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महोदया Madam/महोदय Sir,

Subject: Transcript of Post Earnings Call

This is to inform that transcript of Post Earnings call held on July 21, 2023 for Reviewed (Standalone and Consolidated) Financial Results of the Bank for the Quarter ended on June 30, 2023 is submitted herewith as a PDF searchable attachment.

The same is also being made available in the Bank’s website under the following web link:

https://www.unionbankofindia.co.in/english/financial-result.aspx

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.

भवदीय Yours faithfully,

SANTANU KUMAR DASH

Digitally signed by SANTANU KUMAR DASH
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(एस. के. दाश S. K. Dash)
कंपनी सचिव Company Secretary
एफ़सीएस FCS - 4085

Encl.: As above

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"Union Bank of India
Earnings Conference Call"
July 21, 2023

MANAGEMENT (UNION BANK OF INDIA):

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

SHRI. NITESH RANJAN – EXECUTIVE DIRECTOR

SHRI. NIDHU SAXENA – EXECUTIVE DIRECTOR

SHRI. RAMASUBRAMANIAN S – EXECUTIVE DIRECTOR

SHRI. PRAFULLA KUMAR SAMAL – CHIEF FINANCIAL OFFICER

SHRI RAJIV MISHRA – CHIEF GENERAL MANAGER

SHRI SUDARSHANA BHAT – GENERAL MANAGER

CONFERENCE CALL SERVICE PROVIDER :

Moderator: Ladies and gentlemen, good day and welcome to the Union Bank of India Earnings Conference Call for the period ended June 30, 2023. The bank is represented by the Managing Director and CEO, Ms. A. Manimekhalai, Executive Directors Shri Nitesh Ranjan, Shri Nidhu Saxena, Shri Ramasubramanian S. and other members of the top management.

As a reminder, all participant 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 your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Kumar Jadli, Deputy General Manager, Head Investor Relations. Thank you and over to you sir.

Sunil Jadli: Thank you. Good afternoon ladies and gentlemen. I, Sunil Jadli, Head of Investor Relations, welcome you all for the Union Bank of India earnings con call for the period ended June 30, 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 certain statements that may be discussed during the investors' interaction may be forward-looking statements based on the current expectations. These statements involve a number of risks, uncertainties and other factors that cause the actual results to differ from the statement. Investors are therefore requested to check these 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. It is my pleasure to welcome our analysts and investor community for the Union Bank of India's financial results for the quarter ended June 2023. We are grateful for your continued support and feedback that helps us to take informed decisions. The banking sector performance remains strong, supported by the robust economic activities and result in pick-up in the credit growth. Our bank's performance for the Q1 FY24, we have achieved good set of numbers in terms of profit and profitability, asset quality, capital adequacy among others.

The total business of the bank has crossed 19.5 trillion and the operating profit of the bank registered Y-o-Y growth of 32%. Net profit of the bank has grown by almost 108%. NIM has improved to 3.13 registering a 13 bps increase in Y-o-Y. ROA has improved to 1% for the quarter ended June 23 registering 47 bps Y-o-Y. PCR of the bank has also improved to 90.86%. We have significant improvements in our asset quality.

While the gross NPA has come down by 288 bps, our net NPA has come down by 173 bps. Total deposits of the bank has registered a Y-o-Y growth of 13.6% and credit cost of the bank has come down to 0.97 %. And all my RAM portfolio, whether it be retail, agriculture or MSME, have shown good growth over and above 12%. So I would like now to request my ED, Mr. Nitesh Ranjan to speak a little on the digital initiatives that the bank has taken. Thank you.

Nitesh Ranjan: Yes, thank you, ma'am. So I'll start from where we left in the last meeting that was on 6th of May when we were discussing the Q4 con call. And we shared some of the numbers that we are doing on the digital. I just extend that first. So the last time when we were speaking about the new loans that we have done completely digitally, that was around 1.48 lakh accounts, aggregating INR2,200 crores. From there in two and a half months, the account addition only through the digital is 20% growth in two and a half months and the volume is 15% growth. Similarly, on the deposit side, since the 6th of May in two and a half months, the account and volume accretion only happening through the digital is around 7%.

See, over the last few quarters, we have seen that 65% growth is there in digital FD creation. 53% growth is there in loan against deposit taking digitally. Shishu Mudra STP is 38% Y-o-Y growth and 31% of our personal loan portfolio is getting sanctioned only digitally. Along with that, we also shared last time that we have the digital renewal process for MSME loans up to Rs. 10 lakh and the retail loans up to Rs. 50 lakh.

