

Independent Auditors' Report

To

The President of India /The Members of Union Bank of India

Mumbai

Report on Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying Standalone Financial Statements of **Union Bank of India** ('the Bank'), which comprise the Balance Sheet as at 31 March 2021, the Profit and Loss Account and the Statement of Cash Flows for the year then ended, and notes to financial statements including a summary of significant accounting policies and other explanatory information in which are included the returns for the year ended on that date of

- i) 20 branches, 1 Treasury Branch audited by us, 18 FGMO Offices audited by us
- ii) 5650 branches audited by statutory branch auditors and
- iii) 3 overseas branches audited by local auditors.

The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India (the RBI). Also incorporated in the Balance Sheet, the Profit and Loss Account and the Statement of Cash Flows are the returns from 4042 branches which have not been subjected to audit. These unaudited branches account for 7.60 percent of advances, 19.67 per cent of deposits, 6.14 per cent of interest income and 18.37 per cent of interest expenses.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 in the manner so required for bank and are in conformity with accounting principles generally accepted in India and:

- a. the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Bank as at 31st March, 2021;
- b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit for the year ended on that date; and
- c. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (the "ICAI"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the ICAI together with ethical requirements that are relevant to our audit of the financial statements in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by ICAI, and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the Matter

3. We draw your attention to Note No.1.1 of schedule 18 – Notes to Accounts to the standalone financial statements which describes Government approved scheme of amalgamation and basis for preparation of these financial results adopting "Pooling of Interest" method as prescribed under the Accounting Standard – 14 on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India (ICAI), to record amalgamation of erstwhile Andhra Bank and erstwhile Corporation Bank (amalgamating banks) with the bank with effect from 1st April 2020. The financial results for the year are not comparable with corresponding previous period.

We draw your attention to Note No. 1.1 of schedule 18 – Notes to Accounts to the standalone financial statements which describes consideration of amalgamation reserve amounting to ` 1309.60 crores as a part of CET I Capital for the purpose of calculation of Capital Adequacy Ratio for the quarter / year ended 31st March 2021.



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| | <p>Due to the complexity of the transaction and the associated significant risk of misstatement involved due to</p> <ul style="list-style-type: none"> • Divergence in accounting policies followed by the amalgamating banks with respect of accounting of certain items of income, providing for depreciation of fixed assets • Application of tax laws especially carry forward and set off of loss of the merging entities. • Ownership and rights over immovable and movable assets of the amalgamating banks, properties held by the amalgamating banks under lease, assets, guarantees and other assurances offered as security for the advances made by the amalgamating banks, cause of action, suits, decrees, recovery certificates, appeal and other proceedings in favour of amalgamating banks and all other acts carried out by the amalgamating banks in the normal course of its banking business <p>The accounting of amalgamation of banks is considered as a key audit matter</p> | <ul style="list-style-type: none"> • we evaluated the basis determined by the Management for accounting of Amalgamation Reserve representing difference between value of net assets of amalgamating banks and the number of shares issued to shareholders of the amalgamating banks. • we performed evaluation of tax laws applicable to the Bank and verification of the management’s assessment with respect to eligibility of carry forward and set off of losses of the amalgamating banks • we evaluated the terms of amalgamation as approved by the Government of India vide its notification dated 04.03.2020 titled “Amalgamation of Andhra Bank and Corporation Bank into Union Bank of India Scheme 2020” with reference to the Ownership and rights over immovable and movable assets of the amalgamating banks, properties held by the amalgamating banks under lease, assets, guarantees and other assurances offered as security for the advances made by the amalgamating banks, cause of action, suits, decrees, recovery certificates, appeal and other proceedings in favour of amalgamating banks and all other acts carried out by the amalgamating banks in the normal course of its banking business |
| <p align="center">2</p> | <p align="center">Income Recognition, Asset Classification (IRAC) and provisioning on Loans & Advances and Investments as per the regulatory requirements</p> | |
| | <p>Loans & Advances and Investments are the largest class of assets forming 84.88% of the total assets as on March 31, 2021. Classification, income recognition and loss provisioning on the same are based on objective parameters as prescribed by the regulations (Reserve Bank of India’s prudential norms and other guidelines). The management of the Bank relies heavily on its IT systems (including Core Banking Solution), exercise significant estimates and judgement, manual interventions, and uses services of experts (like independent valuers, Lawyers, legal experts and other professional) to determine asset classification, income recognition and provisioning for losses. The Bank has system based identification of non-performing assets in accordance with IRAC Norms</p> | <p>Our audit was focused on income recognition, asset classification and provisioning pertaining to advances due to the materiality of the balances and associated impairment provisions.</p> <p>Our audit procedures included the assessment of controls over the approval, disbursements and monitoring of loans, and reviewing the logic and assumptions used in the CBS and other related IT systems for compliance of the IRAC and provisioning norms and its operating effectiveness. These included evaluation and understanding of following:</p> <ul style="list-style-type: none"> • Bank’s internal control system in adhering to the Relevant RBI guidelines regarding income recognition, asset classification and provisioning pertaining to advances/investments; • System controls and manual controls over the timely recognition of non-performing assets (NPA/NPI); • Operational existence and effectiveness of controls over provisioning calculation models from the IT systems; • Overall Controls on the loan approval, disbursement and monitoring process in case of advances and controls over the purchase, sale and hold decisions making system in case of investments • We tested sample of loans/investments (in cases of branches visited by us) to assess whether they had been identified as non performing on a timely manner, income recognized and provisioning made as per IRAC norms. • We have also reviewed the reliability, effectiveness and accuracy of manual interventions, wherever it has come to our notice, on test check basis. |

