

MANAGEMENT DISCUSSION AND ANALYSIS

1 Global Economy

- 1.1 The year 2020 threw at the world a pandemonium of novel COVID-19 virus, threatening all that was taken for granted –mobility, safety, and a normal life itself. This, in turn, posed the most formidable economic challenge to India and to the world in a century. Bereft of a cure or a vaccine, public health policy became central to tackling this all-pervasive crisis.
- 1.2 During mid of 2020, global growth started gradually recovering from the slowdown, but it remains uneven across countries and is supported by ongoing vaccination drives, sustained accommodative monetary policies and further sizeable fiscal stimulus.
- 1.3 In Q1:2021 (January-March), the global economy gradually regained momentum of recovery gathered in Q3:2020, which had encountered headwinds in Q4 (same as Q1:2021) as many advanced economies (AEs) and some emerging market economies (EMEs) had to re-impose restrictions/lockdowns in the wake of second/third wave of infections coupled with the newer and more virulent strains of the virus.
- 1.4 The global financial markets remained buoyant during FY 2020-21, supported by highly accommodative monetary and fiscal policies and vaccine-led recovery optimism. Stock markets reached record highs in a few jurisdictions, despite output being well-below pre-pandemic path, raising concerns of a disconnect between the markets and the real economy and risks of future financial fragility. Among AEs, US equity markets scaled new peaks every month between November 2020 and March 2021. Stock markets in EMEs powered further ahead through Q4:2020 and up to mid Q1:2021, mirroring those in the US and other AEs and supported by burgeoning foreign portfolio flows. With resumption of capital outflows since the latter part of February, EME stock indices have shed gains.
- 1.5 Since mid-February this year, global financial markets have increasingly turned volatile, driven by a surge in sovereign bond yields over inflation concerns stemming from the edging up of international commodity prices as well as expectations of stronger growth. Bond market volatility and strengthening of the US dollar spilled over to emerging markets.
- 1.6 World output is projected by the Organisation for Economic Co-operation and Development (OECD) to reach its pre-pandemic level by mid-2021, though it will be largely contingent on the pace of vaccine

distribution and its efficacy against emerging variants of the virus.

- 1.7 According to IMF, global economy is expected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. Among advanced economies, the United States is expected to surpass its pre-COVID GDP level this year, while many others in the group will return to their pre-COVID levels only in 2022. For emerging and developing market economies China had already returned to pre-COVID GDP in 2020, whereas many others are not expected to do so until well into 2023. Governments and central banks across the world deployed a range of policy tools to support their economies such as lowering key policy rates, quantitative easing measures, loan guarantees, cash transfers and fiscal stimulus measures.

2. Domestic Economy

- 2.1 As per the Provisional Estimate of the National Statistical Office (NSO), India's Gross Domestic Product (GDP) in 2020-21 at with to contracted at -7.3 per cent. Real GDP at Constant Prices (2011-12) in the year FY21 is estimated at Rs 135.13 lakh crore, as against Rs 145.69 lakh crore in 2019-20. GDP at Current Prices in FY21 is estimated at Rs 197.46 lakh crore, as against Rs 203.51 lakh crore in 2019-20. The Indian economy entered a technical recession in the first half of FY21 with GDP plunging by 24.4 per cent in Q1 FY21, 7.4 per cent in Q2 FY21. This sharp fall can be attributed to the nation-wide lockdown announced by the government during April-May 2020 to mitigate the outbreak of coronavirus, which brought economic activity to a halt in the first quarter, severely impacting the growth of industrial and services sector activities. Industry and services sector is estimated to register a contraction of -7.0 per cent & -8.4 per cent, respectively, in 2020-21. The agricultural sector remains a bright spot, supported by a normal monsoon, robust kharif sowing and adequate reservoir levels. Agriculture sector is estimated to see a growth of 3.6 per cent in 2020-21.
- 2.2 GDP shrugged off the contractions of preceding quarters and moved into expansion zone in Q3:2020-21 (+ 0.5 per cent, year-on-year) and further strengthened in Q4:2020-21 (+1.6 per cent, year on year). High frequency indicators point to the growth momentum gaining strength in Q4 although the surge in COVID-19 infections in a few states in March 2021 imparts uncertainty to the assessment.

- 2.3 The International Monetary Fund (IMF), projected

an impressive 12.5 per cent growth rate for India in 2021-22. For 2022-23, IMF projected the Indian economy to grow by 6.9 per cent. Reserve Bank of India (RBI) projected real GDP growth for 2021-22 at 9.5 per cent consisting of 18.5 per cent growth in Q1, 7.9 per cent in Q2, 7.2 per cent in Q3 and 6.6 per cent in Q4.

2.4 Going forward, the forecast of a normal south-west monsoon, the resilience of agriculture and the farm economy, the adoption of COVID compatible operational models by businesses, and the gathering momentum of global recovery are forces that can provide tailwinds to revival of domestic economic activity when the second wave abates. Moreover, the vaccination process is expected to gather steam in the coming months and that should help to normalise economic activity. The accommodative monetary policy stance and the fiscal stimulus under Atma Nirbhar scheme and increased capital outlays and the investment-enhancing proposals in the Union Budget 2021-22 will likely accelerate public investment and crowd-in private investment.

3 Price scenario

3.1 In FY21, in major advanced economies, consumer price based inflation (CPI) remained moderate and below target, while for major emerging economies, barring China, Thailand and Indonesia, CPI inflation has mostly picked up, even moving above targets in a few of the countries.

3.2 In domestic economy, headline inflation, measured by the consumer price index (CPI), had been trailing above target for eight consecutive months in FY 2020-21 to a peak of 7.6 per cent in October 2020, came about from a pick-up in price momentum in food as well as in the core category. However, headline CPI inflation receded into the tolerance band beginning December 2020 and ended up at 5.52% as at March 2021. High inflation was seen as easing with the unlocking of the economy, restoration of supply chains and normalisation of activity. Reflecting broad-based price pressures, the distribution of CPI group/sub-group inflation in 2020-21 was centred at 4.9 per cent.

3.3 Core inflation had remained sticky and was seen to firm up during the financial year as economic activity normalised and demand picked up. Core inflation (inflation excluding food and fuel) hardened in a sustained manner to 5.96 per cent in March 2021. The surge was due to high industrial raw material prices, record high petroleum product prices and the higher cost of doing business in the post-lockdown period.

4. Stock market performance

4.1 In FY 2020-21, global financial markets remained largely buoyant, fuelled by optimism around a speedy vaccine-led recovery. Strong rallies in global equity markets on the back of massive fiscal and monetary stimulus in major countries and the measures undertaken in India boosted the domestic market sentiments.

4.2 In domestic equity market, the BSE Sensex gained 46.5 per cent in H1:2020-21 after hitting a low of 25981 on March 23, 2020. Domestic equities scaled all-time highs in H2:2020-21 on positive global cues, record FPI inflows, revival in economic activity, robust moni earnings, roll-out of COVID-19 vaccine and announcement of a growth-oriented Union Budget 2021-22. The BSE Sensex gained 30.1 per cent in H2:2020-21 to close at 49,509 on March 31, 2021.

5 Yield Movement:

Yield movements remained volatile in the FY 2020-21. The hardening of yields at the beginning of Q1:2020-21 was mitigated by liquidity augmenting measures announced by RBI in the second half of April and May. With the announcement of an enhancement of Central Government market borrowings by about 54 per cent – from Rs.7.8 lakh crore to Rs.12.0 lakh crore – for 2020-21, however, the benchmark yield rose by 20 bps on May 11, 2020. In June, several factors viz., low demand for dated securities; border tensions; rating downgrade by Fitch Ratings; and supply fatigue from increased issuances of T-bills and state development loans (SDL) kept yields firm. Subsequently, however, softening US treasury yields, fall in crude oil futures, and the announcement of special open market operations (OMOs) or “Operation Twist”, by RBI eased pressure on yields by end-June. The Reserve Bank conducted five operation twist auctions during July-September and backed them up with an increase in the limit of SLR securities kept under the held to maturity (HTM) category by 2.5 per cent of NDTL – from 19.5 per cent to 22 per cent. Overall, the 10-year benchmark yield softened by 15 bps in Q1:2020-21. In Q2:2020-21, yields exhibited a hardening bias on a rise in fuel prices and higher inflation prints for June and July. Overall, the 10-year yield (5.79 per cent GS 2030) hardened by 12 bps in Q2, mainly reflecting a 24 bps rise in August. During Q3:2020-21, the yield softened by 15 bps from 6.04 per cent to 5.89 per cent. During Q4, yields remained range bound with an upward bias till the presentation of the Union Budget 2021-22 on February 1, 2021. Average G-sec yield for the

FY 2020-21 was at 5.99%. Corporate bond yields too eased, tracking the movement in G-sec yields. Furthermore, the spread on corporate bonds over corresponding G-secs moderated across issuer categories and ratings spectrum.

6 External Sector

6.1 India's merchandise exports during FY21 were at \$ 290.6 billion compared with \$ 313.2 billion in FY20. The de-growth of 7.3% in FY21 has been higher than 5.2% de-growth in FY20. Merchandise imports were down to \$ 389.2 billion in FY21 compared with \$ 474.2 billion in the previous year. As a result, the contraction has widened from 7.8% in FY20 to 18% in FY21. Since the de-growth in imports has been higher, trade deficit in FY21 has moderated to \$ 98.6 billion compared with \$ 161 billion in the previous year.

6.2 Net capital flows remained robust in 2020-21 supported by foreign direct investment (FDI) and foreign portfolio investment (FPI) on growing optimism about India's growth prospects. The sharp upturn in net purchases by portfolio investors in the equity segment during the second half of FY21 resulted in net FPI inflows at US\$ 37.1 billion during 2020-21 (up to March 30) as against an outflow of US\$ 5.2 billion during the same period last year. Foreign direct investment (FDI) flows into India grew 10% in 2020-21 to touch a record \$81.72 billion, with FDI equity inflows rising 19% to almost \$60 billion.

6.3 In the forex market, the Rupee has exhibited two-way movements, reflecting global risk-on risk-off sentiments driven by vacillating views on the spread and containment of Covid-19. The Indian rupee initially came under pressure with the spread of the pandemic, but has subsequently appreciated vis-à-vis the US dollar with the return of investor appetite for EME assets. The Indian Rupee has ended FY21 at 73.20 per dollar as compared to 75.66 per dollar in the corresponding last year.

6.4 International crude oil prices plummeted after the imposition of lockdowns globally, pulling down the price of Indian basket of crude oil to around US\$ 16 per barrel on April 21, 2020. Thereafter, the Indian basket crude oil price increased to US\$ 44 per barrel by end-August 2020. In H2:2020-21, crude oil prices (Indian basket) jumped by nearly 50 per cent – from around US\$ 41 per barrel in September 2020 to US\$ 61 per barrel in February 2021. For the fiscal year 2020-21, average annual price of India's Crude Oil Basket (COB) was \$42.72 per barrel.

6.5 India's foreign exchange reserves reached \$ 579.28 billion as at the end of March 2021. The reserves surged by \$101.5 billion in the financial year 2020-

21, marking the steepest rise in the forex kitty in any one financial year so far.

7 Liquidity conditions:

7.1 During FY2020-21, there was surplus liquidity condition in consonance with the accommodative monetary policy stance. Normal liquidity management operations – suspended in April 2020 in the face of COVID-related dislocations – were resumed in January 2021 with the Reserve Bank reiterating the availability of ample liquidity in the system.