I'm very happy to share that as on date, 94% of MSME loans, small loans up to 10 lakh are getting renewed, reviewed digitally. And over 80% of retail loans are also getting reviewed digitally, which is creating a lot of customer convenience as well as saving on our opex and manpower. As I also shared with you last time that we already have for the digital platform the consultant on boarded. And today we also have the SI system integrator on boarded for that. We have a two to three year roadmap for the entire digital transformation journey, but that will happen in two phases.

And the first phase, now that SI is also on boarded, the first phase of the first MVP is expected in the Q3 of the current year, somewhere between October to December, where we'll be launching many more journeys, which will be on the mobile app, but the web-based journeys. And by Q4 of the current financial year, we'll be transitioning our existing mobile banking platform to new platform, digital platform of microservices led.

And from there on, in FY25, again, we'll be building on 350 plus journeys, and we'll be creating separate assets for the MSME customers, corporate customers and also building further partnerships like ONDC and the [OCEN]. As of now, we already have around 100 FinTechs empanelled with us and we are working to close to two dozens of them on the various journeys. On the ecosystem side also, we have partnered with Reserve Bank Innovation Hub and I'm very glad to share that even in the recently G20 Summit at Ahmedabad of the global finance ministers and the central bank governors, our KCC journey along with the Reserve Bank Innovation Hub was one of the showcase there.

As well, we have also been working with Reserve Bank of India directly for their CBDC project and we are one of the first set of pilot banks. So broadly, if we look at our digital aspirations over the next two to three years, we are looking at 50% of RAM acquisition happening through the digital channels, 15% of RAM, consequently RAM book, will come into the digital channels, INR 1 trillion of CASA is through the digital channel, and thirdly we are looking at creating a digital enablers in such a way that will increase our customers satisfaction measure to see set a score for the various products and services.

For that, we have already been strengthening and augmenting our core IT systems, applications and hardware. We have taken multiple steps in the recent past. Along with that, there is added focus on the strengthening of the cybersecurity. In fact, currently, we are in the phase of building Cybersecurity Center of Excellence, and many initiatives are being taken there in partnership with the best of the institutions. And third is obviously we just spoke about the digital platform which has started the building which will have three, four key components of creating 350 plus seamless journey for various banking services, creating an omnichannel experience for the customer so that he can switch over from one channel to another channel in a seamless manner.

Since the customer segments that we are seeing are multiple and varied, and every customer segment requires different kind of engagement and services, so we are also looking at creating a hyper-personalized experience on our mobile app, and also using the AI technology for the conversational AI. Alongside, we are investing in a digital contact centre for which RFC is in a very advanced stage and the timeline for the completion of the project is six months from the onboarding of the SI.

And hopefully by in the fourth quarter, our digital contact centre also will be up and running. The key differentiator from the current call centre to the digital contact centre will be that while the current call centre is mostly responding to the inbound calls, this contact centre along with what is being done will actually be a sales and service centre for the bank and it will be a kind of business engine for the bank. We have rolled out during the last quarter all the packages of the customer relationship management, CRM, which we have developed with Zoho Corp and this CRM is also now on the maturity curve in the next six months as also contact centre comes. We believe that CRM will be a good tool for our business.

And the fourth part is that we are looking at leveraging the data. For that we are investing in Data Lake and building an analytic centre of excellence. There also the RFP is in advanced stage and hopefully in the next couple of months we should be having our partners on board working on that.

So broadly the idea is to create a digital ecosystem where we engage more and more with the customers so that we become the prime bank for the customer which will aid in higher business, higher CASA balance, higher transaction and overall higher profitability as well as saving on the opex for the bank. And today as I speak, we have not only taken decisions, but most of the things are already on board and into building and implementation stage. Thank you.

A. Manimekhalai: We are now open for interaction.

Moderator: Thank you very much. The first question is from the line of Mahruk Adajania from Nuvama. Please go ahead.

Mahruk Adajania: Hello ma'am, congratulations. Ma'am, my first question is on yield. So your yield on domestic loans has improved substantially this quarter. What are the drivers of the improvement? And is this margin sustainable now? I know you had guided to much lower for the year, but since you've already overachieved, is it sustainable? And also in the breakdown of interest income, the interest on RBI balances looks much higher sequentially. So comment on that too ma'am please.

