



Chairman's Message

Driving Sustainable Growth and Innovation



Strong GDP growth and robust policy reforms have positioned the Indian economy in a 'sweet spot' for continued prosperity.

Srinivasan Varadarajan
Chairman



Dear Esteemed Shareholders,

I am delighted to present to you our 105th Annual Report for the Financial Year 2023-24 (FY24). This report provides the Bank's financial data as well as our social, environmental and governance initiatives. It thereby provides a holistic picture of our contribution to the financial services sector, to our society and environment. This year has been a memorable year for all of us here at Union Bank of India. We emerged more resilient and stronger, and this is reflected not only in our business numbers but also in the trust that our customers have placed in us. I thank our customers, staff, shareholders, and other stakeholders for their unwavering cooperation and hard work to take our Bank to greater heights. Your continued trust inspires

our pursuit of responsible banking and inclusive growth.

During FY24, India's economic performance remained robust despite global challenges and geopolitical concerns. Strong GDP growth of close to 8% was clocked in FY24 and 7.0% growth is forecasted for FY25. Policy reforms by the government and the Reserve Bank of India (RBI) has supported macro stability. The sharp hike in the government's capital expenditure has supported growth and also initiated the crowding-in of private sector investment. The government is expected to continue with the thrust to capital expenditure next year as well to ensure that the growth recovery remains on track. The capacity

utilization trends in recent quarters shows signs of an upturn and should help trigger the private capex cycle. Inflation has been well behaved during FY24 at 5.4% and is expected to fall to 4.5% in FY25. With economic growth showing strong uptrends coupled with moderating inflation, Indian economy is indeed in a "sweet spot".

The performance of banking sector has been remarkable with rising profits, improved asset quality and balance sheet management. Sustained credit growth, increased digital adoption, and supportive government policies were instrumental in revitalizing the sector. The implementation of Insolvency and Bankruptcy Code (IBC) and various measures by the RBI and

the government have strengthened the balance sheets of the banking sector. This has boosted banking sector soundness indicators. Banks remain well-capitalized and public sector banks have seen their market valuations soar. Strong balance sheets with adequate capital and liquidity buffers have given banks the ability to withstand future shocks. Credit growth in India sustained in double digits in FY24 and has continued to outpace deposit by a significant margin. Going forward, stable interest rates, a robust GDP, declining inflation and government's focus on developmental and infrastructure spending will positively influence robust banking sector growth.

Having said that, even though banks' balance sheets are strong, they need to stay strong and proactive enough to meet the rising credit needs of the economy. The RBI is focused on ensuring a strong and sustainable credit cycle with the policy focused on three key parameters: Governance, Prudence and Technology. The RBI has been proactive in introducing macro prudential norms with an intent to curbing credit excesses and minimise risks associated with high growth credit products. The RBI has almost brought sharp focus to the liability side of the balance sheet making the credit-deposit ratio metric a key factor in calibrating overall growth of banks.

Governance is the bedrock of a sound banking system and RBI has, through ongoing discussions and advisories, emphasised the critical nature of the assurance functions. The Board and management of the Bank have accorded high priority to ensure independence of the risk, audit and compliance functions through appropriate resourcing and other interventions. The theme of the strategy meet this year was focussed on enhancing and upgrading assurance functions. In addition to brainstorming on way forward,

independent governance experts also provided inputs on the right attitude and approach to governance.

Technology has become a major focus in the financial sector with the rise in digitisation. As banks and other regulated entities harness the benefits of technology, the RBI has been focused on the challenges with use of technology viz. data protection, cyber security, and technology-induced frauds. As cybersecurity attacks against financial institutions continue to escalate, banks and other financial organizations must take proactive measures to protect themselves and their data. Tiding over cybersecurity risks and ensuring resiliency can only be achieved through collaboration, automation, and standardized controls for more secure cloud deployments. The Board of your Bank has stepped up investment in technology infrastructure leveraging it for better customer engagement and service.

While the overall banking system is well positioned we are also focused on the risks. The key risk is increasing degree of difficulty to raise low cost deposits viz. CASA. The overall environment for raising retail customer deposits has also become very competitive and is likely to be a key factor that determines a bank's performance in the coming year. The other risk is in terms of private capex recovery not becoming broad based as per current expectations post elections. NBFCs has played an active role in retail lending and as liquidity dries up for them, it is important to see its second order impact on their asset portfolios. Although asset quality at broader portfolio level was not exhibiting any major signs of stress, the consistent high credit growth reported in the above segments has warranted regulatory caution and intervention.

In FY24, Union Bank has continued its impressive performance. The

Bank has been doing well in areas related to enabling various digital and digitally assisted journeys for customer convenience, enhanced number of services provided at non-home branches, customer service through integrated complaint management tool for customer grievances, robust cyber security in place to mitigate threat, optimizing HR operations to maximize efficiency, adoption of analytics based stress testing model, effectiveness of target setting processes and digital manpower planning and deployment. The Bank will be focusing on growth of CASA and retail customer deposits and use it to calibrate credit growth across its various segments. Compliance is of utmost priority and we are firmly aligned with the RBI's intent to ensure right underwriting practices and sustainable credit pickup. Credit is a key focus area as it picks up after a decade. The capital raise that the Bank completed in FY24 provides the Bank a healthy capital position which can be leveraged to provide support and impetus to the India growth story.

We are hopeful that the various stakeholders will appreciate the overall performance of Union Bank and be rewarded in the years to come. Going forward, we remain committed to enhancing customer value, embracing technological advancements, and contributing to the socioeconomic progress of our nation.

With best wishes,

Srinivasan Varadarajan
 Chairman