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| | | <ul style="list-style-type: none"> • We have relied on the reports/returns and work done by other Statutory Branch Auditors (SBA) in cases of branches not visited by us to get an overall comfort with respect to overall compliance in accordance with SA 600 - Using the Work of Another Auditor. • We have reviewed the work done by other experts like Independent valuers, Lawyers, Legal Experts and other such professionals who have rendered services to the Bank, in accordance with SA 620 Using the Work of an Auditor's Expert. • Further we have also reviewed the Bank's system of monitoring potentially weak and sensitive accounts which show a sign of stress. • We have also reviewed the reports and observations of the Bank's internal audit/inspection reports and observations of the concurrent auditors for the same. • Verification of valuation, classification, provisioning and income recognition of investments by carrying out substantive test including arithmetic accuracy, data accuracy and control over the financial reporting system. <p>We have test checked and assessed the efficacy of the system based identification of NPA</p> |
| 3 | Information Technology (IT) and controls impacting financial reporting | |
| | <p>A. On account of amalgamation</p> <p>During the year, in view of the amalgamation of erstwhile Andhra Bank (eAB) and erstwhile Corporation Bank (eCB) with Union Bank of India, with effect from April 1, 2020, as stated in note 1 of Schedule 18 of the Financial Statements and until integration into the Union Bank of India platform, the banking operations were carried out in three different software for the respective verticals namely eAB branches, eCB branches and other branches, during the year. In respect of some specific department or specialized software's for business processes the integration process is underway and was not be completed during the year. In view of the above, the IT environment had become complex and pervasive to the operations of the Bank with regards to the financial reporting process since the same was highly dependent on information technology including automated and manual controls and availability of complete and accurate electronic data due to the size and complexity of the operations. Pending the systems integration / migration of the three software, the process of consolidated of data to be reported was manual.</p> | <p>We have obtained understanding of the IT related environment of all the three verticals of the Bank, and had accordingly identified IT applications, databases and operating systems to conduct risk assessment which may impact on the financial reporting. Our audit procedures, with respect to all three verticals in this area included, among others:</p> <ul style="list-style-type: none"> • Testing IT general controls related to User and Application controls, Change Management Controls and Data backup. • Assessing whether appropriate restrictions were placed on access to core systems through reviewing the permissions and responsibilities of authorised personnel. • Where we identified the need to perform additional procedures, we placed reliance on manual compensating controls; such as reconciliations between systems and other information sources or performing additional testing; extended our sample sizes, to obtain adequate and appropriate audit evidences. • Reviewed the controls with respect to manual processes consolidation of data of all verticals and ensured data integrity with respect to such consolidation. |