P.K. Samal: Good afternoon ma'am. This is Samal this side to your first question about the NIM and its sustainability. We have also earlier given you a picture that we have around 90% of the loans which are floating rate loans linked to either around 49% linked to MCLR and EBLR rate. So quite a good portion of the loan where the interest rate transmission was pending, that has been taking place during the quarter. So that was the reason why you would have seen an improvement in the yield and advances.

Of course, the deposit rates have also gone up in the improvement of the cost of the deposits. But that has basically led to the improvement in margin. You know there are also certain advances where still the interest rate transmission will be happening over the subsequent quarters. We have given guidance to you to maintain a margin of around 3% and we are trying very hard to see that the margin remains protected at the 3% level overall.

To us, we are also working on the deposit side to see that the deposit cost remains within control. Also, the CASA side, we are working on various initiatives. So we are very much confident that we will be able to maintain a margin of around 3%. That's what the guidance we are giving. The second question was about what was that? Interest.

P.K. Samal: I think that was additional interest income from the RBI balances and all that.

Sudarshana Bhat: RBI balances and others pertaining to swap transaction we did, and which has resulted to around INR600 to 700 crores additional interest income generated from the treasury operation, madam.

Mahruk Adajania: Okay, but if you are guiding the margin of 3% and currently we are at 3.15, so we are expecting margins to come down during the course of the year?

P.K. Samal: We can't say exactly that madam because we have to see how the you know MPCDs and the rate hikes and all happen and also what is the liquidity condition going ahead as of now it is positive because of the demonetization and other related matters and also credit demand has been not that aggressive but going ahead we will have to see how this liquidity condition also prevails. So we have taken some conservative estimates so that's why we have given a 3% kind of a guidance madam.

Mahruk Adajania: Sir answer my last question is so when do you think deposit costs will peak? Will they continue to rise? How much more can deposit cost, your average deposit cost, rise from here?

A. Manimekhalai: Presently the cost of my deposits is about 4.97 and if you look at my deposit book, 27% of my deposit book is bulk deposits and 73% is retail and CASA. We hope to increase the CASA deposits and the local deposits numbers to maintain the cost of deposits and we would like to bring it down much further. And it also depends on my credit offtake.

Presently my LCR is quite good at 161%. I have got sufficient liquidity and I don't have to take bulk deposits from the market. If my credit increases, outpaces, then I am sure that I have to take bulk deposits from the market and that is where we will see a little bit of growth in my cost of deposits.

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

Ashok Ajmera: Thank you for this opportunity. Compliments, madam, for yet another quarter of very good performance. Your operating profit, your profit after tax, cost to income ratio, credit cost, everything has improved substantially. And the profit has increased in spite of the other income going down in this quarter to INR3,903 crores against INR5,269 crores in the last quarter, mainly because of the little less recovery in the written off account to only INR692 crores against INR2,954 crores in the last quarter.

So my first question is on that, that the recovery on the written off accounts going forward in the coming three quarters, what do we see basically which comes to the bottom line of the bank? This is one. My another observation and question, madam, is on the, if I think, if you look at your slide three of the presentation, I think something, either I'm reading it wrong or it says June 23 already actual, versus March, overall target of March 24. I think this 12.33 is for last year, not for June 23 because in the June quarter the credit growth is only 1%? So I think in this slide…

A. Manimekhalai: Ajmeraji, what we have given is the Y-o-Y growth. Q-o-Q growth is 1.63, that is there in the slide somewhere. But what we have shown 12.33 is the Y-o-Y growth in advances.

Ashok Ajmera: Okay, so you are taking the last nine months also. Anyway, so this quarter the growth is, credit growth is little mute, I mean at 1%. So going forward, are we meeting, making the same target of 12% for the whole year? In the nine, three quarters going forward, we will achieve that 12% credit growth. This is another one?

And, ma'am, just a small observation on our segment-wise results which have been given. They are very distorting in this quarter. While the Treasury income has gone up to INR1,262 crores from INR660 crores, it is acceptable. But if you look at the retail, other retail segment-wise profit to INR1,580 crores against INR232 crores, corporate INR1,492 crores against INR2,800 crores, and the other INR494 crores against INR296 crores, and unallocated INR303 crores against INR8 crores.