7.2 Open Market Operations (OMOs) – both purchases and sales – are a key instrument to adjust the durable liquidity in the banking system in sync with the monetary policy stance. In FY21, the RBI undertook OMO purchases of G-Secs to the tune of Rs 5.04 lakh crores and OMO purchases of SDLs amounting to Rs. 30,000 crores. The total OMO sales during the year FY21 (including special OMOs) were Rs 1.84 lakh crores.

7.3 Overall, the total liquidity support announced by the Reserve Bank since February 6, 2020 (up to March 31, 2021) amounted to Rs. 13.6 lakh crore, 6.9 per cent of 2020-21 nominal GDP.

8 RBI's policy decisions

8.1 During FY 2020-21, the RBI has reduced the key policy rate by 40 bps on 22nd May 2020 and kept the policy repo rate unchanged during the rest of the financial year. Accordingly, the repo rate and reverse repo rate stands at a near two decadal low at 4.00 percent and 3.35 percent, respectively. The MSF rate and the Bank Rate was reduced to 4.25 per cent from 4.65 per cent, respectively. The Monetary Policy Committee (MPC) decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

8.2 The RBI undertook several conventional and unconventional measures in the wake of COVID-19. Other than conventional measures of policy rate reduction, the RBI introduced long term repo operations (LTROs) and targeted long-term repo operations (TLTROs) to augment system as well as sector-specific liquidity to meet sectoral credit needs and alleviate stress. Special refinance facilities were provided to select all India financial institutions (AIFIs), while a special liquidity facility for mutual funds (SLF-MF) was introduced to ease redemption pressures. The focus was to foster congenial financing conditions without jeopardising financial stability. Further, forward guidance gained

prominence in the RBI's communication strategy to realise cooperative outcomes. The RBI ensured to support the recovery process through the provision of ample liquidity in the system, while maintaining financial stability.

8.3 As a consequence interest rates eased across the spectrum, spreads were compressed and conducive financial conditions prevailed. This enabled the normal functioning of financial markets and institutions, an orderly completion of the enhanced government borrowing programme at a 17-year low weighted average cost of borrowings, and a record volume of corporate bond issuances.

8.4 As normalcy returned, banks were enabled to benefit from the benign interest rate environment by prematurely returning the funds availed earlier under LTRO/ TLTROs. Additionally, Cash Reserve Ratio (CRR) was reduced by 100 bps (from 4.0 per cent to 3.0 per cent). Further, the borrowing limit for banks under the Marginal Standing Facility (MSF), by dipping into their Statutory Liquidity Ratio (SLR), was enhanced to 3 per cent of NDTL from 2 per cent earlier. Pre-emptive regulatory measures were announced to provide relief to the borrowers in the form of moratorium on loan repayments, followed by a comprehensive Resolution Framework 1.0 to enable resolution of viable accounts impacted by the COVID-19.

9 Banking environment:

9.1 The banking sector continued to face the challenges of sluggishness in credit demand and stress on asset book due to Covid led slowdown in the economy.

9.2 Credit off take during 2020-21 was muted with non-food credit growth decelerating to 5.59 percent as on 26th March 2021 from 6.17 per cent as on 27th March 2020. The slowdown in Scheduled Commercial Banks' (SCBs') credit growth during 2020-21 has been broad-based across all major sectors, except agriculture. Credit growth to industry decelerated marginally to 0.4% (0.7% a year ago) mainly due to credit to large industries, which contracted by 0.8% in March 2021 (as compared with a growth of 0.6% a year ago). This is primarily on account of large industries obtaining financial resources from non-bank sources, while credit to medium industries registered a robust growth of 28.8% in March 2021 (as compared to contraction of 0.7% a year ago). Slowdown in growth of personal loans continued, as it decelerated to 10.2 per cent in March 2021 from 15.0 per cent a year ago. However, vehicle loans and loans against gold jewellery continued

to perform well during the month, registering accelerated growth.

9.3 Aggregate deposits of SCBs registered a strong growth during the financial year FY21, in spite of considerable moderation in interest rates, reflecting risk averse behaviour of depositors and lack of lucrative alternative investment avenues. The deposits grew by 11.39 per cent as on 26th March 2021 compared 7.90 per cent growth in the corresponding last year (i.e. 26th March 2020).

9.4 Monetary transmission to deposit and lending rates of banks had improved significantly during FY21. The Weighted Average Lending Rate (WALR) on fresh rupee loans declined by 123 bps since March 2020 till March 2021 in response to the reduction of 115 bps in the policy repo rate during this period. At the same time WALR on outstanding rupee loans 90 bps. The Weighted Average Domestic term Deposit Rate (WADTR) declined by 107 bps during the period. During the same period, the 1-year median marginal cost of funds-based lending rate (MCLR) softened cumulatively by 95 bps.

10 Resources management:

10.1 Along with tackling structural and systematic changes, your Bank has added positively to its business growth. Total business of your bank grew to Rs.1577490 crore as on March 31,2021. Total deposits of your Bank stood at Rs.923805 crore as on March 31,2021. Current and Savings deposits (CASA) comprise 36.33% of total deposit in the FY 2020-21. Total advances of your Bank stood at Rs. 6,53,684 Crore as on March 31, 2021.

Table 1: Composition of Deposits		
(Rs.in crore)		
Particulars	31.03.21	31.03.20*
Total Deposits	923805	450668
CASA Deposits	335592	160373
Saving Deposits	271968	133958
Current Deposits	63624	26415

*Figures are related to standalone Union Bank of India financial results for pre amalgamation period, hence not comparable with post amalgamation financial results for the year ended March 31,2021.

10.2 New initiatives taken during the year:

✓ As part of customer retention strategy, an analysis was done. 5 lakhs HNI customers with declining SB account balance were identified. To motivate these customers a special campaign named "Union

HNI Connect” was launched from 11.07.2020 to 25.07.2020. The objectives of the campaign was to reach out to these customers, proactive resolution of customer grievances, management of any service related request, convince the customer to deposit fresh fund and increase no. of transaction. Due to the campaign Rs 3850 crores SB balance is added through these accounts.

- ✓ To canvass salary and pension accounts, a campaign was launched from 03.08.2020 to 30.09.2020. During the campaign 15626 salary accounts and 1590 pension accounts were opened.
- ✓ Exclusive campaign “My Bank My CASA” for opening new Saving & Current account launched from 01.10.2020 to 24.12.2020. Total 1727397 Saving accounts and 80688 Current accounts opened during the campaign with Rs 1968.60 crore and Rs 708.21 crore of fresh fund respectively during the campaign period.
- ✓ With an objective to increase business/product per customer, a drive named “Union Vaibhav” launched from 01.01.2021 to 31.01.2021. Branches were given target to call top 100 SB account holders and convince them to do all the financial transactions through our bank so that our bank account will become primary account for them.

10.3 New products launched during the year:

- ✓ A new co-branded credit card “UNI CARBON” is launched with HPCL in association with RuPay. By using the cards, customers will enjoy various freebies, rewards/ cash backs.

11 Credit Management

11.1 Retail:

Bank’s retail lending portfolio grew by 10.49% in the FY 2020-21. The retail loan portfolio grew from Rs.1,13,521 crore as on March 31, 2020 to Rs.1,25,427 crore as on March 31, 2021. Within retail, personal loan segment has made a significant jump in FY 2020-21 with a growth rate of 58.69%. Home loans, having the highest share in retail, grew by 6.06%. Vehicle loan has grown by 27.49% while mortgage loans also improved by 1.12% during the year. The Bank has taken innovative measures to attract new business. Accordingly, it has introduced retail loan products such as home, vehicle and education on psbloanin59minutes portal. Further, to strengthen the business mobilization, Bank has launched product specific campaigns alongwith expansion in tie-ups/partnerships. Bank has been leveraging the technology by data analytics extensively and garnered business to the extent

of Rs.192 crore from potential leads. As a part of digitization of retail products and, bank has launched digitalized personal (PAPL) loan. Bank strives to maximize the processing efficiency through centralized processing centres (ULP) and complete digitization of all retail products by FY 2022.

Table 2: Product wise Y-o-Y growth under Retail Lending is as under:

(Rs. in crore)				
Scheme	As of March 31 st 2021	As of March 31 st 2020	Annual Growth	
			Absolute	(%)
Union Home	66228	62442	3786	6.06
Union Miles	9456	7417	2039	27.49
Union Education	7159	7271	-112	-1.53
Union Mortgage	11887	11756	131	1.11
Union Personal	5465	3444	2021	58.69
Others	25230	21192	4038	19.06
Total Retail	125427	113521	11906	10.49

11.2 Agriculture:

Agriculture lending has always been the priority area for your bank. Agriculture advances constituted 19% of Gross advances of the bank as on 31.03.2021. Against statutory target of 18% under Agriculture Priority as on March 31, 2021 Bank’s performance is 18.69% and also bank able to sell surplus of Rs.3500 Crore under Agriculture in e KUBER portal of RBI. The bank registered a YOY growth of 11.89% in Agriculture for FY 2020-21 with outstanding of Rs.120124 Crore as on 31.03.2021.

Outstanding credit to small and marginal farmers as of March 31, 2021 stood at Rs.76070 crore which constituted 11.74 percent of ANBC against the benchmark of 8.0 percent of ANBC. During FY 2020-21, 2.51 lakh fresh Kisan Credit Cards were issued.

11.3 Micro, Small & Medium Enterprises (MSME):

11.3.1 Bank has been focusing on delivering credit to Micro, Small & Medium Enterprises (MSME) sector. Lending to MSMEs stood at Rs.1,22,274 crore as on March 31, 2021 registering an annual growth of 3.24% per cent. Within MSME, MSE lending stood at Rs. 94,484 crore, as on March 31, 2021, registering a growth of 3.29% per cent. Break-up of the MSME portfolio is provided as below:

Table 3: Breakup of MSME Portfolio

(Rs. in crore)				
Particulars	31.03.2021	31.03.2020	Annual Growth	
			Absolute	(%)
Micro	45347	41523	3824	9.21
Small	49137	49949	(812)	(1.63)
MSE	94483	91472	3011	3.29
Medium	27790	26968	822	3.05
MSME	122274	118440	3834	3.24

11.3.2 During the FY 2020-2021, 870141 new loans have been sanctioned under Pradhan Mantri MUDRA Yojana (PMMY) amounting to Rs 8423.76 Crore. Outstanding position under PMMY as of 31.03.2021 is 22.06 lakh accounts with amount of Rs 18832.18 crore.

11.3.3 The SARAL (Central Processing Centres) Structure acts as an acquisition centre in addition to processing. As of March 2021, the no. of SARAL and SARAL Lite stood at 94. 46 SARALs & SARAL Lites were opened during the FY 2020-2021.

11.3.4 Relationship Managers in SARALs & SARAL Lites are posted for lead generations and its conversion on priority basis. Major focus has been on Centralization and Verticalization of SARALs.

11.3.5 **Achievements under www.psbloansin59minutes.com portal:** Our Bank has also been one of the best performing banks on psbloansin59 minutes.com portal. As of 31.03.2021, 33167 MSMEs have been given In-Principle sanction through this portal. Of these, the final sanction was given to 18081 proposals amounting to Rs 5380.65 Crore. Union Bank of India is the first bank to extend upto 5 crore finance to MSME's under the portal.