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| <p>Unauthorized or extensive access rights, changes in IT environment, operational controls, lack of segregation of duties which may cause a risk of misstatement of financial information and could have a material consequence on the completeness and accuracy of the financial statements. Due to high level of automation, number of integrated / non – integrated systems used, the manual process used for the consolidation of the three verticals, this is considered a significant matter for our audit.</p> <p>B. On normal financial reporting</p> <p>Apart from amalgamation which is an exceptional business during the year, in the normal course of its business, the Bank’s financial accounting and reporting systems are highly dependent on the effective working of the Core Banking Solution (CBS) and other IT systems linked to the CBS or working independently. Extensive volume, variety and complexity of transactions are processed daily and there is a risk that automated accounting procedures and related internal controls may not be accurately designed and operating effectively. Particular areas of focus relate to the logic that is fed into the system, sanctity and reliability of the data, access management and segregation of duties. These underlying principles are important because they ensure that changes to applications and data are appropriate, authorized, cleansed and monitored, so that the system generates accurate and reliable reports/ returns and other financial and non-financial information that is used for the preparation and presentation of the financial statements.</p> <p>We have relied on the consistent and accurate functioning of CBS and other IT systems for the following:</p> <ul style="list-style-type: none"> • Asset Classification and Income recognition as per the Reserve Bank of India guidelines; • Provisioning on the advance portfolio; • Identification of advances and liability items and its maturity pattern in various brackets; • Reconciliation and ageing of various suspense and sundry accounts, impersonal accounts, inter-branch balances and other such accounts; • Recording Investment transactions • Interest expense on deposits and other liabilities; | <p>Our audit procedures included verifying, testing and reviewing the design and operating effectiveness of the IT system by verifying the reports/returns and other financial and non-financial information generated from the system on a test check basis.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Ensuring that deficiencies noticed in our verification on test check basis were informed to the management for corrective action; • Carrying out independent alternative audit procedures like substantive testing in areas where deficiencies were noticed; • Analytical procedures like ratio analysis, trend analysis, reasonable tests, comparative analysis; • Reliance on the work performed by the statutory branch auditors and the rectification entries (MOCs) passed based on branch audits; • Reliance on external vendor inspection reports wherever made available. • Reviewed the IS Audit Reports and discussed with IT Department on compliance with key IT controls. |
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| <p>4</p> | <p>Recognition and measurement of Deferred tax</p> <p>The Bank has recognised a net deferred tax asset of ₹ 15,67,24,947 (in '000) as on March 31, 2021. Besides objective estimation, recognition and measurement of deferred tax asset is based on the judgment and numerous estimates regarding the availability and visibility of profits in the future. The recent increase in the amount of deferred tax assets recognised presumes availability and forecasting of profits over an extended period of time thus increasing uncertainty and the inherent risk of inappropriate recognition of the said asset.</p> | <p>Our audit procedures included the risk assessment to gain an understanding of the applicable tax laws and relevant regulations applicable to the Bank. Based on our understanding, we performed both tests of related internal key controls and substantive audit procedures with the assistance of tax specialists. We performed the following audit procedures as part of our controls testing including, but not limited to:</p> <ul style="list-style-type: none"> • Evaluation of the policies used for recognition and measurement of deferred tax assets in accordance with AS 22 Accounting for Taxes on Income; • Assessed the method, assumptions and other parameters used with reference to uniformity, management representations, consistency and continuity like budget and midterm projections prepared by the management including earning growth and applicable tax rates and tested the arithmetical accuracy • Assessed the probability of the availability and visibility of profits against which the bank will be able to use this deferred tax asset in the future. • Evaluation of recognition and measurement of deferred tax assets on accumulated losses of erstwhile Andhra Bank (eAB) and erstwhile Corporation Bank (eCB) on amalgamation with Union Bank of India, with effect from April 1, 2020. |
| <p>5</p> | <p>COVID-19 Pandemic</p> <p>Modified Audit Procedures carried out in light of COVID-19 outbreak Due to the continuing COVID-19 pandemic, lockdown declared by some of the state governments and travel restrictions imposed by Central / State Government / Local authorities during the period of our audit and the RBI directions to Bank to facilitate carrying out audit remotely wherever physical access was not possible, audit could not be conducted by visiting the premises of certain Branches / Regional & Zonal Offices/ Verticals at the Corporate Office of the bank. As we could not gather audit evidence in person/ physically/ through discussions and personal interactions with the officials at the Branches / Regions & Zones/ Verticals / Corporate Offices, we have identified such modified audit procedures as a Key Audit Matter. Accordingly, our audit procedures were modified to carry out the audit remotely</p> | <p>Due to the continuing COVID-19 pandemic followed by lockdown declared by some of the state governments and other travel restrictions imposed by the Central and State Governments/ Local administration during the period of our audit, we could not travel to the Branches/Regions/ Zones/ Verticals/ Corporate Offices and carry out the audit processes physically at the respective offices. Wherever physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the Bank through digital medium including the designated audit portal of the bank, emails and remote access to CBS and closing package. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period.</p> |

