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बीएसई लिमिटेड BSE Ltd. बीएसई लिस्टिंग सेंटर BSE Listing Centre स्क्रिप कोड Scrip Code - 532 477	नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड National Stock Exchange of India Ltd. निप्स NEAPS स्क्रिप कोड Scrip Symbol-UNIONBANK-EQ सिक्योरिटी Security - UBI-AT/BB
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महोदया Madam/महोदय Sir,

विषय /Subject: पोस्ट अर्निंग्स कॉल के प्रतिलेख Transcript of Post Earnings Call

<p>यह सूचित किया जाता है कि 30 सितंबर, 2023 को समाप्त तिमाही के लिए बैंक के समीक्षित (स्टैंडअलोन और समेकित) वित्तीय परिणामों के लिए 28 अक्टूबर, 2023 को आयोजित पोस्ट अर्निंग कॉल की प्रतिलेख पीडीएफ (सर्चबल) अनुलग्नक के रूप में यहां प्रस्तुत की गई है।</p> <p>इसे बैंक की वेबसाइट पर निम्नलिखित वेब लिंक के माध्यम से भी उपलब्ध कराया जा रहा है:</p> <p>https://www.unionbankofindia.co.in/english/financial-result.aspx</p> <p>यह जानकारी सेबी (सूचीबद्धता दायित्व और प्रकटीकरण आवश्यकताएं) विनियम, 2015 की अनुसूची III, भाग ए, पैरा ए, 15 (बी) के साथ पठित विनियम 46(2)(ओए) और विनियम 30 के संदर्भ में प्रस्तुत की गई है।</p>	<p>This is to inform that transcript of Post Earnings call held on October 28, 2023 for Reviewed (Standalone and Consolidated) Financial Results of the Bank for the Quarter ended on September 30, 2023 is submitted herewith as a PDF searchable attachment.</p> <p>The same is also being made available in the Bank's website under the following web link:</p> <p>https://www.unionbankofindia.co.in/english/financial-result.aspx</p> <p>This information is furnished in terms of Regulation 46(2)(oa) and Regulation 30 read with Schedule III, Part A, Para A, 15(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p>
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भवदीय Yours faithfully,

(एस. के. दाश S. K. Dash)
कंपनी सचिव Company Secretary
एफसीएस FCS - 4085

Encl.: As above



**“Union Bank of India
Earnings Conference Call”
October 28, 2023**

MANAGEMENT (UNION BANK OF INDIA):

MS. A. MANIMEKHALAI - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR. NIDHU SAXENA - EXECUTIVE DIRECTOR

MR. RAMASUBRAMANIAN S - EXECUTIVE DIRECTOR

MR. SANJAY RUDRA - EXECUTIVE DIRECTOR

MR. P K SAMAL - CHIEF FINANCIAL OFFICER

MR. SUDARSHANA BHAT- CHIEF GENERAL MANAGER

MR. ASHWINI KUMAR CHOUDHARY- CHIEF RISK OFFICER

CONFERENCE CALL SERVICE PROVIDER:



Moderator: Ladies and gentlemen, good day and welcome to Union Bank of India Earnings Conference Call for the period ended September 30th, 2023. The Bank is represented by the Managing Director and CEO, Ms. A. Manimekhalai, Executive Directors, Shri Nidhu Saxena, Shri Ramasubramanian S, Shri Sanjay Rudra and other members of the Top Management.

As a reminder, all participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Kumar Jadli, Deputy General Manager. Thank you and over to you, sir.

Sunil Jadli: Thank you, sir. Good afternoon, ladies and gentlemen. I, Sunil Jadli, Head of Investor Relations, welcome you all to this Union Bank of India earnings conference call for the period ended September 30th, 2023. The structure of the con-call shall include a brief opening statement by respected MD and CEO madam and then the floor will be open for interaction.

Before getting into the con call, I will read out the usual disclaimer statement. I would like to submit that there are certain statements that may be discussed during the investor interaction, may be forward looking statements based on the current expectations. These statements involve a number of risk, uncertainty and other factors that cause the actual results to differ from these statements. Investors are therefore requested to check this information independently before making any investments or other decisions.

With this, I now request our respected MD and CEO madam, for her opening remarks. Thank you and over to you, ma'am.

A. Manimekhalai: Good afternoon. I hope that all of you are able to hear me. It is my pleasure to welcome our analysts and investor community for Union Bank's financial results for the quarter ended September, 2023. You are one of the major stakeholders for the bank and we are grateful for your continued support and feedback that helps us to take informed decisions.

The Indian economy continues to be resilient, amidst uncertainties in the global environment. During the quarter, we have seen economic activities have performed better, improved GST collection, pick up in the automobile sales, strong traction in the UPI payments, expansion in manufacturing and services.