New initiatives for boosting MSME Portfolio:

11.3.6 **COVID Emergency Line of Credit (CELC) Scheme:** To support businesses affected by COVID-19 pandemic, a dedicated scheme, COVID Emergency Line of Credit (CELC) was introduced by the Bank during the Q1 FY 2020-2021. Purpose of the scheme was to extend financing assistance to meet the temporary liquidity mismatch arising out of COVID-19 crisis involving payment of statutory dues, salary/wages/electricity bills/rent etc. Loans under CELC were sanctioned to 113880 borrowers amounting to Rs 3651.56 crore.

11.3.7 **Union Guaranteed Emergency Credit Line (UGECL) Scheme** was launched in line with the Emergency Credit Line Guarantee Scheme: ECLGS

(Credit product: Guaranteed Emergency Credit line) as announced by Government of India through Ministry of Finance, Department of Financial Services. UGECL 1.0 scheme was launched by the Bank in May 2020 & UGECL 2.0 scheme in November 2020. Loans under UGECL 1.0 & 2.0 were sanctioned to 372660 borrowers amounting to Rs 9681.20 crore.

11.3.8 Partial Credit Guarantee Scheme (PCGS) for Purchase of High Rated Pooled Assets from NBFCs/HFCs:

The bank has adopted the Ministry of Finance guidelines on "Modifications in the existing, extended PCGS" Scheme to Public Sector Banks for purchase of pooled assets from financially sound NBFCs/HFCs. The Scheme provides one-time partial credit guarantee for 24 months for purchase of high rated pooled assets, with a guarantee coverage of 10% of default.

11.3.9 PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi):

A Special Micro- Credit Facility (from Ministry of Housing and Urban Affairs, Government of India) for providing affordable working capital loan to street vendors to resume their livelihoods that have been adversely affected due to the COVID pandemic. It is one of the special economic packages to facilitate easy access to credit for the street vendors. Our Bank has also issued a dedicated and compatible product offering to the street vendors. Loans under PM SVANidhi were sanctioned to 259652 borrowers amounting to Rs259.45 crore.

11.3.10 Union Residential Real Estate Inventory Support (URREIS) Scheme:

Business enterprises engaged in Real Estate segment are navigating through a broad range of interrelated issues that span from keeping their employees, shoring-up cash and liquidity, reorienting operations etc. Towards extending credit to the residential real estate segment, a specialized product: URREIS scheme is launched by the Bank.

11.3.11 Digital Lending to MSMEs through Straight Through Processing (STP):

STP is a key technological advancement used by banks to digitally process the loan proposals from end-to-end without manual intervention. The products under STP models launched by Bank are as under:

- End to End Straight Through Processing (STP) of Shishu Mudra Loan: This model was launched in Q3 FY 2020-2021. Under this model, Bank's existing customer get sanction and disbursement of Shishu Mudra Loan (Upto

Rs.50,000/-) through digital journey within a average period of 7-8 minutes. Our Bank is the only bank among peer PSBs to have end-to-end Shishu Mudra loan model upto Disbursement stage. These loans are fully secured with proper documentation (through NeSL) and subsequent CGTMSE coverage.

- MSME STP upto Rs.5 crore (In-principle approval): MSME Loans upto Rs.5 crore are provided seamless in-principal & instant Loan approval. Union Bank of India is the only PSB to have In-House system driven application to process Loan proposal digitally without manual intervention upto the In-principle approval stage. New & Existing Borrowers can apply for Credit facilities upto Rs. 5 crore and can receive In-principle approval within an average time period of 30 minutes. The Business Rule Engine uses sophisticated algorithms to read and analyse data through various integrations. Loan application can be submitted from anywhere & anytime 24*7.

(Rs. In crore)					
Particulars (including RIDF)	31.03.21	31.03.20	Y-o-Y (%)	% to ANBC	Benchmark FY 2021 (% of ANBC)
Priority Sector Credit(After Deducting PSLC Rs.18500 Crore)	272203	265769	2.42	42.00	40%
Agriculture Sector(After Deducting PSLC Rs.3500 Crore)	121142	106726	13.51	18.69	18%
Small & Marginal Farmers(After Deducting PSLC Rs.3500 Crore)	76070	62834	21.07	11.74	8%
Credit to Weaker section(After Deducting PSLC Rs.3500 Crore)	88170	82372	7.04	13.60	10%
Credit to Women Beneficiaries	73307	62939	16.47	11.31	5%

Specific Lending for Social Upliftment

11.4.2 Your Bank has continued to keep its focus on social development and equal opportunities for all segments of the society. Accordingly, the Bank extended credit facilities to various weak and unreserved sections of the society specifically women, minority community and self-help group.

11.4.3 Women Beneficiaries: With a view to promote entrepreneurs among the women and to make them self-reliant, your Bank encourages credit to women entrepreneurs. During FY 2020-21, Total outstanding loans to women beneficiaries has increased from Rs.62939 crore in March 2020 to Rs. 73307 crore in March 2021 recording growth of 16.47 %. This constituted 11.31 per cent of ANBC against benchmark of 5.0 per cent.

11.4.4 Minority Communities:Your Bank is extending finance to the minority communities' viz. Muslims, Christians, Sikhs, Buddhists, Zoroastrians, and Jains in line with Government of India directives on welfare of minority communities. As on March 31, 2021 the outstanding credit to minority stood at Rs. 24342 crore, which constitutes 8.66 percent of Priority sector advances.

11.4.5 Weaker Section:Your Bank has been actively participating in financing for weaker sections of society. Finances to weaker section net of PSLC-SFMF sales has increased from Rs.82372 crore to Rs.88170 crore, as on March 31, 2021, registering a growth of 7.04 per cent. Outstanding credit stood at 13.60 per cent of ANBC against benchmark of 10 per cent.

11.3.12 Corporate Credit : As on 31.03.2021, the corporate advances stood at Rs. 2,85,859 crore. Seven Industrial Financial Branches (IFBs) and Thirty Seven Mid Corporate Branches across the country are catering to the needs of corporate clientele. The Bank has made judicious disbursements to investment grade projects of large corporate, thus participating in the growth opportunities in the Indian economy and its global linkages.

11.4 Priority Sector Advances:

11.4.1Your Bank remains committed towards extending credit facility to the needy segments of the society. Under priority sector advances, your bank has registered a growth of 5.13 per cent, which stood at Rs. 279576 crore as on March 31, 2021. Against statutory target of 40% under Priority sector advances your bank achieved 42.00 per cent of the Adjusted Net Bank Credit (ANBC) for Quarter ended March-2021 and growth of 2.42% after excluding the PSLC sales and including the investments in RIDF/ SIDBI/MUDRA/NHB.

11.4.6 Rural Self Employment training Institute (RSETI):

With the aim of mitigating the employment problem among the rural youth, the Bank has established 14 RSETIs in districts where the bank has “Lead Bank Responsibility”. As of March 31, 2021, total number of candidates trained in our RSETIs is 239263, out of which 175358 candidates have been settled.

11.4.7 Regional Rural Bank (RRB): Your Bank sponsors Chaitanya Godavari Grameen Bank (CGGB), Guntur, Andhra Pradesh state. It has network of 222 CBS Branches, spread over 3 districts of Andhra Pradesh namely, East Godavari, West Godavari & Guntur. Business of CGGB has increased to Rs.12817.00 crore with a growth of 23.05 per cent during FY 2020-21. Total Deposits stood at Rs6539.67 Crore and Advances at Rs6877.33 Cr with Net profit of Rs101.09 Crore. The Gross NPA is 1.09% and Net NPA is 0% as on 31.03.2021.

Key Initiatives to strengthen Priority sector:

11.4.8 Union Samridhi Kendra (USK): Union Samridhi Kendra (USK) is a specialized processing hub established by the Bank for processing and sanctioning of RAM proposals sent from RUSU Branches. Its main objective is to strengthen the RAM portfolio of the RUSU Branches and to improve Quality, appraisal and turnaround time of loan proposal. The model was initially piloted in selected Branches of Nasik and Karnal Regions in Nov 2017. As the overall result of the pilot implementation were encouraging, Department has scaled the number of USKs in the phased manner. At present, there are 62 USKs across 52 regions & 16 FGMOs covering 1175 branches. These branches are covering 21.68% of RUSU Branches. Department is proposing to scale up to 40% by establishing more number of USK in untapped Regions. During FY 2020-21, USKs have sanctioned approximately one lakh proposals to the tune of Rs.4025 Crore during the present pandemic situation.

11.4.9 Pradhan Mantri Fasal Beema Yojana (PMFBY):

Your Bank is implementing PMFBY for the benefit of farmers who faced climatic adversities very often and suffer a lot. All farmers including share cropper and tenant farmers growing the notified crops in the notified areas covered under PMFBY. A total of 652462 loanee and non-loanee farmers were covered during the financial year 2020-21. 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.

New initiatives undertaken during the year

- ✓ Bank has taken up the proposal to establish 38 New USKs in the untapped Regions all over India, based on the potentiality of the area.
- ✓ Bank to establish 5 New Union Sampurna in different Regions in India during FY 2021-22.
- ✓ MoU entered with SFAC (Small Farmers Agri Business Consortium) for financing FPOs.
- ✓ MoU entered with NeRL and CCRL for facilitating finance against e NWRs(Negotiable Ware House Receipts).
- ✓ Establishing Union Gold loan Points – 20 UGLPs were established as on 31.03.2021.
- ✓ More thrust is given for Agri Focused branches to improve the credit to Agriculture sector and number is increased of such branches from 765 to 1500.
- ✓ Online application of Agriculture loans and Gold loans through U-Mobile app enabled.
- ✓ MoU entered with MoFPI to act as a Nodal Bank under PM FME scheme.

Product launched during the year:

- SOD (Secured over Draft) against Gold ornaments.
- Loans against Sovereign Gold Bonds.
- Kisan Credit Card against security of Gold for limits above Rs1.60 Lakhs.
- Under Atmanirbhar bharat schemes products like Agri Infrastructure Fund Scheme, Animal Husbandry Infrastructure Development scheme, PM-Formalization of Micro Food Processing Enterprises were launched.

Awards received during the year:

The bank had received following awards in Agriculture Credit & Insurance Awards 2021 organised by Agriculture Today Group.

- ✓ Lifetime Achievement Award received by Shri Rajkiran Rai G at Agriculture Credit & Insurance Awards 2021 for exemplary contribution towards the growth and development of agriculture finance in India.
- ✓ The Outstanding Customer Care of the Year Award to Union Bank of India for exemplary contribution towards the growth and development of agriculture finance in India.
- ✓ Outstanding Innovation in Agriculture Finance Category to Union Bank of India.

11.5 Financial Inclusion:

11.5.1 Summary of performance during the FY2020-21.



(Rs in Lakh)

Table 5 : Progress Under Financial Inclusion			
Particulars	March 2020	March 2021	% Growth over March 2020
Total PMJDY A/Cs	173.99	216.73	24.56
Balance in PMJDY A/Cs (inCrS)	5049	6465	28.04
Rupay Card Issued A/Cs	117.82	115.51	-
Rupay Cards In Operative A/Cs	75.67	79.08	4.51
Aadhaar Seeded A/Cs	138.24	175.04	26.62
Zero Balance A/Cs	34.44	36.39	5.66
Overdraft Sanctioned	3.61	6.22	72.30
APY (Cumulative)	18.03	20.30	12.59

- ✓ During the FY 2020-21, more than 42 Lakhs PMJDY accounts were opened and the balances in PMJDY accounts increased by Rs. 1416 crs.
- ✓ Cumulative enrollments under APY increased by 2.27 lakhs during the year.
- ✓ PMJDY Overdrafts registered growth of 72.3% during the year by sanctioning Overdrafts to all eligible PMJDY account holders.
- ✓ 3595 new Business Correspondents locations (SSA & Non-SSA) were allotted Pan India.
- ✓ 27 services are provided by Business Correspondents at all BC outlets to the Customers.
- ✓ 37 villages in uncovered rural centers and in Aspirational Districts are provided with BC outlets to extend Banking services in these areas.

