event which is against the interest of your Bank or society as a whole. As per the Whistle Blower Policy, the Executive Director looking after HR is the designated Nodal Officer for all whistle-blower complaints. In order to sensitize the staff members and citizens about the importance of the PIDPI/ Whistleblower mechanism, Short Video Films on PIDPI & Corruption have been prepared in house by Bank staff for circulation on Social Media handles of your Bank like Facebook, Youtube, and Twitter, etc. to educate masses to come out and report incidences of fraud/ corruption.

Total 02 films have been prepared, which were launched during VAW-2022. The use of technology and advancement were shown as effective tools in the animation movie on Corruption Free India for a Developed Nation.

To safeguard your Bank against internal/external threats such as fraud, bribery, corruption, abuse of authority, and non-compliance with laid down systems & procedures, constant vigilance at all levels is necessary through a process called 'participative vigilance'. To popularize the scheme, awareness is created during the VAW and during preventive vigilance visits to the branches.

Preventive Vigilance Visits are surprise visits to branches by vigilance officials, the very purpose of which is to sensitize the staff about the importance of following the laid down rules and procedures by your Bank from time to time. In F.Y. 2022-23, 9071 visits were conducted.

In addition to the PVV, an offsite surveillance system is adopted by your Bank, which helps in the detection of abnormal transactions, irregularities, etc., and thereby initiates corrective action. During the year, 232284 alerts were raised under off-site surveillance, which was reviewed by CVO during quarterly ZVC meetings for timely action and closure.

During the year, various systemic improvements have been undertaken by the concerned departments as suggested by the Vigilance Department in order to streamline the processes and systems in your Bank.

Control Returns are also sent regularly to various statutory and regulatory bodies (CVC, RBI, MOF, CBI, etc.) as demanded by them to enable them to exercise a general check and supervision over our vigilance cases and anti-corruption work. In compliance with CVC directions, our Bank observes Vigilance Awareness Week from October to November every year by executing numerous activities in & outside the organization with the aim of sensitizing & spreading awareness amongst staff, children, youth, and all citizens of the country, including the rural population. This year, the pre-inauguration ceremony of VAW-2022 began in our Bank by commencing precursor activities as advised by the central vigilance commission.

During the solemn occasion of observing Vigilance Awareness Week from 31st Oct to 06th Nov 2022 under the theme "Corruption Free India for a Developed Nation", we were able to entail participation of 9.34 lac citizens, including staff members, by oath-taking of integrity pledge through online mode and conduct 17938 outreach activities apart from undertaking visits in birthplaces of freedom fighters recognised by Gol under Azadi Ka Amrit Mohotsav by vigilance officials. We were opportune to organize an event with top executives in the boardroom graced by a visit & address by then CVC Shri Suresh N Patel during VAW-2022.

For knowledge enrichment of our staff, we unveiled four short series on Vigilance Manual, Procurement, Disciplinary Action & Banks guidelines. Also, CVC, in coordination with our Bank, has published a cartoon booklet in Hindi & English as well for creating awareness among the common citizens/students about corruption, ethics, etc.

Various lectures related to Vigilance Awareness Week were organized by PAN INDIA. An exclusive radio interview of CVO Shri. Umesh Kumar Singh, with the title "PATE KI BAAT," has also been broadcasted on RED FM to reach the masses to create awareness about PIDPI & Vigilance Awareness Week.

An online Quiz on PIDPI was conducted for all (staff as well as the General public) on a Pan India basis with automated certificate generation and the facility to download a book containing short stories on moral values for children/ students.

Drawing inspiration from 'Azaadi ka Amrit Mahotsav', birthplaces of unsung freedom fighters were identified, and visits were made by executives from Vigilance Department, Central Office to such places commemorating their contribution to Indian Independence and taking inspiration from their efforts to fight against corruption, making India a Corruption Free Developed Nation. A movie was also released in honour of these heroes who contributed greatly

towards the Independence of our Nation.

This year your Bank has released a dedicated song on this year's theme- "Corruption Free India for a Developed Nation," in the presence of Hon'ble Shri Suresh N Patel, then CVC, during the Vigilance Awareness Week celebrations. The song was conceptualized, composed, and sung by in-house people. A total of 1,000 employees, from bottom to top ladder, participated in the song, pledging their ideation towards making India- a corruption-free nation. The song received wide publicity and accolades.