However, there are concerns emanating from the on-going geopolitical tensions, slowing external demand, volatile oil prices, moderating elevated inflation. Our bank's business and financial results continued good momentum during the Q2FY24 with good set of numbers in terms of profit, asset quality and capital adequacy among others.

During the quarter, our bank successfully raised equity capital of INR 5,000 crores via the QIP on August 25, 2023. This is one of the largest equity capital raising programs in the PSB space in recent times. This demonstrates the continued faith all of you have on the Bank's growth trajectory and prospects.

During the quarter, domestic rating agencies have upgraded their outlook on Banks' Basel III compliance bonds, while Crisil, ICRA and India Ratings upgraded their outlook from stable to positive. CARE upgraded their rating to AAA with stable outlook. This demonstrates the Bank's sustained improvement in asset quality, improved earnings over the past few quarters, alongside steady balance sheet growth and adequate capitalization.

Quite recently, the bank has undertaken one of the pioneering initiatives by launching Union Bank's first-ever women's hockey team. On the inaugural day, we had a friendly match with Indian Railways. This resonates our commitment to empowerment, inclusivity and community engagement.

Let me now give a brief on the highlights of our Bank's performance in the quarter ended September 2023. The total business of the bank reached INR 19.85 trillion, with a deposit base of INR 11.38 trillion and advances of INR 8.47 trillion. The deposits of the Bank registered a growth of 9.04% Y-o-Y. Credit registered a growth of 9.5% as of September 2023.

The operating profit of the Bank reached INR 14,400 crores for the half-year ended September 2023, registering a Y-o-Y growth of 19.8%, largely driven by 13% Y-o-Y growth in net interest income and 25% growth in non-interest income. Net profit of the Bank stood at INR 6,748 crores for the half-year ended September 2023, with a Y-o-Y growth of 98%.

We are above our guidance in NIM by registering a continuous improvement to 3.18% for Q2FY24 from 3.13% in Q1FY24. The RAM portfolio registered a higher growth of 14.7% Y-o-Y as of September 2023. Retail grew by 14.7%, Agri by 15%, MSME by 14%. Out of the retail, we have registered a very good growth in education loan which registered a growth of 50%, gold loan by 56% and vehicle loan by 26%.

The gross NPA has reduced by 207 bps to 6.38% and Net NPA has come down by 134 bps to 1.3%. Provision coverage ratio of the Bank has also improved to 92.03%, while credit cost has been brought down below 1%, i.e. to 0.81%. Return on Assets has improved, Return on Equity has also improved. Return on Assets is 1.07% and ROE is about 17.97%. The [CRAR] has improved substantially from 14.5% to 16.69%. CET-1 ratio has improved to 13.05%.

We continue to enhance our digital capabilities by on-boarding new customers in our digital platforms. We have 24 million customers now registered on our mobile platform. The Bank has rolled out many digital journeys, covering both assets and liability products. We firmly believe that these digital journeys will not only enhance customer satisfaction, but also translate into good business opportunities for the Bank.

We have rolled out several initiatives like the Wealth Management, the CRM Edge tool for our customer relationship, Analytical Centre for Excellence and many more such new initiatives have been taken up. For better penetration of the market, we have also started extensively utilizing the services of our own Bank subsidiary i.e. UBISL for business expansion.

We have also on-boarded external domain expertise by recruiting CDO, CRO, Wealth Management and Head of Merchant Banking and Credit Cards, Head for Digital Banking and many more external domains are also being taken up during this quarter and the next quarter.

We understand that by bringing this external expertise, we will be embracing fresh perspectives, new ideas and innovative approaches and thereby increase our portfolio.

Looking ahead, we see a lot of opportunity for the Bank, in-line with the emerging trends. We will remain committed on maintaining a strong balance sheet with a healthy growth and profit so that we stick to our guidance.

With this, I conclude my opening remarks and we are now open for interaction. Thank you.

Moderator:

The first question is from Mahruk Adajania from Nuvama. Please go ahead.

Mahruk Adajania:

Hello, madam. Congratulations to you and your team. So ma'am, my first question is on deposit growth. So, you had excess SLR which you have utilized and you still seem to have excess LCR. So, could we expect deposit growth to remain in this range even in the quarters ahead till you utilize additional excess LCR? That's my first question on deposit growth.

And then I have a question. Last time you had explained, but if you could elaborate a bit. So, your other interest income has been higher than your normalized level and that's largely treasury related interest income. But if you could elaborate on what has actually happened?

And then of course, your outlook on NIM because when you were seeing so many other Banks showing falling NIMs, your NIMs have actually improved marginally quarter on quarter. So, given festive offers, do you expect to be able to hold on to NIMs at these levels?

A. Manimekhalai:

Thank you. With regard to deposit portfolio for the year, we had given a guidance of 8% to 10% and we have grown by 9.04% in September 2023. And we hope to maintain that kind of a trajectory. As we have already told that we have got enough liquidity in the Bank, we will not be that aggressive on taking bulk deposits, but our major focus will be on increasing the CASA ratio, CASA of the Bank.