11.5.2 New Initiatives Taken During FY 2020-21

- ✓ Paid Incentives to all the BCs who have actively provided Banking facilities during April'20, May'20 and June'20 after the outbreak of COVID-19 and during the lock down period last year in our Country.
- ✓ As per the instructions of Department of Financial Services, Ministry of Finance Bank has conducted Handholding and educated the Street Vendors

through our Business Correspondents towards distribution of QR codes to beneficiaries / Borrowers under “PM SVANidhi” scheme.

- ✓ Conducted special campaign in Aspirational Districts in order to augment performance in these districts.
- ✓ Implemented “JeevanPraman” –Life certificate registration through our BC Channels.
- ✓ Conducted APY Campaigns during the year in line with the Campaigns organized by PFRDA and won awards for the months of Sept 2020 and Nov 2020.
- ✓ Implemented Door Step Banking facility for our Customers during the year.
- ✓ BC monitoring App for the purpose of inspecting BC Points and getting the reports digitally is under final phase of testing.
- ✓ The process of making **FISTACK PORTAL** operational for on-boarding of BCs after migration of BC in the amalgamated entity.
- ✓ The process of implementation of opening of PPF (Public Provident Fund) and SSY (Sukanya Samruddhi Yojana) schemes through BC channels.
- ✓ The option to sanction PMJDY OD uptoRs. 2000/- at CO level was enabled on 31st March 2021. Around 8000 accounts are sanctioned with PMJDY OD for Rs. 2000/- till 31st March 2021.

11.5.3 Awards and Recognition:

- ✓ **APY** :Bank has received award from PFRDA in the various campaigns organized by PFRDA.
- ✓ “**Power to persist**”: Bank was qualified for award for the month of September 2020.
- ✓ “**Warriors of Winning Wednesday**’ - **Monthly**: Bank qualified for the AWARD in the month for November 2020.

11.5.4 Strategies For Business Growth:

- ✓ **Deployment of additional 15000 BC points (Non SSA) during the next FY 2021-22 –**
 - Allotment of Targets to FGMO / ROs /Branches
 - Involving and motivating all stakeholders to source viable locations with business prospects.
- ✓ **Digitization of the process of BC on boarding –**
 - Presently CBCs are approaching Regional Offices with physical applications for mandates and there is no mechanism to track & monitor the pendency of such applications, at Regional Offices which affects the TAT for on-boarding. Therefore, we plan to digitalize entire process

of on-boarding by involving Regional Offices in addition to existing CBCs and FI Team on this Digital Platform which will digitize entire process right from application uploading by CBCs to ROs, Processing & Recommendation by RO to CO and Integration of BC data and its activation at FI Gateway and CBS platform.

- **Deepening Relationship** - Bank has deepened relationship with PMJDY customers and pitch different suitable products of our bank. We are already offering 27 services through our BC Channels including enrolment of PMJDY account holders under Social Security Schemes (PMJ, JBY, PMSBY, APY). We also propose to implement enrolment under PPF and SSS (Sukanya Samriddhi scheme) at BC locations.
- ✓ **APY** : The Bank is actively participating in all campaigns launched by PFRDA and also taken steps to launch incentive campaigns during the year to motivate ROs and Branches for fresh enrolments.
- ✓ The Bank has sensitized ROs and Branches to extend PMJDY overdraft facilities to all eligible PMJDY account holders and ensure availing of Overdraft facility.

11.5.5 Significant measures taken by the Bank on COVID-19 pandemic :

- Created awareness among borrowers on the relief measures, implemented a strict COVID-19 protocol for the safety of the customers and the staff members and encouraged customers to use our digital products and services.
- Moratorium on loan repayment was permitted to all eligible borrowers without formal requests or applications and extended need based emergency credit line to customers including a line of credit to MSMEs i.e., Union Covid Personal Loan Scheme.
- REMOTE AUDIT was implemented across the organization which resulted in significant cost savings for the Bank along with reducing the carbon footprint.
- Bank has waived penalty for non-maintenance of minimum balance and service charges for failure of standing instructions/auto debit towards installment of Term Loan and SIP Mutual fund for the period 01.04.2020 to 30.06.2020.

- Recovery of lien marked service charges suspended/postponed till 30.06.2020, if balance of any saving/current goes below Rs.10,000/-
- Bank has extended relaxations in compliance of Re-KYC to customers like there will be no restrictions on operations in all accounts including PMJDY/Small/BSBDA accounts till December 31, 2021 for the reason of pendency of Re-KYC.
- Bank has initiated Door Step Banking services from September 2020 at 100 locations across the country.

In its endeavor to support the staff members during this time of crisis, the Bank has taken following steps:

- a) Special leave provisions made for employees who are infected/quarantined.
- b) Persons with Disabilities (PWDs) and pregnant ladies exempted from attending office.
- c) Reimbursement of cost of COVID vaccination to employees and their dependents.
- d) Addition of Oxygen concentrator to the permissible items under the scheme of furniture loan to award staff and furniture scheme to Officers.
- e) COVID Special advance to all staff members in the form of one month's gross salary as interest free advance repayable in 24 months.
- f) Scheme for payment of Ex Gratia of lump sum amount of Rs.20 lakhs in case of unfortunate death of an employee due to COVID-19 infection.
- g) Securing debt payable by the staff through Group Insurance Scheme for staff loan accounts.
- h) COVID Action Teams (CATs) have been set up at FGMO/RO level for monitoring & prompt reporting of COVID cases among staff and for providing necessary assistance to affected staff members. Employees can reach out to the CATs for any SOS/assistance/support.
- i) Our Bank emphasizes on the importance of employees getting themselves as well as their family members vaccinated. FGMs / RHs have been advised to contact the Chief Medical Officers & other senior level government officials and arrange for mass vaccination program for the employees.

- j) The Bank has developed a COVID reporting portal for reporting of all COVID cases on a daily basis. The Bank has also developed a COVID vaccination tracking portal to capture details of employees vaccinated on a daily basis.
- k) FGMOs / ROs also advised to explore the use of Holiday Homes and Staff Training Centres as quarantine centres for staff members / dependents who need to isolate as a precautionary measure and present detailed proposals for the same to the controlling office for approval.
- l) Branches / offices advised to put up Posters/ banners highlighting symptoms and preventive measures of the corona virus to educate staff & customers. Customers to be advised to use alternate delivery channels for their banking needs.

Table 6: Overseas Operations				
(Rs. In crore)				
Particulars	31.03.21	31.03.20	Annual Growth	
			Absolute	(%)
Overseas Deposits	2178	3649	-1471	-40.31
Overseas Advances	16012	20696	-4684	-22.63
Total Overseas Business	18190	24345	-6155	-25.28

13 Treasury Operations:

13.1 To act as 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 guideline. Better cash management by different short term money market instruments and forex market. Maintaining a decent SLR & Non-SLR investment book with appropriate M-duration which will help us to enhance our profitability.

13.2 Conserve bank’s capital by reducing high capital intensive instruments and increase the NIM and ROCE by leveraging the less capital intensive instruments.

13.3 Since the merger of e-Corporation bank and e-Andhra Bank with Union Bank of India on 1st April 2020, banks treasury portfolio and human capital has risen in a commendable manner. Because of the synergy which has been strategically and efficiently managed by leaders of the bank, Treasury was able to achieve better profitability for first years of merged operation.

13.4 During the tiring Covid-time, bank was able to be at the forefront by availing significant quantum of funds under TLTRO and diffusing them to quality issuers.

13.5 Summary of performance during 2020-21

- Treasury performance target v/s achievement on major parameters during the FY 2020-21 are as under:-

11.5.6 RBI/Regulatory/DFS Directions:

Bank noted to follow the directions received from regulatory authorities from time to time.

12 International Banking

12.1 Overseas business of the Bank stood at Rs.18,190.00 Crore as on March 31, 2021 compared to Rs.24,345.00 Crore as on March 31, 2020. Your Bank has three overseas branches at Hong Kong, DIFC Dubai and Sydney (Australia). Your Bank also operates in the United Kingdom through its wholly owned subsidiary, Union Bank of India (UK) Ltd. Your Bank also operates in Kuala Lumpur (Malaysia) through its Joint Venture - India International Bank Malaysia Berhad, which is a Joint Venture with Bank of Baroda (40% shareholding) and Indian Overseas Bank (35% shareholding). Your Bank shareholding is 25%.

12.2 Due to the impact of Covid-19 pandemic across various geographies, the total business of the foreign branches during the FY 2020-21 has contracted by 18.30%. However, the operating profit has increased by 9.60% during the FY 2020-21.

Table 7: Treasury Performance

Particulars	Target for 2020-21 (Rs. in Crore)	Actual for FY 2020-21 (Rs. in Crore)
Interest Income	22,000.00	22,584.54
Profit on Sale of Investment	2650.00	3648.64
Exchange Profit (forex)	650.00	481.73
Total Treasury Income	25,300.00	26,714.91

13.6 New Initiatives during the year:-

- ✓ **Capability Building:** Our focus is to strengthening manpower by imparting continuous trainings and educations for capability building. Today all of our forex dealers have completed the “FX-Global code of conduct” Certification offered by ACI FINANCIAL MARKET ASSOCIATION, Paris. We conduct regular quizzes on different policies, financial market topics etc. for entire treasury staff.
- ✓ **Treasury Research Group:** A newly formed Treasury Research Group has been providing daily pre and post market reports apart from weekly market update, monthly market update and occasional event based reports to summarize the market movements and give an outlook on the same. This group was able to scale up its operations during Covid times and has been inculcating a knowledge sharing platform. Team also started to organize pre-market open session with dealers on a daily basis, giving an outlook on various markets and on economic outlook for both domestic and global market.
- ✓ **Treasury Sales:** A team of vibrant officers has been set-up for sales of treasury products and handle end-to-end solutions of customers with regard to treasury products.
- ✓ **Dedicated Compliance Desk:** Compliance desk has been made more robust, thus making processes in treasury operations more full-proof which is a commendable step, considering the mammoth size of treasury portfolio.

13.7 Treasury Strategy

- Create large investment book during appropriate/conducive interest rate period and maintain M-duration as per approved policy. This will be a source of treasury profit.