Coming to the punitive part, as against the total staff strength of 75594 as of 31.03.2023, the number of pending vigilance cases is 293, i.e., 0.38%. During the year, 1105 complaints were received by the department & 1098 have been disposed of, including 27 complaints pertaining to the previous year. During the year, investigations were ordered in 83 cases & reports were received in 92 cases, including 14 investigation reports pertaining to the previous year. Investigation reports in 05 cases are awaited, which are less than 03 months old. TAT for completing the investigation and submission of the investigation report to the Vigilance department stood at 57 days as against the benchmark of 90 days.

A new initiative Vigilance Perception Index (VPI), has been undertaken, which will enable Field General Managers/ Regional Heads to assess the level of implementation and effectiveness of available preventive vigilance tools of your Bank based on the review of 10 selected parameters in the Zonal Vigilance Committee meetings on a quarterly basis. The compliance culture of your Bank has considerably improved, which is evident from the fact that at the time of launching total VPI score of your Bank was 67.31% & the same has now improved to 97.91%.

Union Reformation- A project has been launched to inculcate Business Ethics and reintegrate punished employees into mainstream banking is launched in your Bank. This project works on the concept of positive punishment, which entails the placement of deterrents so that the occurrence of an unwanted event can be avoided. Further, in the case of penalized employees, counseling and training are part of the curriculum, which will help them re-establish themselves in the workplace as well as reduce the reoccurrence of any such lapses in the future.

30 Opportunities

30.1 Pan India Presence: Post amalgamation, your Bank has emerged as the 4th largest Bank in terms of total business and 4th largest in terms of network among the PSBs. Your Bank has a

network of 8870 branches across all the states & Union Territories, 10800 plus ATMs, 17600 plus BC points, an employee base of 75594, and a customer base of over 155 million.

30.2 Strong organization structure: The creation of centralized processing cells has enhanced customer focus and increased lead generation by branches due to the shift of processing to Centralised Processing Centers (CPCs). Furthermore, dedicated monitoring teams at ROs and dedicated recovery branches, supported by Regional Office Collection Centers (RCCs)/ Feet on Street (FOS), have assisted your Bank in reducing stress and improving recovery. On the sourcing front, your Bank has started generating analytics-based leads and widened the scope of services of our subsidiary, UBI Services Limited (UBISL), and entered into tie-ups with Fintechs.

30.3 Digitisation: Gen Z is expected to influence businesses across industries. They comprise 1.8 billion people making up 24% of the global population by 2030. This has led to the focus of your Bank towards digitization to offer seamless banking among this generation that relies majorly on smartphones and digital mediums for their financial interactions and transactions. On the digitization front, various straight-through processing (STP) journeys for Retail, Agriculture, and MSME (RAM) segments have been launched. Bank has envisaged to set-up a Next-Generation Data Repository solution (Data Lake) to meet its Analytical and Reporting requirements Digital Transformation requirements. Data Lake can store multi-structured data from diverse sources to meet present & future needs and to support Advanced Analytics, Deep Learning Algorithms & Real Time Decision Analytics.

30.4 Government initiatives: Focus of the Government aimed at building better infrastructure, particularly in rural areas, will lead to an increasing number of households with electricity and water supply, adding more demand for telecom and gas connections and subsequently increasing the customer base of Bharat Bill Payment System (BBPS) users.

30.5 Low penetration of financial services: As the average per capita income for the country increases, there could be a further increase in the penetration of financial services. There is great potential ahead in deepening financial products, especially in wealth management, payments, insurance, and pension products in India. Banks with rich branch network presence and digital

offerings can help in meeting customer financial needs holistically.

30.6 Higher Market Share: Being the 5th largest PSB in the country with a pan-India presence, your Bank has a very strong market share in most of the Indian States. During the quarter that ended Dec'22 on a y-o-y basis, your Bank has improved its share in PSBs in Total Business (52 bps), Deposits (41 bps) & Credit (64 bps). Going forward, consistent improvement in share is quite challenging. Therefore, Bank has decided to initiate project POWER, which represents Enhanced Publicity & Advertisement, Outreach, and Customer Connect through robust marketing, HR Initiatives to Empower Employees and Re-creating products and processes with the vision to improve its share on a continuous basis by selecting one aspirational district in each region, where your Bank would focus on converting the opportunity available in the selected district into business.