The CASA, if you can see from the results, has increased by 4.5%. So, we will be concentrating on increasing the CASA balances in our bank. So, for that reason, we have taken major strategies have been taken up for increasing the CASA like we have started to have deep segmented approach for CASA. Specifically, I can tell you that we have started exclusive products for women, for salaried, for pensioners, for women entrepreneurs and such like that.

We have also put in place a concept of relationship managers, which is hitherto not there, dedicated relationship managers to take care of the top clients of the Bank. We have started exclusive vertical in the Bank to concentrate on salary, current account and relationship, all those things. We have also taken up the digital path, which will enable us to increase our footsteps and CASA.

We also have onboarded, as I have earlier told in my opening remarks, wealth management and merchant acquisition and credit card also has been taken up. With regard to NIM, we understand, yes, the markets have shown a little bit of decline, but we are sure that we will be able to protect our NIM at 3%. Going forward, there will be a little pressure on the margins due to the liability

repricing, but I don't think that our NIMs will fall to a very great extent. We will be able to maintain the NIM at 3%.

P K Samal: Yes Maam, Good afternoon, Samal this side. With respect to your third question on the other income, you are right, this is basically comes from our treasury for deployment of the temporary funds in various, like interest from other Banks, interest from RIDF, etc., interest from FRA, IRS, etc. Since we have some surplus funds available, that is temporarily deployed. So that is the income, right? And also swap income.

Sudarshana Bhat: In addition to that, arbitrage swap income between forex and domestic market, because forex market yields are higher than the domestic market, which has been deployed in arbitrage swap, which is generated around substantial income in the other interest.

Mahrak Adajania: Sir, could you quantify the amount?

Sudarshana Bhat: It will be around INR700 crores per quarter.

Mahrak Adajania: Okay, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: Yes, thank you. Thank you, sir. Thanks, ma'am. A great set of numbers. Firstly, ma'am, this credit yield number for this quarter, so what is that is driving this credit yield number? There is a sequential rise. Previous quarter also we had seen a rise in the credit yield. This quarter also we have seen a rise. And CRR at the moment is not that much. So what is contributing to this rise in the credit yield? So is it the credit composition has changed in the favor of higher yielding advances? If you could explain and what is the longevity of this rise in the credit yield number in the coming second half, if you can help with that, some understanding on that then it would be helpful.

A. Manimekhalai: Yes, thank you for the question. The yield we were able to maintain at 8.8%. And what I can tell you is here the 50% of my portfolio, that is advances portfolio is MCLR backed and repricing is happening on a quarterly basis.

And we have seen that, even in this present quarter, and the next quarter, I have almost INR 1.2 lakh crores repricing yet to be done on my domestic advances. And secondly, if you have seen my improvement in CD ratio, that has also enabled the increase in my yield. And thirdly, we have phased out low yield advances. We have phased out in a very, very strategic manner. Last but not the least, I can tell you that we have increased our portfolio of the retail advances. If you've seen earlier, it was almost like 55-45.

That was my ratio, retail and RAM. But we have now increased our RAM portfolio to 57%. And my credit portfolio, which gives you a lesser yield, I have brought it down to 43%. So, all these mixed strategies have given me a better improvement in my yield on advances.

- Rakesh Kumar:** Got it. So, if you can help us understand that in Q1 and Q2, proportion of loans linked to MCLR, what are the repricing?
- Moderator:** Sorry to interrupt, Mr. Rakesh Kumar. May I request you to please use your handset? Your voice is not audible, sir.
- A. Manimekhalai:** No, I got the question. The Bank's domestic advances, 50% of my domestic advances is classified under MCLR. Quarter wise, if I can tell you, in Q1 and Q2, we had repriced about INR 1.1 lakh crores of the MCLR. And for Q3 and Q4, it will be about INR 1.2 trillion of the domestic advances under MCLR will be repriced.
- Rakesh Kumar:** So, INR 1.2 trillion is the cumulative number, which is coming?
- A. Manimekhalai:** Yes, for Q3 and Q4, that's the cumulative number. For this quarter, if you want to break up, it's about INR 58,000 crores. And for Q4, it will be about INR 66,000 crores.
- Rakesh Kumar:** What proportion of term deposit is coming for repricing in Q3, Q4?
- A. Manimekhalai:** See, we have taken a lot of deposits as on September 2022, the repricing had happened actually. So, as of date, we do not have much of our portfolio, which will be repriced in Q3 and Q4.
- Rakesh Kumar:** Okay. And what is the reason for such a sharp jump in the processing charge of advances? So, this quarter also, we have close to around INR 417 crores – INR 418 crores number processing charge on advances, part of the other income number. So, why there is such a sharp jump, ma'am?
- A. Manimekhalai:** See, if you have seen, my portfolio has also increased. And plus, you know, usually, there are a lot of review and renewables will come up in the Q2 part of the year. And that is why the processing fee has gone up. See, this is a legal income that the Bank has to get. First of all, you should all understand this. And then we have been doing our renewables and review right in time.
- And that is the reason the processing fees has been increased. It is not that dramatically, if you can see that my portfolio in the corporate structure has also not increased. But the Bank is very prudently looking at renewables and review of the term loans. And accordingly, my processing fees has also gone up.
- Rakesh Kumar:** So, this run rate will continue?
- A. Manimekhalai:** Yes, it will surely continue. We are, you know, if you see, because it's a festive season, some of my portfolio, we will not take processing charges or the reduction will be there. But however, this run rate will continue.
- Rakesh Kumar:** And the sundry interest income received, I think, you know, last quarter also, we had discussed, this quarter also, this is quite a sizable number. So, this is interest income on the income tax refund, which is sitting in the non-interest income line, which is still -- this quarter also, we have got a quite sizable number ma'am?