- Explore all available arbitrage opportunities in 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

13.8 New Initiative Planned in FY 2021-22

- ✓ **Debt Syndication:** Being large PSU bank post amalgamation, Bank is getting wide access to various institutional/Corporate customers. Further, Treasury’s active participation in the Bond Market under TLTRO window has enabled us to interact with more corporate/FIs. Accordingly, Treasury will be strengthening Non-SLR desk for participation in the Bonds/CP/CD markets and more particularly for initiating Bond Syndications. The team will be actively supporting Bank’s Loan Syndication Desk proposed under the Large Corporate Vertical to offer a complete structured lending product mix. Bank will also increase its presence as IPA, thus aiding in branding of bank along with additional revenue source.
- ✓ **Structured Derivatives Desk Setup:** Bank has planned to set-up a dedicated structured derivative desk which will help customers to hedge their risks more efficiently and on real time basis. This has also been helping our credit verticals to reduce the cost of borrowing of customers by structured loan products with the help of structured derivatives.
- ✓ **Expanding Primary Dealership (PD) Business:** Post merger we have received departmental primary dealership (PD) business from e-Corporation bank. Primary Dealership business will give us additional source of income in the form of underwriting commission and trading income. For the FY 2020-21 trading income from PD Business was Rs. 4.82 Cr and underwriting commission was Rs 28.65 Cr.
- ✓ To make sales team even more capable by increasing the size of members and using digital mode to on-board new customers and provide seamless experience to old and new customers of the bank. Exploring possibilities of expanding PD Business through sales team.
- ✓ To strengthen research desk and to expand the research segment to credit research, this will strengthen our Non-SLR desk.
- ✓ Extension of White Label Trading Terminal to customers through RETAD and post implementation of Trade Finance Solution platform, which is being

procured by DFB department which will help in seamless experience for FX customers of bank.

14 Asset quality:

14.1 During FY 2020-21, your Bank made a cash recovery of Rs. 5191 crore in addition to up gradation of accounts to the tune of Rs 2674 crore. Control over slippages and better reduction was possible through continuous efforts and well designed strategy for NPA management. Movement of NPA for FY 2020-21 is as under:

Table 8: Movement of NPA		
(Rs. In crore)		
Particulars	FY 2020-21	FY 2019-20*
Gross NPA (Opening)	97193	48729
Additions	17443	14911
Less: Reductions	24849	14555
(I) Upgradations	2674	1871
(II) Recoveries	5191	4267
(III) Write-off	16984	8417
Gross NPAs (Closing)	89788	49085
Net NPAs	27281	17303

Measures to improve recovery:

- ✓ Creation of Stressed Asset Management Vertical [SAMV] at major identified centres (Mumbai, New Delhi, Hyderabad, Chennai, Kolkata, Ahmedabad, Chandigarh, Lucknow, Bengaluru) for handling the Large NPA Borrowal accounts having exposure of more than Rs.25 crore and all NCLT admitted accounts (irrespective of exposure).
- ✓ In order to explore the resolution and recovery proceedings for Large Borrowers in a more effective manner, a dedicated team named "Stressed Asset Management Vertical [SAMV]" is formed at various levels (At Central Office, At Zonal Office, At Regional Offices) duly equipped with Staff having acumen of credit and recovery management for handling such borrowal accounts.
- ✓ A dedicated Litigation Management Team headed by DGM Law is formed at Corporate Office to handle the Legal Issues/matter related to IBC, DRT, SARFAESI etc.
- ✓ Mega E-Auctions being planned at monthly intervals Under SARFAESI .
- ✓ As a part of "EASE" agenda Process to fully Digitized

the Vertical is started. It will cover end to end process of all functions of the Vertical.

- ✓ Launch of online structured One Time Settlement Scheme to empower the field functionary for speeding up the Recovery, The scheme was non-discriminatory & non-discretionary in nature and delegation was given at field level for quick settlement of the eligible NPA accounts.

14.2 Proactive Monitoring:

14.3 Centralized Call centre: Your Bank has set up Centralized Call Centre for monitoring of SMA borrowers under Retail and MSME sector within the range of 3.00 lakh to 5.00 Crore. Stressed accounts under credit card portfolio have been also covered by call centres.

14.4 Specialization in Monitoring and recovery: Your Bank has taken many proactive steps for monitoring of loans like;

- ✓ Specialized cell for monitoring of accounts in the range of Rs.100.00 crore to Rs.250.00 crore and above, both headed by Senior Executives.
- ✓ A system of identifying Early Warning Signals (EWS) has been put in place to proactively identify the signals of Stress/ Warnings in the borrowal accounts to facilitate taking timely corrective steps.

- ✓ Advanced analytical tools are being utilized to predict Early Stress Signals covering non SMA and non NPA portfolio of the Bank's advances to facilitate initiating necessary measures to maintain the health of the Loan Book.

15 Relationship banking

15.1 Your Bank earned income of Rs. 240.57 crore through distribution of third party products, during the year

Table 9: Income from third party business during FY 2020-21			
(Rs.in crore)			
Business Parameter	FY 2020-21	FY 2019-20	% Growth
Life Insurance	142.13	89.95	58.01
Non Life Insurance	48.72	14.43	237.63
Health Insurance	32.38	11.79	174.64
Mutual Fund	17.34	12.63	37.29
Total	240.57	128.80	86.78

15.2 Initiatives during the year:

The following new Group Insurance products launched in the Bank network:

- ✓ **COVID Benefit Product for the Customers of the Bank :**
Insurance cover launched in association with Chola MS GI, which provide lumpsum payment upto Sum Insured on detection of COVID-19
- ✓ **COVID Indemnity Health Cover for the Bank employees:**
Health Insurance Top-up Plan exclusively for the Bank employees for treatment of COVID-19 launched in association with Care Health Insurance.
- ✓ **COVID Indemnity Health Cover for Bank customers :**
Health Insurance Top-up Plan exclusively for the Bank customers for treatment of COVID-19, launched in association with Care Health Insurance.
- ✓ **New Sampoorna Loan Suraksha Product :**
Group Term Life Insurance Plan for Loan Customers of the Bank launched in association with SUD Life Insurance.
- ✓ **Super Top-up Health Insurance Scheme for the Bank customers :**
Health Insurance Super Top-up Plan exclusively for the Bank customers launched in association with Manipal Cigna Health Insurance.

15.3 Digital Initiatives

- ✓ Bank has initiated the facility of buying PMJJBY insurance cover through UMobile App. This facility is already available in Internet Banking. For PMSBY, the enrolment process thru IB / MB is already in place.
- ✓ Bank has also took initiative in exchanging the data on real time basis by doing API integration of the Union Bank of India and SUD Life system, which has enhanced the customer experience and improved the TAT also.
- ✓ Bank has is also in process to launch a new Finacle menu (API Integration with Union AMC) to take online mutual fund applications from the eligible customers without submitting physical application forms in the branch.
- ✓ Bank has increased its footprints in the digital space, as Customers can now buy general insurance products (online) through the Bank’s corporate website and UMobile App.

15.4 Social Security Schemes:

(fig: in Lakh)

Fresh Enrolments (01.04.2020 to 31.03.2021)				Cumulative Enrolments	
Target Mar 2021		Total till Mar 2021		As of Mar 2021	
PMSBY	PMJJBY	PMSBY	PMJJBY	PMSBY	PMJJBY
40	12	16.79	9.78	147.57	41.19

Government Businesses:

16.1 Resource mobilization through Government

Resource Mobilization through Government Business stood at Rs. 2,58,732 Crore as of March 31, 2021 compared to Rs. 2,03,171 Crore of previous year. Bank has opened 19,022 accounts under National Pension System and recorded 51.96% growth over previous year. Bank has also made considerable progress in opening small savings accounts during FY 2020-21 which grew over by 27.46% over the previous year.

16.2 New initiatives to increase Government Business:

- PMCARES collections account
- Signed MoU with Small Farmers Agri business Consortium (SFAC) for Credit Guarantee Scheme & financing FPOs.
- Mobilised Eklavya Model Residential School- ERMS Ministry of Tribal Affairs-National Education Society for Tribal Students (NESTS) account and on-boarded them on PFMS.
- Opened 250 accounts of State, District and School level for Samagra Shiksha under Govt. of NCT of Delhi.
- Provided Payment Gateway facility to Orissa Mining Corporation Ltd. for mining fees collection.
- Provided online ticket collection facility to National Zoological Park, Delhi.
- Opened A/c of NAFED for collection and disbursement of FPO’s.
- Opened 7,594 Panchayats Accounts in Uttar Pradesh and Rajasthan under 15th Finance Commission and on-boarded them on PFMS.
- Provided Payment Gateway facility for online collection of penalty Charges to Central Electricity Regulatory Commission (CERC).
- Opened 392 school accounts for collection of Vidyalaya Vikas Nidhi (VVN).
- Provided online fee collection facility to NIFT Srinagar and Gandhinagar.
- Signed MoU with NSFDC & NBCFDC for new interest subvention scheme “VISVAS Yojana” for SC & OBC SHG and Individual Beneficiaries.

16.3 Human Resource Management : Your Bank strives to offer the best in class employment experience by investing in its human capital and taking measures to constantly reinvent its people processes. Your Bank has been at the forefront in introducing industry best practices to empower its workforce as well as to meet the corporate objectives. Alongside people development, the focus during FY 2020-21 has been on automation and digitization of processes for seamless functioning. The industry has recognized and lauded your Bank's efforts through numerous awards received during 2020-21, for HR innovation, Leadership & Training.

16.4 Manpower Strength:

The main objective of Human Resources Management is to ensure high performance of employees for achievement of organizational goals along with their personal growth. The growth of the Bank depends on the efficiency and effectiveness of its human resources. It has been the endeavor of your Bank that optimum work force is available at all field and functional outlets of the Bank at all times.

The total Manpower of our Bank as on March 31, 2021 stood at 78202.

Table 10: CATEGORY OF EMPLOYEES

YEAR	OFFICERS		CLERKS		SUB-STAFF		TOTAL		Total Staff Strength
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
2019-20	17398	5671	8050	3045	2668	486	28116	9202	37318
2020-21	31629	11505	17763	8225	6585	2495	55977	22225	78202

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 growth of business, future branch expansion/ rationalization, attrition on account of resignations, retirements on superannuation/ VRS etc.

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-staff		Total	
	Total	%	Total	%	Total	%	Total	%
Total Employees	43134		25988		9080		78202	
Within which								
Scheduled Castes (SCs)	7429	17.22	5095	19.61	3208	35.33	15732	20.12
Scheduled Tribes (STs)	3466	8.04	2007	7.72	751	8.27	6224	7.96
Other Backward Classes (OBCs)	12061	27.96	7903	30.41	2867	31.57	22831	29.19
Economically Weaker Section (EWSs)	148	0.34	294	1.13	0	0	442	0.56
Differently Aabled (PWDs)	860	1.99	458	1.76	90	0.99	1408	1.80
EX-Servicemen	843	1.95	3156	12.14	824	9.07	4823	6.17

16.5 Succession Planning: Your Bank initiated the process of Succession Planning for all critical roles. Your Bank has formed a Talent Management Committee to identify talent pool and a Senior Management Committee to identify potential successors. Individual Development Plans have been prepared as customized development paths for high potential candidates to enable them to take up the critical roles, a few years from now.

16.6 Performance Management - Project Prerna: Your Bank is re-designing the Performance Management System (PMS) by focusing on core values & talent management, performance analysis, system-driven postings and Rewards & Recognition with the help of digital & IT tools and technology architecture under Project Prerna. The new PMS shall measure the effectiveness of the corporate strategy to not only communicate the corporate goals to all stakeholders but also to equip them to realize the collective vision and inculcate performance culture. The revamped system will enable measuring of employee performance more objectively so that course correction measures can be taken on time, training needs can be analysed and deployment decisions can be based on the calibre and potential of employees.