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| | | <p>Accordingly, we modified our audit procedures (based on regulatory and ICAI advisories) as follows:</p> <ul style="list-style-type: none"> • Conducted verification of necessary records/documents/CBS/closing package and other application software electronically through remote access/emails/in respect of some of the Branches/Regions/Zones/Verticals/Corporate Offices and other offices of the Bank wherever physical access was not possible. • Carried out verification of scanned copies of the documents, deeds, certificates, returns from branches and the related records made available to us through emails and remote access over secure network of the Bank • Making enquires and gathering necessary audit evidence through Video Conferencing, dialogues and discussions over phone calls/conference calls, emails and similar communication channels. • Resolution of our audit observations telephonically/through email instead of a face to-face interaction with the designated officials. |
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Information Other than the Standalone Financial Statements and Auditors’ Report thereon

5. The Bank’s Board of Directors is responsible for the other information. The other information comprises the Highlights for the year, Directors’ Report including annexures to Directors’ Report, key financial ratios, Business responsibility Report and Corporate Governance report in the Annual Report, but does not include the standalone financial statements and our auditor’s report thereon, which is expected to be made available to us after the date of this Auditors’ Report.

Our opinion on the standalone financial statements does not cover the Other Information and Pillar 3 disclosures under the Basel III Disclosure and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditors’ Report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

6. The Bank’s Board of Directors is responsible with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by ICAI to the extent applicable, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India (‘RBI’) from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality in the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the

matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

8. We did not audit the financial statements / information of 5653 domestic branches and processing centers including 3 foreign branches included in Standalone Financial Results of the Bank whose financial statements/ financial information reflects total assets of ₹ 167,19,29,083.49 (in thousand) at March 31, 2021 and total revenue of ₹ 52,57,33,043.46 (in thousand) for the year ended on that date, as considered in the Standalone Financial Results. These branches and processing centers cover 55.91% of advances, 96.80% of deposits and 45.33% of Non-performing assets as on 31st March 2021 and 73.10% of revenue for the year ended 31st March 2021. The financial statements/ information of these branches have been audited by the branch auditors whose reports have been furnished to us and in our opinion in so far as it relates to the amounts and disclosures included in respect of branches, are based solely on the report of such branch auditors.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949;