P K Samal: Yes. This quarter also, we have got some income tax refund. We got INR 255 crores. So we are actually -- the pattern is not something. The department when they complete the assessment and raise the refund we get that. Of course, we do a lot of follow-up with them for the early assessment in refund that is one thing. So we get that the interest portion of that one. The other part of the treasury income, which we have already explained now when madam Mahrukh had asked the question.

Rakesh Kumar: Correct, correct. Sir in the second half, this kind of income would not be there. This income tax refund on the IT?

P K Samal: May not be, but it depends, it may come also. We are still following a certain assessments are pending. So if they release we may get something. So this pattern is not -- it can be unusual like it can come it may not come. It's not a core income.

Moderator: Thank you. Our next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.

Ashok Ajmera: Congratulations, madam for the fantastic set of numbers. There is hardly anything, I mean, which can be pointed out because on all the parameters the Bank has performed very well. And congratulations to you for raising the capital also of INR 5,000 crores at such a good rate, INR 2,500 crores issue and doubled to INR 5,000 crores with the extra subscription.

It's a fantastic job. Also for the rating upgrade because of your performance. And congratulations and welcome to our ED Rudraji to this Bank, Union Bank of India. Having said that, ma'am I have got some certain discussions, certain point of information and your idea on revision of some of the targets because of this performance.

Coming first is our slippage target for the whole year is INR 12,000 crores. But up to September, it is only INR 5,400 crores. So you would like to reduce this target, slippage will be more under control? Number one.

Similarly, on the recovery side also up to September, we have almost achieved about INR 7,800 crores. So whether the recovery target of INR 16,000 crores also may be upgraded. Can we a little a little optimistic on that? And can I get the answers of this and then we go on...

A. Manimekhalai: Thank you, Ajmeraji, and thank you for all the compliments that you have given us. Of course, the guidance the Bank had given was on the beginning of the year, but we will not be revising those guidance. We have as against INR 12,000 crores we have done about INR 5,404 crores as you rightly pointed it out.

But this is the maximum line that we have kept we will try and keep the run rate below INR 12,000 crores. And with regard to recovery, we have kept the guidance of INR 16,000 crores. As you can understand, last year, even though we kept the guidance of INR 16,000 crores, we had done about INR 20,000 crores. But now we will not be revising the guidance, we will maintain the guidance and see that we surpass those guidance levels.

Ashok Ajmera:

Point well taken, ma'am, we had already discussed in the earlier question about CASA. Perennial, in fact, our CASA ratio compared to some of the other peer Banks is low at around 34%, 34.5%. And because of that our NIM is also in the range of that 3%, 3.1% or something.

So while you are taking as you said actions on increasing the CASA can there be some more aggressive or out of box thinking to increase this CASA ratio over the period of time so that we also match with the other Banks of going beyond 40% or so. Is there any thought to remove some of those obstacles which comes in the way for CASA for us?

Nidhu Saxena:

So Ajmeraji, Saxena this side and see as already told by MD, the deposit growth, what we have seen in the September quarter is 9% against our guidance of 8% to 10% overall. And within which CASA has grown at a Y-o-Y rate of 4.5%. Now actually, what we have been doing, we are analyzing how the market is performing in CASA and how our Bank is positioned vis-a-vis our peers and all PSBs put together.

So the figures for September are not available, but we have seen since June and what this analysis tells us that, yes, CASA has become a little competitive area definitely and the growth is a challenge in this sector. What we have seen in savings CASA put together term deposits and total deposits, Union Bank so far is performing quite well when we compare and see the comparative position so we are almost second or third highest in terms of growth in all these individual and overall total deposit parameters.

Having said that, see, CASA is definitely an area of focus. We have added despite the challenge in the low CASA ratio, around INR 16,500 crores is what net CASA we have added year-on-year figures and lot of initiatives have been taken. So, if I have to share a few of them, some initiatives that already have been implemented and some that they are going to be implemented in due course.