30.7 Sustainability of Growth & Scope or Further Improvement: As per Enhanced Access & Service Excellence (EASE) Index for Q3 FY 2023, Union Bank of India currently ranks first. Our bank's GNPA dropped sharply by 369 basis points (bps) YoY to 7.93%. NNPA went down by 195 bps YoY to 2.14%. Provision Coverage Ratio PCR stood at 88.50%. Your Bank has set benchmarks under various themes like "Modern Technology Capabilities" & "Employee Development and Governance, "Digitally Enabled Customer Offerings", and "Big Data & Analytics". However, your Bank needs to focus on the sustainability of growth and needs to develop to find scope for continued growth across all the areas of operations.

30.8 Skilled and Diverse Workforce: Your Bank has one of the youngest workforces, with an average age of less than 40 years. A relatively younger workforce will help your Bank for easy transformation towards becoming a digitally savvy Bank. Policy changes are in vogue to upskill youngsters and build specialization across chosen job Families. Besides, women-centric benefits are in place to ensure greater participation in the promotion process by eligible candidates across the women's workforce.

31 Threats

31.1 Stiff Competition: Interest rates could remain higher for the first half of FY 2023-24, and the competition for liabilities will be tough. All the major banks will be on getting a higher share of incremental deposits mobilised by the banking

industry. The Government has also raised interest on small savings to attract a higher flow of savings from households. Even though the impact of the global banking collapse may be limited in India, the spread of the crisis globally could constrict capital flow in India and other emerging markets. This could potentially have a negative impact on the Indian economy, as well as on other economies that rely on capital inflows.

31.2 Uncertain Business Environment: Globally, the worry is that the core inflation could remain sticky, and price rises could become entrenched due to the relatively tight economic environment facing several territories, which is placing unprecedented pressure on central banks. Banks in India have performed considerably well in FY2022-23 after the pandemic hit the economy hard. Be it in terms of recovering bad loans, generating better profits, or having higher provisions, both the public and private sector banks have witnessed positive traits. Going forward, the impact of high inflation on household savings/consumption and the effect of the increase in interest rates and servicing costs on vulnerable borrowers will remain risks.

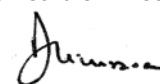
31.3 Rise in NPA levels: As the moratorium given during the pandemic to the retail and MSME sector will end during 2023-24, there are chances of a rise in NPA levels as many of the small and medium business units have failed to gain momentum after the pandemic. Recent past, the pricing of the loan products by the banks was high due to the interest rate hike by the Reserve Bank. Also, the Inflationary pressure in the economy remains a threat. Hence, the consumers may be delaying the payments towards their Loan Accounts, resulting in increased stress in your Bank's book.

32 Outlook

32.1 The year 2022-23 was a year of resurgence for India's economy despite the tailwind of the pandemic and the headwind of the geo-political conflict intertwining to escalate global economic uncertainty. Indian economy has grown to fifth largest economy by GDP. Improved macroeconomic stability as seen in the moderate current account deficit, easing inflation pressure, and resilience in banking system is expected to strengthen the outlook further. These fundamentals support the projections of World Bank estimate of 6.3% and Asian Development Bank (ADB) estimate of 6.4% for FY 2023-24. Growth numbers would be further supported by improving rural demand, the Government's thrust on infrastructure spending, revival in corporate investment, healthy bank credit, and moderating commodity prices. Downside risks to growth include headwinds of prolonged geopolitical tensions, tighter global financial conditions, global financial market volatility and slowing external demand.

32.2 Bank credit offtake remained buoyant on resilient economic activity. Though some corrections in peak growth numbers are expected, credit growth is expected to remain double digit in FY 2023-24 followed by sustained deposit inflow. With inflation seen softening below target level, the RBI has affected pause on rate hikes while remaining vigilant, strengthening India's prospects while mitigating the impact of global spill overs on domestic financial markets.

For and on behalf of the Board of Directors



(Srinivasan Varadarajan)

Chairman

Place: Mumbai
Date: 23.06.2023