16.7 Learning & Development: During FY 2020-21 your Bank's Training system explored & redefined the learning solutions amid the challenges of amalgamation and COVID-19 pandemic to keep the learning journey of its workforce uninterrupted by conducting webinars, short duration / long duration programs to bridge the competency gaps. The e-learning modules on various functional aspects of banking were enriched to enhance ease of learning to field users. Need-based virtual class room programs were conducted for the amalgamated workforce.

Your Bank also rolled-out in-house programs catering especially to IT & HR integration which included Cultural Integration program series "We Are Union" for executives & Branch Managers and training on Finacle 10 to more than 20,000 employees of erstwhile Andhra Bank and erstwhile Corporation Bank. 1345 online classroom programs (long durations) covering 58602 employees were conducted during FY 2020-21. Further, 590 employees were provided trainings to learn the latest developments in the industry at external institutes.

16.8 New Initiatives / Digital Initiatives of your Bank:

- **Online Transfer & Deployment Tool:** A tool for recording and processing transfer requests has been developed to enable your Bank to carry out end-to-end deployment, transfer and rotation activities digitally.
- **Grievance Portal for Retirees:** A web based portal has been developed to facilitate retired staff members to lodge grievances related to terminal benefits / medical insurance / other areas. The portal has been specially designed to give a platform to retired staff members to reach out to the Bank for specific queries / issues and act as a one stop shop for grievance resolution.
- **Medical Insurance App:** An application called "Union Bank Healthcare" has been developed for end to end management of medical insurance process. The app is aimed at simplifying the entire claim process for staff members thereby providing them comfort in times of need.
- **Role Clarity Tool:** The tool has been designed for all Officers at branches to assign roles & communicate KRAs (Key Responsibility Areas) to the respective branch officers. The tool aims to ensure growth & empowerment of all officers. Through this tool, all branch roles have been categorized as budgetary / measurable to ensure joint accountability towards achieving the branch targets & to increase individual performance. As per the strategic management

approach the KRAs have been redefined to cover 5 aspects viz. Business Performance, Operational Excellence, Seamless Customer Experience, Job Satisfaction & Individual Development which will benefit all stakeholders in manifold. The performance score of the officer will depend upon the performance of the branch.

- **ER Package:** The existing ER (Employee Relations) package is being modified to accommodate additional details related to ongoing & pending disciplinary cases. An ER dashboard is also designed to give zone-wise / region-wise status report of pending cases which will help keep track of the TAT and facilitate expeditious completion of cases.

16.9 Official Language: Your Bank was awarded Rajbhasha Gaurav Puraskar and 4 prestigious Rajbhasha Kirti Puraskar by the Department of Official Language, Ministry of Home Affairs, Gol:

- Best Bank – First
- Best Magazine – Second
- Best TOLIC – Second
- Best Magazine – Second

During the Financial year 2020-21, your Bank received 51 Awards from different TOLICs (Town Official Language Implementation Committees) for outstanding performance in Official Language Implementation. SMS facility for all customers is now available in 13 languages. Call Centre facility is available in 11 languages. U-Mobile application is available in 13 languages. Your Bank also published a Cartoon Book on 'RTI- Mera Adhikar Meri Takat' during the year.

"Union Dhara", your Bank's quarterly bilingual corporate in-house journal, received 9 prizes from ABCI (Association of Business Communicators of India) and also received the "Champion of Champions" award. "Union Srijan", Bank's quarterly Hindi corporate in-house journal, received the prestigious RajbhashaKirtiPuraskar by the Department of Official Language, Ministry of Home Affairs, Gol. Special issues of Union Dhara on 'COVID' and 'Aatmanirbhar Bharat' were also published.



16.10 Awards & Accolades (FY 2020-21)

Sr	Awarded By	Category
1	National Feather Award	Hall of Fame Award for MD & CEO
		Best Advance in Competency Management
		Best in Training & Organizational Development
		CHRO of the year
2	Golden Peacock	Golden Peacock HR Excellence Award - 2020
3	Apex India HR Excellence Awards & Business Excellence Awards	Apex India Best Strategy in HR 2020
		Apex India HR Oriented CEO Award 2020
4	Greentech HR Award	Technology Excellence
		Leading CEO of the year
5	Global HR Excellence Award by World HRD Congress	Best Service Provider in HR
		Award for Excellence in Learning & Development
		CHRO of the Year
6	World CSR Congress	CEO of the Year
		Best Training solutions during COVID 19 times
7	The Future of Tech Congress & Awards presents 'The Internet Entrepreneur Awards	The best Digital Transformation of a training programme in response to Covid 19
8	Golden Peacock	Golden Peacock National Training Award 2020

16.11 Assistance to employees during the COVID-19 pandemic: Business Continuity Plan (BCP) meetings were conducted at regular intervals to review the COVID situation and its impact on the continuity of services. Your Bank took initiatives for containment of COVID 19 and issued advisories, guidelines and Standard Operating Procedures (SOPs) for the same. Your Bank also encouraged 'Work from Home' during the pandemic with specific preference to physically challenged staff and pregnant women staff. Your Bank permitted reimbursement of vaccination cost to its employees to encourage early vaccination. Provision of Ex-gratia of Rs. 20 lacs was done for the families of those employees who lost their lives due to COVID 19. Efforts were made to increase awareness among employees about the pandemic and various precautionary measures & social protocols to be followed for prevention of the spread of the virus through circulars and other means. COVID Action

Teams (CATs) were set up at zonal & regional level for monitoring & prompt reporting of COVID cases among staff and for providing necessary assistance to affected staff members.

17 Branch Network

Branch network of your Bank is widely spread across the country with 9312 branches and 3 overseas branches as on March 31, 2021. Out of these 56 per cent of the branches are located in rural and semi-urban centres.

Table 11: Branches Network As on 31.03.2021

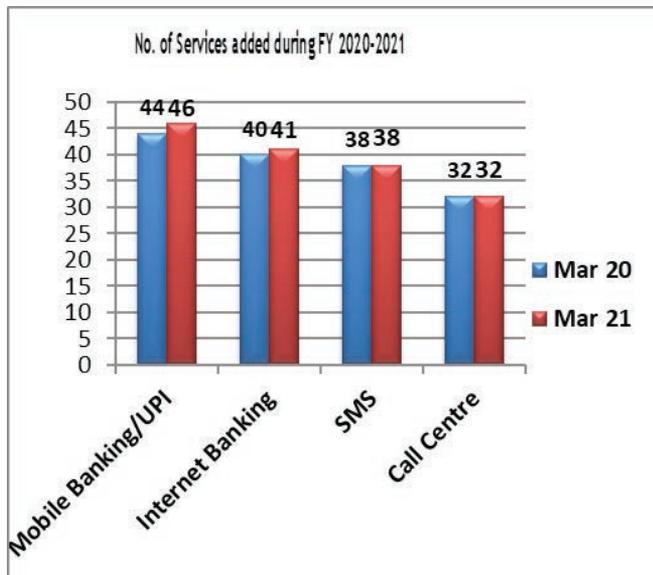
	Rural	Semi-Urban	Urban	Metro	Foreign	Total
No of Branches	2557	2724	1966	2065	3	9315
Branches (%)	27	29	21	22	--	--

18 Measures to enhance Digital Network

18.1 Bank has taken initiatives to impart virtual education on digital products to digital ambassadors posted in various Regional & Zonal offices through its innovative concept "DigiBaat". During the year, contact less payments were encouraged by distributing more than 2 lakh UPI QR codes to small street vendors. Bank took active part in the Digital Apnayan campaign (15.08.2020-31.12.2020) launched by Department of financial Services (DFS) and on boarded more than 39 lakh accounts on Digital platform. During the year, Bank laid focus on banking from comfort of home and launched campaign for on boarding of customers on Mobile Banking during last quarter of the Financial Year.

18.2 Mobile Banking: UMobile witnessed an incremental growth in terms of number of users as a result of focus on "Banking from home" amidst pandemic and also with the focused campaign on onboarding of customers on UMobile.

18.3 EASE 3.0 (Enhance, Access & Service Excellence): Under new Ease 3.0 guidelines, services were added on alternate delivery channel to the ease of customer. Bank's efforts under EASE were also recognized and it was awarded 2nd position amongst banks for performance under the theme "Tech Enabled Ease of Banking" for the Dec'20 quarter.



18.4 Debit Cards: Bank continued to issue debit cards during the year with focus on NCMC enabled contactless RuPay Debit cards. All debit cards are activated in real time.

18.5 New Initiatives :

- **Point of Sale (PoS):** In order to encourage contactless payments, Bank successfully enabled NCMC technology on 46,846 Point of Sale machines till the end of FY 2020-21, thereby allowing existing and new PoS merchant to accept payment through contactless RuPay debit cards.

Growth on Digital Channels (Figures in lakh)				
Channels	31.03.2020	31.03.2021	Annual Growth	
			Absolute	(%)
Mobile Banking (in lakhs)	82.27	121.92	39.65	48.19
Internet Banking (in lakhs)	63.14	68.30	5.16	8.17
Debit Cards	423	446	23	5.43

- **Mobile Banking:** With emphasis on contactless banking and providing one stop solution for all banking services, many new features were rolled out in UMobile such as:
 - Mobile Banking services for Non Resident Indians
 - Booking of Flight tickets
 - Real Time Google news on Mobile app
 - Set Transaction limits for various types of payments under Value Added Services
 - Credit Card Module providing facility to Make Payment, Set PIN & Convert to EMIs.

18.6 Internet Banking:

- The indent of applying for corporate internet banking facility was automated leading to increase in efficiency of processing of applications.
- New mobile app, U-Token was launched to facilitate generation of One Time Password (OTP) for logging into internet banking and also completing transactions.

18.7 UPI QR Code: Bank has distributed more than 2 lakh UPI QR codes to small street vendors for accepting small value payments from customers, thereby taking digital penetration to the bottom of the pyramid.

18.8 Progress under social media:

- Bank's official pages were launched in Facebook, Twitter, Instagram, YouTube and LinkedIn under project Union Connect in 2016.
- With continuous moderation and monitoring of messages, comments and activities, your Bank's official pages are very responsive replies within minutes, your Bank is maintaining Facebook page rating as "94% Responsiveness" and with a response time of "within minutes" and all the official handle are responsive on 24x7 basis.
- The position of followers in comparison with the previous year is as under:

Sl. No.	Name of the Social Medi-al Handle	Followers as at (in lakh)		% Growth in follow-ers on YoY basis
		March 2020	March 2021	
1.	Facebook	14.76	15.53	5.22%
2.	Twitter	1.45	2.05	41.38%
3.	Instagram	0.63	1.09	73.02%
4.	YouTube	0.16	0.32	100.00%
5.	LinkedIn	0.32	0.52	62.50%

- Through Digital Marketing, your Bank is also engaged in e-commerce business tie-ups to promote Bank's products & services and publicize the same over social media handles and website. Bank conducts campaigns through Google Ads, YouTube and LinkedIn to promote it's products and services and get more reach on Corporate Website. Your Bank is continuously striving for increasing the share of digital marketing in overall publicity cost.

19 Risk management – A proactive approach towards identifying and mitigating risk:

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

19.2 Risk Management is a Board driven function in the 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 the Bank approves the Risk appetite and Risk policies for the Bank. The RMC supervises implementation of the risk strategy and policies, reviews the level and direction of risk, prudential ceilings, portfolio diversification and monitors the risk reporting. The risk strategy and policies are effectively communicated to all branches and offices of the Bank.