So maybe share a few of them. So in the opening remark, MD has also shared. So we have gone for product improvements, what we had found that our salary share of SB was low compared to others who are players and the private players. So we provide a lot of product. Today, our product, we can most of the best the product in industry in terms of corporate salary accounts.

We are having the best product in industry. We have also looked at customer engagement product per customer. We have also revamped our mobile app to include more and more services so these are all implemented things, and we are seeing some benefits going to come and is coming also.

Going forward also, we are seeing the onboarding experience should be a smooth one. So the video KYC is going to enable the online digital account opening end-to-end that experience we want to give. We also have our own set of marketing officers and branches, which are mobilizing the CASA business, but to reach out to a wider segment, they are not sufficient so we are engaging our own subsidiary and the workforce available there, the UBISL, to mobilize more and more CASA business. So those and many more are the strategies that are going to get implemented and CASA will remain our focus going forward.

Moderator: Our next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Yes, so I have a couple of questions. Firstly, in terms of, as Miss Chairman has mentioned, the Merchant Banking and Wealth Management business, if you can throw some more light by when we can build this business, wealth management and merchant banking and how many credit cards we have operational right now. Show some light on those businesses?

And my second question is regarding the income tax. So in the H1, if I see our provision for tax is almost 36%. So it will remain at that level or for the full year, it will be lower in the H2 and for full year, we will be at 25%?

A. Manimekhalai: Yes. Thank you for the question. We have actually onboarded Head of credit card and merchant banking actually. And our card base has now increased as of September'23 to 7.27 lakhs as against what it was at 5.5 lakh in September '22. We aspire to reach at least 1 million cards by end of the year. And we have also started the STP journey for existing customers for issuance of credit cards. That's about credit card.

And with regard to the Bank assurance or the wealth management here, the Bank has got two partners in the area of life insurance, we've got good partners with regard to general insurance and with health also we do have some of the products. Now the marketing, we are also onboarding wealth managers or what we call as relationship managers for our high net-worth clients.

So that using the analytical tool and lead generation, we will be able to effectively talk to these customers and onboard them to our wealth management. And in fact, as our ED has also told when he was talking about CASA, we're also looking at PPC, increasing the number of products per customer, all this will enable us to increase not only the fee-based income, but also to increase the stickiness with the customer.

Dixit Doshi: So, my second question was regarding the income tax. So for H1, it was almost 36%. So for full year, it will be 25% or it will remain at these levels?

P K Samal: Yes. Dixitji this is Samal this side. You would have seen in the past half it is INR 3,879 crores, which almost coming to that percentage so 36% mostly is on account of the reversal of the deferred taxes. Foreign tax is only INR 1,217 crores and INR 2,662 crores is the reversal of deferred taxes.

So the Bank is actually planning to move to a new tax regime this year. So because of that, the current tax will remain at 25%, but there will be a onetime reversal of the deferred tax asset that has to be re-casted from 35% to 25%. So we'll have a onetime impact on account of that. So put together because of the onetime reversal. So our whole year tax provision could be around 35%. Which will be same as the old tax rate. But then going ahead next year onwards, it will be brought down to 25%.

Moderator: Thank you. Our next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

- Jai Mundhra:** Congratulations on a great set of numbers. My first question is on margin. So within margins, we have seen a sharp rise in the yield on advances. Maybe the MCLR portfolio is repricing with a lag, and you have done successfully very well there. You also mentioned that some INR 58,000 crores of advances will come for repricing. But what is your sense on the yield going forward? Can they still rise by let's say, the similar proportion at 30-35 basis points or the incremental rise will be limited to 5-10 basis points?
- S. Ramasubramanian:** Good afternoon. Ramasubramanian here. See, yield on advances, it is rather, as already we have discussed about this, there are many factors contributing to that where major is that we have repriced our MCLR advances to the large extent in the quarter. And we saw this quarter also, you are getting is some around INR 58,000 crores is going to be repriced under the new MCLR regime. But the yield on advances, it will be purely depending on the market demand and supply. So, going for the present condition, we expect that we will be able to maintain or little above the current rate, we'll be able to do that.
- Jai Mundhra:** And secondly, sir, the similar question on yield on investment in a rising rate scenario. I mean, Y-o-Y yield on investment have risen at a decent pace. But do you think, in the last two quarters, it has almost, it has been flattest to stable. Do you think there is some more scope in yield on investment also, or which can contribute to the margins or that contribution should be small?
- Sudarshana Bhat:** Definitely, because our AFS portfolio consists of liquid investment, a treasurable to the extent of INR 40,000 to 45,000 crores that will be replenished with high yield securities over a period of time. Definitely, we will be improving 10 to 25 basis point improvement in the yield on investment also in the coming days.
- Jai Mundhra:** Okay. And if you can quantify the technical write off recovery (TWO) that is there in the interest income line, this quarter?
- P K Samal:** Technical write off (TWO) recovery current quarter INR 856 crores.
- Jai Mundhra:** No, sir. In NII, sir?
- P K Samal:** That is, okay. So, that is the dummy ledger recovery, which is that's around INR 700 crores roughly.
- Jai Mundhra:** Okay, so that even for the last quarter, it was also INR 600 crores, something right?
- P K Samal:** Yes. Both Q1 and Q2, it is around INR 1,400 crores.
- Jai Mundhra:** Okay. And then secondly, ma'am, in your opening remarks, you mentioned that, the Bank has, of course, filled a lot of position laterally, CDO, CRO, wealth and credit card heads. And you also mentioned that there are a few openings that you intend to fill in the coming months. So, if you can specify, I mean, which positions the Bank is trying to fill further?
- A. Manimekhalai:** We will be taking on role our Chief Economic Analyst, actually, and the Chief Compliance Officer and CFO also. And you know that we have got Union Learning Academies that are the training centers, which are highly expertised in certain areas. So, we have around nine ULAs,