So is there any change in the segment-wise allocation of the income of the bank or some, I mean the whole process because segment is also very important to assist. So if Mr. Samal can give some explanation for this, that why so much of variation in the segment wise result in this quarter. That is my third thing?

And two, Mr. Samal, again one, on the DTA, on the MET revision, our tax provision in this quarter has gone up to INR1,937 crores against INR1,105 crores in the last quarter. That is mainly because of the DTA reversal of INR 1,329 Crore, MAT provision of INR 920 Crore, and MAT created of INR 313 Crore. It means in actual effect there is no tax in the real sense has been given. Just want a confirmation on that?

Nidhu Saxena: So, Ajmeraji, to start off with your first question, as regards the recovery in the written off accounts, so recovery as was last year a focus area and is going to continue as a focus area. We are fully aware of the fact that the industry, the system has a lot of stock of the written off accounts, including our bank, and whatever schemes and whatever efforts in terms of recovery we are putting, so we are focusing on the written off accounts where it gives addition to my OP.

And so for that purpose we have a non-discriminatory NDND scheme that is currently also functional. It is available up to September where we are able to settle loan accounts, borrow accounts up to 5 crores and we are able to give liberal settlement to our borrowing customers. And we are finding a lot of traction in this and with the scheme coming to a closure, I am sure in the remaining three months we will be doing more settlement in these accounts.

Ramasubramanian S: And regarding the credit growth, Ajmeraji, Ram Subramanian here. See, against our guidance of 10% to 12%, our credit growth year-on-year is 12.33%. Though in a quarter, it was, as already Madam has told, it is 1.63%. This is, we all know that the 12.33% growth which we will be showing year-on-year, out of that our RAM portfolio has shown a growth of around 15%. Corporate has shown around 9.4% growth year-on-year.

Though the corporate has shown less growth, we have already are having sanctions more than INR 25,000 crores which are going to be dispersed during the current year. Already sanctions are in place and it will be disbursed. So we don't expect any problem in reaching our guidance figure which has already been given around 12%.

And for remaining, your questions Samalji will be answering it.

P.K. Samal: Ajmera sir, Namaste. Your first question was regarding the -- I think segment result right. I can see the specifically to the retail banking you asked that it is INR 1,622 crores. You see year-on-year basis the same quarter last year it was INR 1,476 crores. Of course in the March quarter it was a bit lesser because there was some additional provisioning in that, certain accounts including certain agricultural advances which also because it is less than INR 7.5 crores, So it comes in that retail banking operations. So because of some higher provisioning the profitability was lesser last quarter. Otherwise if you see last year first quarter to this year first quarter it is comparable.

The same way in the corporate banking also now corporate banking is actually becoming profitable. The reason being that the aging provision, we have already almost taken care of. So the provisioning impact will be very, very less going forward. So corporate banking is gradually therefore making profitable.

Then about your second question on the DTA. In fact, we have made a total provision of INR 1,900 crores this quarter. Out of that, INR 1,300 crores is towards deferred tax and INR 600 crores towards the current tax. That is what it is. We have, during the first quarter, what is normally done is the tax is provided on the estimated basis. What will be your estimated profits or estimated write-offs provisioning for the full year that is calculated and based on that it is provided.

So this is again subject to future adjustment in the next quarter and all. So we believe that including the deferred tax reversal and all our total tax liability would be something around INR 7,500 crores for the whole year. So accordingly that is provided. So that is, so actually this is the past year we are going to start paying income tax.

Last year, up to last year there was gross forward losses. This year onwards we'll be paying income tax. So we have also provided current tax, so we have also provided current tax, INR 600 crores in the current quarter.

Moderator: Thank you, Mr. Ajmera, I may request you to join the queue for any follow-up. The next question is on the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: Yes, hi. Thanks a lot, sir. Ma'am, just a couple of questions. So, just wanted to reconfirm, do we have any loan or EBLR which is linked to T-Bill?

A. Manimekhalai: We do have, you know, loans to T-Bill. We have TBLR linked loan portfolio and about 16% of our loan book is to the TBLR

Rakesh Kumar: Okay so did not we get any adverse impact since the yield came down T-Bill yield came down so did not we get any adverse impact on the loan yield because of the reset?

Ramasubramanian S: See, literally speaking, they are not fixed actually. These are all floating only. It will be reset whenever the T-Bill changes, automatically it will be reset. So we only take the spread out of that.