19.3 Your Bank addresses Credit, Market and Operational risk through appropriate policies, organization structure, risk management techniques, adequate systems, procedures, monitoring and reporting mechanisms. It has a well defined risk appetite statement and the independent risk function to ensure that the Bank operates within its risk appetite.

Credit Risk Management:

19.4 Credit Risk Management Committee (CRMC): CRMC oversees the credit risk function in the Bank. In line with its asset quality management objective, Bank strives to maintain a strong asset quality through disciplined credit risk management. Bank has well defined credit appraisal mechanism and risk assessment practices in place for identification, measurement and monitoring. Bank has various instruments for credit risk management, which include credit risk management policies, Credit approval Committee, Prudential exposure limits, Risk Rating system, Risk based pricing and Portfolio Management.

19.5 Your Bank has well defined and comprehensive internal rating / scoring models for retail and Corporate Credit risk Assessment. Bank has set up a centralized rating pool at Central Office to improve the rating quality, create a robust rating data base for better administration of rating models. For better management of risk assessment, Centralized rating pool is given the final responsibility for finalization of credit rating of the corporate borrowers whose rating process was initiated at the branch level.

Apart from internal credit rating models, Bank has introduced credit risk review framework for large value accounts whereby proposal specific risks are highlighted to the sanctioning authorities.

19.6 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.

19.7 RWA computation Methodologies: Credit RWA for loan & advances is computed under the Standardised Approach prescribed by RBI.

Market Risk Management:

19.8 Asset Liability Management Policy, Treasury Policy and Market Risk Policy aid in management and mitigation of market risk in the banking and trading books. 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 from the economic value perspective. The ALM Desk and Mid Office of Treasury manage the market risk in the Banking and Trading books respectively.

19.9 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. Pricing of asset and liability products is also decided by ALCO.

19.10 Your Bank ensures proactive liquidity management, develops stress scenarios and also has a contingency liquidity 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 the intraday liquidity management and the Liquidity Coverage Ratio (LCR). Monitoring of liquidity is proactively done both through stock approach and flow approach.

19.11 Bank has an independent mid office positioned in Treasury which reports to Risk Management. It ensures compliance in terms of exposure analysis, limit monitoring and calculation of risk sensitive parameters like Value at Risk, PV01, Duration, Defeasance period etc. Market risk capital is computed under the Standardized Measurement Method (SMM).

Operational Risk Management:

19.12 The comprehensive systems and procedures, internal control system and audit are used as

primary means for managing Operational risk. The bank has in place a Board approved Operational Risk Management Policy based on Reserve Bank of India guidelines. All new products introduced by the bank pass through a Product Evaluation Process to identify and address operational risk issues. Variations in existing products as well as risks in outsourcing activities are also reviewed. The Bank has compiled data relating to operational losses incurred during the last thirteen years and it is analyzed for taking corrective measures so that these losses do not recur. Process has also been put in place to conduct Risk and Control Self-Assessment (RCSA) for assessing the residual risks in the processes of the various products of the Bank. Key Risk Indicators have been identified for various processes and the threshold limits have been fixed.

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

19.14 As a good corporate governance measure, the Bank has formulated a Disclosure Policy to have greater transparency in its working. Recognizing the importance of Business Continuity Planning (BCP), for minimizing the adverse effects of business disruption and system failure, the Bank has also put in place a BCP policy which provides a blueprint detailing a wide range of responses under disruptive environment to protect the interest of its staff, customers and assets of the Bank.

Group Risk Management

19.15 Your Bank has participated in diversified financial services like banking, securities and capital markets, insurance and retail asset businesses. Bank has put in place a framework / policy for assessment of risks in its Group entities, internal controls and mitigation measures, and capital assessment, under normal and stressed conditions. The bank through its Group Risk Management Policy, aims to achieve a group-wide approach to ensure that key aspects of risk that have a group-wide impact are considered in its conduct of business.

Fraud Risk Management

19.16 Your Bank has a Board approved Fraud Risk Management Policy in place. Bank has Fraud Review Council, Operational Risk Management Committee, Credit Risk Management Committee, Audit Committee of the Board and Special Committee of Board for Monitoring of Fraud Cases to examine the cases of frauds/ attempted frauds and to put in place systems and procedures for prevention of frauds. Apart from reporting all the frauds cases of

Rs. 1.00 lakh & above to the Board, the Bank also reports all the fraud cases of Rs. 1.00 crore & above to the Special Committee of Board for Monitoring of Fraud.

19.17 Your Bank has implemented Enterprise-wide Fraud Risk Management Solution (EFRM) for proactive fraud detection in transactions through various digital channels.

20 Compliance

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

Your Bank conducts regular Compliance Test Checks on Customer Service, KYC-AML checks including B Category branches and Credit Process Audit conducted across the Regions pan India.

20.2 Your Bank has an in-house Compliance package to monitor, control & follow up communications received from Regulators/ Ministry/IBA/BBB. Periodic compliance test checks put in place for effective implementation of mandatory guidelines. The role & responsibility of compliance function is clearly defined for every tier in the Bank. Your Bank has a well established reporting system to ensure regulatory and statutory compliance through self certification process; Compliance certificate is submitted by branches to the respective ROs/ ROs to FGMOs. FGMOs & CO verticals submit the compliance certificate to the Compliance Department every quarter

21 Internal Audit System

An effective and efficient internal audit function provides an independent assurance to the Board and senior management on the quality and effectiveness of Bank's internal control, risk management, and governance systems and processes.

21.1 During the FY2020-21, Bank has conducted 6734 branch audits and 1370 audits for other units.

21.2 Apart from the above audits, Bank has concurrent audit system covering 61.77% of total deposits and 78.59% of total advances of the Bank which ensures compliance of RBI guidelines and also conducting Management Audit, IS Audit, OTMS Alerts, SWIFT Audit, Bill of Entry Audit, Foreign Branches Audit, Forex Branches Audit and Expenditure Audit for effective follow up and monitoring.

22 Cyber Security

22.1 Cyber Security: Your Bank has a separate vertical at Central Office for overseeing Cyber Security functions. Bank has implemented Cyber Security Operation Centre (CSOC) and deployed a dedicated skilled team to manage it. The CSOC helps to identify, detect, protect & prevent the cyber threats.

Bank has created Cyber Security Governance structure comprising of Policies, procedures, guidelines and committees at executive & Board level to oversee the development of cyber security posture of the Bank.

22.2 Comprehensive Cyber Security Awareness Programme (CCSAP): Your Bank has developed comprehensive Cyber Security Awareness Program (CCSAP) to enhance the level of cyber security awareness among its customers and employees. To aware the customers for cyber security tips Bank is using multiple channels to reach customers viz. social media, corporate website, internet banking login page, ATM, SMS, Emails, Display units in branches etc. This has led to an increase in the overall cyber resilience.

23 Information Technology :

Your Bank has undertaken several new IT initiatives in order to provide better customer experience and enhance the services during FY 2020-2021.

23.1 IT Landscape Integration of e-Corporation Bank and e-Andhra Bank with Union Bank of India was completed on 30th November 2020 and 25th January 2021 respectively. IT Amalgamation of both banks was completed in a record time of 11 months amidst the COVID-19 pandemic. During the duration of amalgamation, Bank implemented FinacleMobi-Teller application to facilitate inter-Bank fund transfer among the three amalgamating entities. 9.23 Crore customers and 9.33 Crore accounts were migrated seamlessly with least customer interruption. While e-Corporation Bank Branches/Offices were migrated in four tranches, e-Andhra Bank Branches were migrated in three tranches. Human Resource Management System (HRMS), ATM Switch, NEFT, RTGS, IMPS, Lending Automation System (LAS) and Audit application were successfully migrated for amalgamated entities. Integration of payment applications viz. ATM Switch, Debit Card, NEFT/RTGS Gateway, IMPS Gateway and Doorstep Banking for e-Corporation Bank and e-Andhra Bank were completed prior to the migration of Core applications. Integration of Core applications namely Core Banking System (CBS), Internet Banking (FeBA), Mobile Banking,

Financial Inclusion, Cheque Truncation System (CTS), Government Business Module (GBM), Cash Management System was carried out in a smooth manner and seamless IT integration was achieved with very minimal inconvenience to its valuable customers.

23.2 The Bank has established Application Programming Integration Management (APIM) to facilitate seamless and secure integration with third parties. Various projects under APIM are:

- Rajasthan State Beverages Corporation (RSBC) - Integration between Bank and Rajasthan State Beverages for challan based payments has been implemented on real-time basis. This has enabled the ease of fund transfer and remittances to the corporate customer on an instant basis.
- Door Step Banking (DSB) - Door Step Banking for financial & non-financial including JeevanPramaan facility has been made available to eligible customers with integration provided by M/s Integra and M/s Atyati.

Financial services include cash withdrawal while non-financial services include cheque book delivery, pensioner life certificate acceptance, account statement delivery.

- Government e-Marketplace (GeM) - Government e-Marketplace, hosted by Directorate General of Supplies & Goods (DGS&D), for challan and nonchallan based payments has been enabled for Corporate customers for real-time usage.
- FASTag Integration – Customer can purchase and recharge FASTags from Bank Branches on the fly. Vehicle Registration Numbers are validated online and FASTags issued over the counter. This facility is available for both individuals and corporate customers.
- Haj Fees Collection Integration - Haj Collection Service has been made available for Challan based payments through Bank Branches.
- Real-Time Debit card ready kit activation – Debit card activation in real-time has been implemented to give the customers the comfort of using the debit card immediately after the activation.
- Automated Account Statement through email - Automated emailing of monthly statement for saving and current accounts which are operational have been implemented.
- Implementation of Positive Pay – Positive Pay facility wherein has been implemented for sharing the customer cheque details to NPCI. Customers can provide the details including cheque number, date,



- amount and payee name through e-banking and Branch banking.
 - Integration for Shishu Mudra – Online account opening to disbursement of Shishu Mudra Loan facility in 7 easy steps has been made available to eligible customers. Documents execution is through NSEL for tamper proof and reduced cost.
 - PMSVANidhi–Real-time integration with PMSVANidhi portal has been enabled for automated account opening to disbursement at Bank Branches.
 - Current Account Opening from Ministry of Corporate Affairs (MCA) Portal – MCA portal and Bank has been integrated so that eligible customers can avail real-time current account opening including verification of KYC documents and vaulting of the same for future reference.
 - SUD Life Integration – Star Union Dai-Chi Life Insurance products has been expanded and made available in the Core Banking System for easy customer on boarding and instant premium payments from Bank Branches.
 - Mutual Fund Integration - Union Asset Management Company has been integrated to provide mutual fund statement in PDF format.
 - Tirumala Tirupati Devasthanams (TTD) collection - Tirumala Tirupati Devasthanams (TTD) and the Bank has been integrated for challan based payments. This helps the customers to reduce fraud, and phase out large cash handling.
- 23.3 GREEN PIN** – The facility wherein the debit card pin is generated using the debit card, ATM and registered mobile number has been introduced for all the customers of Union Bank at all the ATM terminals.
- 23.4 Pre Approved Personal Loan facility** has been introduced through Mobile Banking for eligible customers to avail instant loan facility.
- 23.5 Online Personal & MSME Loan account opening** made available to customers wherein customer eligibility ascertained in real-time and in-principle sanction is provided reducing the time it takes for customers to open accounts.
- 23.6 India First Life Insurance** – Customers can avail India First Life insurance products through e-banking and Branch banking.
- 23.7 Automated E-stamping System (AES) and e-Signing** through NSEL has been made operational. This makes the documents tamper proof, instant execution and also reduces the cost of maintaining the documents.