for various sectors like marketing, for operations, for credit. So, we are also taking seven ULA heads for those also we will be taking. And further, domain experts of the middle management and the level of digitization, senior domain experts in terms of debt certification, all those areas we are looking to take from the market.

Jai Mundhra: So ma'am on the retail book. The retail has been focused area and we have been increasing the feet on street. So, I have two questions. A, what is the feet on street right now? And B, out of the entire retail portfolio, how much is the portfolio which is buyout portfolio or is not originated by the Bank?

A. Manimekhalai: So, feet on street, we can say that we have got DSAs actually, we have got our own marketing officers. And as we have already told you earlier, we have a subsidiary, the UBISL, who gives us a lot of inputs with regards to distribution of loan products for recovery and sales. And so, that is how our feet on street works. And we are using all these tools for increasing our spread. Pool buyout is negligible. In the whole Bank, the pool buyout is close to about INR 1400 crores.

Jai Mundhra: So, the entire retail book is originated by the Bank only?

A. Manimekhalai: Yes.

Jai Mundhra: And last question on asset quality, ma'am. So, we have done, I mean, the experience in the last few quarters have been phenomenally well and the net NPAs now have come to 1.3%. I wanted to ask if the, I mean, assuming the credit environment remains as it is, would you be, keen to put some buffer at this point of time, as a standard asset buffer, or, you would keep saying, huge decline in the net NPA? I mean, how would you be balancing the two? As of now, I think you do not have any significant buffer apart from the, let's say, maybe the 10% on restructuring. But how are you looking at, creating a buffer versus reducing the net NPA?

Sanjay Rudra: Yes, immediate target for us is to bring down the net NPA below one, which is the immediate target. But going forward, what you see, you are also looking forward to create some additional provisions which we have done somewhat. But further additional provisions we will do in the standard assets category also, depending upon the availability of the profit and all. But immediately, first target is to bring down the net NPA below 1%.

Jai Mundhra: Thank you.

Moderator: Mr. Jai Mundhra, may we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. Our next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead, sir.

Nitin Aggarwal: Yes. Hi, ma'am. Good afternoon, and congrats on good results. I have few questions. What is on the yield, which has been talked like, there has been a very sharp increase Q-o-Q on the lending yields. And so, I just wanted to understand as to how is the Bank's ability to pass on the interest rate, because when you look at a portfolio yield going up by 37 basis points, then there will be borrowers who are seeing a 90-100 basis point increase in their borrowing rate. So, how is the Bank's ability, and ultimately, how do you see that progressing?

S. Ramasubramanian: Sir, Ramasubramanian here. As I already told, this is because the major is, though the yields on advances have been passed on to the customers on a phased manner. So, we have already done around 50% of our portfolio, MCLR portfolio has been already re-priced. Remaining will be re-priced during the current and the next quarter. At the same time, if you are looking at it, our RAM growth, where our yields are a little more, we have increased it from 55% to 57% now of total advances.

So, these two factors combined together, it has increased our yield. And presently, market also, it is like that only, because there are, in the corporate sector, there is a lot of competition is going on. So, we are more focused on the retail segment, where we can get a good yield. That's what is happening, sir. And as I already explained that we are very, very hopeful that this will be able to protect and increase it further.

Sanjay Rudra: And to supplement what sir said, our CD ratio has improved by 2%. We had a 74% CD ratio, which has gone to 76%. So, these 2% of the assets, which has basically moved from our investment portfolio to our credit portfolio, investment portfolio is having the 6% plus yield, while the advances portfolio is having the 8% plus yield. So, as a result of shifting of our, this portfolio, our overall yield and advances has improved.

Nitin Aggarwal: Right. But, sir, my question was also around like, how forthcoming the borrowers are to see such a big change in their borrowing rate? Is competition not limiting your ability to pass on the rates?