Subject to the limitations of the audit indicated in paragraphs 6 and 7 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, we report that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;
 - The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
10. As required by letter No. DOS.ARG.No.6270/08.91.001/2019- 20 dated March 17, 2020 on “Appointment of Statutory Central Auditors (SCAs) in Public Sector Banks – Reporting obligations for SCAs from FY 2019-20”, read with subsequent communication dated May 19, 2020 issued by the RBI, we further report on the matters specified in paragraph 2 of the aforesaid letter as under:
- In our opinion, the aforesaid standalone financial statements comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.
 - In our opinion there are no observations or comments on financial transactions or matters which have any adverse effect on the functioning of the bank.
 - As the bank is not registered under the Companies Act, 2013 the disqualifications from being a director of the bank under sub-section (2) of Section 164 of the Companies Act, 2013 do not apply to the bank.
 - There are no qualifications, reservations or adverse remarks relating to the maintenance of accounts and other matters connected therewith.
 - Our audit report on the adequacy and operating effectiveness of the Bank’s internal financial controls over financial reporting is given in **Annexure A** to this report. Our report expresses an unmodified opinion on the Bank’s internal financial controls over financial reporting with reference to the Standalone Financial Statements as at 31 March 2021.

11. We further report that:

- a) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- b) the Balance Sheet, the Profit and Loss Account and the Statement of Cash Flows dealt with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;
- c) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report; and
- d) In our opinion, the Balance Sheet, the Statement of Profit and Loss Account and the Statement of Cash Flows comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

For M/s B M Chatrath & Co. LLP
Chartered Accountants
FRN 301011E/E300025

CA Arindam Ray
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Membership No.058713
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For M/s C R Sagdeo & Co.
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CA Sachin V Luthra
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For M/s R G N Price & Co.
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CA P M Veeramani
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For M/s P V A R & Associates
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CA Pradeep Kumar Gupta
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For M/s SARDA & PAREEK LLP
Chartered Accountants
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CA Niranjana Joshi
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For M/s Gopal Sharma & Co.
Chartered Accountants
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CA Vijay Garg
Partner
Membership No.076387
UDIN: 21076387AAAAAE3168

Place of Signature : Mumbai / Virtual

Date of Report : 07.06.2021

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT (Referred to in paragraph 10(a) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date) Report on the Internal Financial Controls Over Financial Reporting as required by the Reserve Bank of India (the “RBI”) Letter DOS.ARG. No.6270/08.91.001/2019-20 dated March 17, 2020 (as amended) (the “RBI communication”)

We have audited the internal financial controls over financial reporting of Union Bank of India (“the Bank”) as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date which includes internal financial controls over financial reporting of the Bank’s branches.

Management’s Responsibility for Internal Financial Controls

The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Banking Regulation Act, 1949 and the circulars and guidelines issued by the Reserve Bank of India.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India (the “ICAI”) and the Standards on Auditing (SAs) issued by the ICAI, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial controls based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the branch auditors, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and

not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the branch auditors referred to in the Other Matters paragraph below, the Bank has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal control over financial reporting established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

Other Matters

Our aforesaid report insofar as it relates to the operating effectiveness of internal financial controls over financial reporting of 5674 branches is based on the corresponding reports of the respective branch auditors of those branches.

Our opinion is not modified in respect of this matter.

For M/s B M Chatrath & Co. LLP
Chartered Accountants
FRN 301011E/E300025

CA Arindam Ray
Partner
Membership No.058713
UDIN: 21058713AAAABQ2179

For M/s C R Sagdeo & Co.
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Membership No. 109127
UDIN: 21109127AAAADL7290

For M/s R G N Price & Co.
Chartered Accountants
FRN 002785S

CA P M Veeramani
Partner
Membership No.023933
UDIN: 21023933AAAAAQ1386

For M/s P V A R & Associates
Chartered Accountants
FRN 005223C

CA Pradeep Kumar Gupta
Partner
Membership No.072933
UDIN: 21072933AAAABP4872

For M/s SARDA & PAREEK LLP
Chartered Accountants
FRN 109262W/W100673

CA Niranjn Joshi
Partner
Membership No.102789
UDIN: 21102789AAAAAQ1134

For M/s Gopal Sharma & Co.
Chartered Accountants
FRN 002803C

CA Vijay Garg
Partner
Membership No.076387
UDIN: 21076387AAAAAE3168

Place of Signature : Mumbai / Virtual

Date of Report : 07.06.2021