23.8 Portal for 'DIAL A LOAN' – Through 'DIAL-A-LOAN' facility, once a customer dials the specified Bank number, the customer will receive a call from Bank executive through which the customer will be guided to apply to various loan products like Business Loan (upto 5 Crores), Mudra Loan, Home loan, Vehicle Loan, Personal Loan & Credit Card.

24 Operations Department :

The Bank has taken various initiatives and actions taken in respect of Operations during FY 2020-21.

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

24.1.1 Grievance Redressal policy: The revised policy outlines the frame work for addressing customer grievances; it aims at minimizing instances of customer complaints and grievances through a well-structured escalation matrix and pre-defined TAT's depending upon the nature of complaint. The purpose is to ensure prompt as well as effective redressal of customer complaints.

24.2 Union Care : The Bank has launched a handbook by the name of "UNION CARE" which covers the categorization of complaints, probable reasons of complaints and remedial measures, escalation matrix and 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 is helping the Field Functionaries for early resolution of customer complaints in better way.

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

24.2.2 Handling of Customer Grievances :The details of customers complaints received during financial year 2020-21 is given below:

Particulars	Count
Complaints outstanding as on 01 st April, 2020	1517
Complaints received during the year	404909
Complaints resolved during the year	396554
Complaints outstanding as on 31 st March, 2021	9872

24.3 Implementation of Positive Pay System: In line with RBI directives our department has issued Maiden policy on Positive Pay system which involves a process of validating key details of large value cheques.

Under this process, the issuer of the cheque submits electronically, through channels like SMS, Mobile App, Internet Banking, ATM etc. certain minimum details of that cheque (like date, name of the beneficiary/payee, amount etc.) to the drawee Bank, details of which are cross checked with the cheque presented under CTS of Presenting Bank. Any discrepancy is flagged by CTS to the drawee Bank and presenting Bank, who would take redressal measures.

24.3.1 Threshold Limits under Positive Pay System :

- a) Availing this facility is at the discretion of the customer.
- b) For cheque/instrument of value Rs.50,000/- and above, enabling of Positive Pay System to all customers, usage will be at the discretion of the customer.
- c) For cheque/instrument of value Rs.5,00,000/- and above, enabling of Positive Pay System to all customers at their discretion. However after opting for Positive Pay System, it will be mandatory for those customers presenting cheque/instrument above Rs. 5,00,000. Making the Positive Pay related threshold limit mandatory, will be implemented in a phased manner.

24.4 Introduction of Door Step Banking: Doorstep Banking is one of the key action points under EASE (Enhanced Access and Service Excellence) Agenda of Department of Financial Services, Govt. of India. In accordance with the guidelines of DFS, Bank has launched Doorstep Banking services across at 100 centers across country on 09.09.2020, covering 700 branches for Non-financial/financial transaction. The details are as under :

Particular	Cumulative Count till		
	30.09.2020	31.12.2020	31.03.2021
Total Transactions	303	12256	27459

As per IBA report Bank is at 2nd position after SBI, in the total completed DSB requests (with 17% share), in the Industry.

24.5 Maiden Policies :

24.5.1 Maiden Policy on Death Claim: The Bank had various guidelines, directives regarding settlement of Death Claim. However, there was no standardized Policy. Now, the Board approved Maiden Policy on Settlement of Death Claim has been put in place including clarity on powers delegated to various authorities.

24.5.2 Maiden Policy on Staff Deposit and Payment of Additional interest: Bank has formalized a standardized policy with common standard guidelines post amalgamation for all branches situated domestically to administer the benefits with transparency and equitably.

24.5.3 Maiden Policy on Positive Pay :In line with RBI guidelines issued vide letter no.RBI:2020-21:41 DPSS.CO. RPPD.No.309:04.07.005:2020-21 dated 25.09.2020, Bank has issued this policy to safeguard the customers' interest and avoid possible dispute and time taken in settlement of such disputes and to have cross verification system available to the officials to review the information in Positive Pay System to take the decision on behalf of customer.

24.6 Digital Document Execution: Bank has tied up with NeSL for execution of loan documents in case of personal and vehicles through digital mode. Product was launched on 11.11.2020 at 7 states namely Rajasthan, Delhi, UP, Tamil Nadu, Karnataka, Jharkhand and Puducherry for digital execution of personal loan and Union Miles loan documents at the convenience of the customer without visiting the branch. So far, 162 documents are executed. Additionally, 3324 documents of Shishu Mudra Loans are also executed through DDE.

The product will go a long way in giving a technological edge to the Bank and establish itself as a pioneer in new age banking.

24.7 "MY DIARY" (Complete Information on a Single click of Button) portal for Branches/ Offices: We have developed a new Intra-Net based portal by the name of "MY DIARY" for the use of branches. The portal is implemented in the cloud which will contain many crucial information about the branch including KEY PERFORMANCE INDICATORS



as well as various data related to Operations and Liability products.

We envisage this portal as a single point for all reporting, monitoring and information dissemination needs.

24.8 Churn Model : In order to avoid slippage of accounts into dormant/inactive/closed category, churn model has been developed and launched across regions. This model is built on decision tree on identified 19 parameters. This model generates early warning signals for liability products and facilitates branches to take preventive measures accordingly.

24.9 Account Statement on Email: More than **two crores** account statements are being sent to customers for schemes such as SB, CD, CC, OD etc. on their registered emails every month since June 2020.

25. Vigilance:

25.1 Vigilance wing of the Bank is headed by the Chief Vigilance Officer (CVO). 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 4 AGMs. The vigilance functions in the Bank are primarily in the nature of preventive, detection and participative, rather than taking punitive action. Bank takes many preventive steps to reduce the chances of frauds / malfeasance and strives for zero tolerance against corruption.

25.2 The Bank has adopted a Whistle Blower Policy pursuant to which employees of the Bank can raise their concerns relating to fraud, malpractice or any other activity or event which is against the interest of the 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 PIDPI/ Whistle blower mechanism, an in-house short film, 'PIDPI ka Pravdhan : Satark, Jaagruk Hindustan' was released to educate them to come out and report incidences of fraud/ corruption.

However to safeguard the Bank against internal / external threats like frauds, bribery, corruption, abuse of authority, non-compliance of laid down systems & procedures, constant vigilance at all level 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 the Bank from time to time. In F.Y. 2020-21, 3890 visits were conducted.

In addition to the PVV, an offsite surveillance system is adopted by the Bank which helps in detection of abnormal transactions irregularities etc. and thereby initiate corrective action. During the year, 3367 alerts were raised under off-site surveillance, which were referred to the controllers for taking appropriate corrective actions.

During the year, 27 systemic improvements have been undertaken by the concerned departments as suggested by the Vigilance Department in order to streamline the processes and systems in the Bank. Control Returns 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 view of CVC directions, the Bank observes the Vigilance Awareness Week every year during October – November by conducting variety of internal and outreach vigilance awareness programmes for the staff members, school-going children, rural strata of the society and all citizens of the country. This year too, despite the stressful outbreak of Covid pandemic, no stone was left unturned for successful execution of this Week and activities were conducted all over the country under the theme, 'Vigilant India, Prosperous India' from 27th October 2020 to 2nd November, 2020.

Events like debates, essay writing, drawing, elocution, tree plantation programmes, quiz, health camps etc. were conducted, mostly using online mode. Webinars by experts were arranged on topics related to different areas of banking viz. financial inclusion, cyber security, behavioral and leadership skills etc. to sensitize the customers, executives, staff members, business correspondents and public at large. A special issue of 'Union Vigil', the quarterly newsletter on vigilance and 'Union Dhara' focusing on the observance of VAW was published.

Coming to the punitive part, as against the total staff strength of 78,202 as of 31st March 2021, the number of pending vigilance cases are 221 i.e. 0.28%. During the year, 531 complaints were received, of which 491 have been disposed off including 15 complaints pertaining to previous year. During the year, investigations were ordered in 90 cases, of which reports have been received in 78 cases which includes 7 investigation reports

pertaining to previous year. Investigation reports in 19 cases are awaited which are less than 3 months old. TAT for completing investigation and submission of Investigation report to Vigilance Department of the Bank has stood at 72 days as against benchmark of 90 days.

26 Opportunities

26.1 Pan India Presence: The amalgamation of Andhra Bank and Corporation Bank with Union Bank of India has created one of the largest banking behemoth in the country with a business mix of over Rs 15 lakh crore and a network of 9300 plus branches, 12900 plus ATMs, an employee base of over 78,000 and a customer base of over 120 million.

26.2 Higher Market Share: The Bank has more than 5% market share in branch network of scheduled commercial banks in more than 15 states. The Bank has more than 5% market share in overall business in 22 States. Higher market share will help the Bank to improve its visibility and reach to grab higher business and an edge over others.

26.3 Younger Workforce: The Bank is having one of the youngest workforce with an average age of less than 40 years. Relatively younger workforce will help the Bank for easy transformation towards a digital savvy Bank. A younger work force will also create more aspirations in the Bank and at the same time it has the potential to create a strong leadership team and a strong second line.

27 Threats

27.1 Stiff Competition: The competition in the Indian banking system has been increasing over the years. There is an urgent need for banks to up their game to overcome tough competition from new players. FinTech is expected to challenge the banking sector with innovations and its exponential growth. Traditional banks must now adopt a digital-first business model in order to compete with these new players.

27.2 Uncertain Business Environment: The business environment is highly uncertain. The current pandemic related shock is likely to place greater pressure on the banks. Proactive building of buffers and raising capital will be crucial not only to ensure credit flow but also to build resilience in the financial system - resilience of individual banks and financial entities as well as resilience of the financial sector as a whole.

27.3 Cyber security: Enhancing cyber resilience is another important aspect when it comes to digital innovations. As Bank is expanding its operating hours and allowing for increased access and

increased interoperability, there are persisting threats of cyber-attacks to our systems. Experience shows that even the most efficient and protected systems can get compromised which could expose stakeholders to disproportionate risks.

28 Outlook

The outlook for the banking sector is mixed with opportunities and uncertainties. The Covid-19 continues to be a challenge. However, the country is vaccinating fast, and it is expected that we will exit the current wave sooner than later.

Once the recovery strengthens, the banking sector is expected to benefit by expanding their business through increased credit deployment. Even during the last financial year, credit growth picked up in sectors like agriculture, medium enterprises, retail sectors, showing a much better growth than the overall credit growth. The banks have also improved their financial position aided by capital raising from the market, and retention of profits. Therefore, going forward, a faster than expected revival in the economic activities may improve the overall performance of the banking sector.

The COVID-19 pandemic has also fast-tracked digital transformation of the payments ecosystem in India. Digital transactions recovered from their lows in the months of the lockdown and gained traction over the rest of the year with a growing preference for contactless transactions and tailored financial offerings to adapt to the needs of end-users. The banks are expected to continue their efforts in this area so as to come out with more and more innovative solutions.

Going forward, the continued policy support by the RBI and the government is an emphasis of an orderly growth of the banking system in the country.

For and on behalf of the Board of Directors



(Rajkiran Rai.G)

Managing Director & CEO

Place : Mumbai
Date : 05.07.2021