P K Samal: Sir, see, this MCLR, which is basically charged to the corporate customers, is not that something immediately, because the MCLR depends upon the deposit, incremental deposit, being revised, a kind of INR 0.04, INR 0.05 over a period of time and there is also a time lag. And most of the borrower also know that when their particular interest reset in MCLR is due. So, they know it well in advance.

So, accordingly, they also factor. So, that is what, and the other thing is that, no customer is going to leave because of the MCLR reset, wherever the deserving cases are there, good performance and other, based on the risk appetite, we, of course, give certain concessions and all.

But largely, we are sure that we are able to pass on the interest, that MCLR revision to most of the borrowers.

Nitin Aggarwal: Right, sir.

P K Samal: And that should not create any major problem in terms of, issue in terms of customer leaving to other Banks that will not happen. That experience shows that, that is not happening.

Sanjay Rudra: And in case of the retail borrowers, the RBI has also given the dispensations to extend the tenor as per the request of the customer. So, basically, the customers are not feeling very high pinch on account of the increased rate of interest, but the tenor is getting adjusted with that.

extent is, of course, from credit card business. As we go on to increase our credit card business, this will see a little bit of growth.

But, regards to personal loan, we are just taking it up only with the salaried employee, that's the reason there is not much substantial increase in that product. But as and when the credit card business grows, we will see some unsecured lending on personal loan.

Ashlesh Sonje: Okay. But any trends that you are seeing on delinquencies in this book as of now?

A. Manimekhalai: Delinquencies has, the NPA on personal loans is about 1.5%. And slippages, we have seen to the tune of about 1%.

Ashlesh Sonje: Okay. Secondly, question to CFO, sir. Can you explain what would be the balance sheet and P&L impact of moving to the new tax regime?

A. Manimekhalai: 10% savings will be there on the total taxable profit. So, current year, as I told you, current year it will not be there, even though we are moving to lower tax. But the one-time impact of the write-down of the DTA around INR 2,400 crores is there. So, therefore, the benefit will not be there this year because of this one-time impact. But next year, there will be a 10% savings in the post-tax profit.

Ashlesh Sonje: Perfect, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Sushil Choksey from Indus Equity Advisors. Please go ahead.

Sushil Choksey: Hi. Congratulations to the team, Union Bank for the excellent result. Based on some Q&A which we have already done, it seems that we are seeing that interest rates are going to peak out by the year-end. Ma'am, am I right in understanding that?

Ashwini Choudhary: So, it is very difficult to forecast interest rates whether it has peaked up or not. But what we believe, in the next six months, it will not start reducing and it may remain at the same level. RBI also hinted that they will tighten the liquidity to control inflation. So, they may not take the route of hiking interest rate. That is what we believe at this point in time.

Sunil Choksey: How do you see the second half treasury income based on that?

Sudarshana Bhat: Our duration is 1.19. We will not have much hit on MTM because the portfolio is well-protected. We are already at yields are at 7.35% as against 7.10% as on September 30th, 2022. So, there will not be any further hike we are expecting. However, if 10 to 15 basis point hike also happens, there may not be much impact on our portfolio as such. It is totally being controlled by duration. We will ensure that we will minimize the MTM as and when the coming days.

Sunil Choksey: The next question is based on various initiatives on retail, wealth management, digitization, new structures on corporate products. Where do you see a cost of income and what kind of digital spend are we likely to do for current year and years to come?

A. Manimekhalai: With regard to digital spend, of course, we have taken a budget from the Board close to about INR 1,500 crores. That is what we have taken a budget and we hope to see that it is utilized during the year. With regard to the yield on advances, we have already told you that we would like to maintain this kind of number that we are looking at.

With regard to cost of deposits, we are not trying to increase the deposit numbers because we have got enough liquidity. We will take deposits at higher rates or bulk deposit rates only when I need it or when my credit growth is substantial. Otherwise, I have got substantial liquidity right now. So, I feel that the cost and the yields will remain to whatever rates that we have got right now.

Sunil Choksey: How do you see your percentage in corporate and retail ramped by the year-end, in the similar number or will it be drastically different?

A. Manimekhalai: We had an internal guideline that we will be at 55-45. So, we will try and maintain that kind of a stand. Now the festive season has started, so retail lending will surely go up and even the crop season is up. So, we hope to see some better results in retail. But the guidance of course was 55-45. We will try and keep it to that level or retail will be a little higher.

Sunil Choksey: Thank you and all the best for the years to come now.

A. Manimekhalai: Thank you, Choksey ji.

Moderator: Thank you. The next question is from the line of Akash Jain from Ajcon Global Services Limited. Please go ahead.

Akash Jain: Congratulations team Union Bank of India for an excellent set of numbers. My question pertains to the write-offs. The write-offs look higher in this quarter at around INR 6,108 crores. So, wanted a break-up on the regular write-offs and the technical write-offs and a color on the policy for write-offs? What is the provision we do before writing off the asset and what are the regulatory guidelines towards the write-offs?

A. Manimekhalai: If you see the balance sheet, last year we had written-off close to about INR 18,000 crores and during the current year also we have done, last quarter we did about INR 2,000 crores and this quarter we have done INR 6,000 crores of write-offs. The Bank has laid down the write-off policy and accordingly the write-offs are being done.

This is in various sectors that we do, whether it is retail or MSME, agriculture or large corporate, the write-offs are been done accordingly. And all them are technically write-off but this doesn't stop us from not recovering from those written-off accounts. And these are all 100% provided accounts.

Akash Jain: And the write-offs were NPAs for how many years?

Sanjay Rudra: These are different period of NPA and not having any specific period NPA only. It's a different, different period of NPA has been written-off, depending upon the possibility of recovery only accounts are technically written-off. And these are fully provided accounts.

- A. Manimekhalai:** The total portfolio of written-off accounts is around INR 72,000 crores.
- Akash Jain:** Okay. And what can be the expected recovery from this portfolio say in next three to four years?
- A. Manimekhalai:** Sir, we have recovered close to INR 1,500 crores during the current year and we hope to hit around INR 4,000 crores by end of FY '24.
- Akash Jain:** Thank you ma'am, thank you.
- A. Manimekhalai:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, the last question is from the line of Rakesh Kumar from B&K Securities. Please go ahead sir.
- Rakesh Kumar:** Thank you ma'am. I have two questions. Firstly, on Agri loan, the slippage run rate is a bit elevated at around INR 1,000 crores in this quarter. And last quarter also we had a bit sizable number on the Agri fresh slippage. So any comment on that ma'am?
- A. Manimekhalai:** Yes, you know the Bank has got almost 59% of the branches spread in the RUSU areas. So we have got substantial numbers and you know that the Bank has two major Banks, Corporation and Andhra Bank was also amalgamated who also had a good substantial number in the agriculture advances. And accordingly we are growing the advances portfolio under agriculture.
- Plus the government has also come out with various schemes under the agriculture schemes like you know the dairy farming or agriculture infrastructure and the CPG, food processing. There are so many such industries have now been added apart from the traditional KCC and that's the reason that it is grown. Plus, we also have grown substantially in the agriculture gold loans and these are all have helped us in the growth in the agriculture portfolio.
- Rakesh Kumar:** Secondly ma'am, this LCR number that has fallen to 145% from 161% on a sequential basis. It's a very sensitive number that for us that deposit growth is like below 1% and our total domestic investment number is flat, marginally lower and duration is also not changing much. So what is the reason that you know LCR is falling so much, bulk deposit ratio number is also same at around 27%. So if you can explain like, why there is such a sharp fall in the LCR?
- Ashwini Choudhary:** So if you look at LCR number, this is still substantially higher than the regulatory requirement. So idea is not to keep surplus liquidity beyond the level because there is balance which we need to make between making profit and keeping liquidity. So we'll keep on maintaining liquidity at a comfortable level including LCR and this is still above the threshold required by RBI and we were conscious of this fact and it's a conscious decision which we have taken to keep at this level.
- Rakesh Kumar:** I understood that sir, but only question that we have is that sir why like, what is that change in the operations in the numbers, at least what is there in the PPT, we are not very well placed to understand what is the reason for such a sharp fall? Like see, LDR is going up marginally and all that. That understood but still, more than 10% fall on a sequential basis, just because it will limit our opportunity to use the extra liquidity that we have in the future quarters?

Sanjay Rudra: Yes. I am Sanjay Rudra, Rakesh ji. Now if you see the liquidity position in fact if you see the post-demonetization, the LCR was in the range of 175% to 200% but it is not good to maintain such a high liquidity ratio. So gradually over a period of time, the LCR came down and we cannot deny that there is not as liquid market available as on today as it was earlier. So LCR will come down and ideally we will try to maintain the LCR as it is 100% we will try to maintain our LCR above 110%. 10% reduction in the LCR for in the Q-o-Q basis it not very high it is in line with the market trend.

Rakesh Kumar: Okay, got it sir. Thank you sir, thank you ma'am.

Moderator: Ladies and gentlemen that was the last question of our question-and-answer session. As there are no further questions, I would now like to hand the conference over to the Management for closing comments.

A. Manimekhalai: Thank you all of you for your continued support. We all understand that the expectations of the investors and the analysts are there with the Bank and with the kind of trend that the Bank has taken, the kind of steps that we are taking, the new entrance that we are taking, the new fresh innovative ideas that the Bank is taking, we will be able to maintain the same kind of numbers and we will reach out or we will maximize the guidance that's been given and see that we fulfill the guidance that has been given to us by ourselves. Thank you.

Moderator: Thank you on behalf of Union Bank of India that concludes this conference. Thank you for joining us and you may now disconnect your lines.