Rakesh Kumar: That's correct. So what I'm saying that in the previous quarter, in the Q1, the T-bill actually came down by around 40 to 43 bps one year T bill, 364 days. So, was there any reset done for the loan linked to T bill or not?

Ramasubramanian S: No, actually see, these all are very short term loans. We are not providing the T-bill rate for the long term loans, actually speaking. So these are all maximum periods of 90 days, if you are looking at it. So automatically, when the things are getting over, what we are quoting, it is based on the competition in the market. Again, that will be quoted. So actually, there is no loss for the bank out of this.

Rakesh Kumar: So Have we run off? Did not we renew that book?

Ramasubramanian S: Yes, it was renewed. That's what my corporate growth is muted on that.

Rakesh Kumar: So after the renewal, whatever rate we would have got that would be lower than the rate which was prevailing earlier.

Ramasubramanian S: Correct. That is the reason why we have not much aggressively quoted during the current quarter.

Rakesh Kumar: Got it, sir. So a couple of other questions.

Ramasubramanian S: There was a small rundown in the corporate book, actually.

Rakesh Kumar: Okay. So coming to the notes of accounts, so like in the PSLC, we accrued the income of INR550 crores this quarter. What was the like to like number in the previous quarter and a year back sir?

A. Manimekhalai: Last year the income was close to about INR 120 crores.

Rakesh Kumar: Okay this year it is INR 550 crores.

A. Manimekhalai: Yes, we have seen a growth of almost 430 bps Y-o-Y in the PSLC numbers.

Rakesh Kumar: Correct ma'am, correct. And how much we are planning to sell ma'am in the remaining nine months any number that we have in the mind PSLC how much we are planning to sell?

A. Manimekhalai: As of now see if my rate is good enough then I will be doing it. As of now, I do not have anything in mind to sell off right now in this quarter.

Moderator: Mr. Kumar, may I request you to join the queue for any follow-up?

Rakesh Kumar: Just one question, last one question I have. So this sundry interest received is INR 303 crores. So what is the character of what is the, like, if you can explain on that number, related to notes of accounts number 18, what is that interest income number in the miscellaneous income?

P.K. Samal: Income tax refund.

Rakesh Kumar: But that is in the other income line.

P.K. Samal: It goes in other income, right.

Rakesh Kumar: Not in the interest income line.

P K Samal: No, it doesn't go in the interest income. Because it's not a regular kind of, it's not a lending activity. So whenever the income tax department completes assessment, they give the refund, then a small portion of interest also comes with that.

Rakesh Kumar: Okay, so we need to adjust the NII number to that extent, correct, Sir? Though it is in the other income but we have to…

P K Samal: No it is not a part of our net interest income, it is not a part of net interest income because it is not a lending activity as such, so therefore we don't consider that. It's not a core business.

Rakesh Kumar: Got it. Thank you, sir. Thank you so much.

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

Jai Mundhra: Yes, hi, congratulations for a great set of numbers and 1% ROA. My question on home loan actually, home loan and corporate loans. So, both these segments which are probably more competitive have been growing at a much fast -- at a much lower pace than system. Corporate growth we have been, if I look at last two quarters has been more or less muted, flattish or actually marginal decline for the last two quarters. At the same time home loan, the growth is, of course, 10%, 11%, but which is much lower than the system number that we see from RBI. So, I wanted to check your thoughts ma'am from a medium-term perspective that how are you looking at both these segments, A, corporate in terms of growth and B, the home loan?

Ramasubramanian S: Sir, as you rightly told, these two fields are very, very highly competitive. How we are now, first regarding corporate loan, if I am saying, if I am doing that, we now look at the overall profit from each corporate. We are also having our collection services provided to them so that we can compete with the market where there is a very, very high competition is there in the rates.

At the same time, we are also looking at some of the few new sectors like your renewable energy and real estate where we can get a higher margin. But we expect that, we are also having -- as I earlier told, we are also having a large number of amount which is already sanctioned and are in the various stages of disbursement more than INR 25,000 crores is in disbursement. Hence, we don't see that any decline in growth in the corporate sector in the coming days.

As regards to retail, yes, though we are, as you told, that we are lesser than the industry growth. But if you are looking at it, we are consistently growing in the housing sector and now in the last year we have undertaken the verticalization of the entire retail portfolio and now everything underwriting is being done by retail loan points and though the delivery is at the branches. So, now all the structures, everything is in place and we expect that TAT will be improving and we will be showing an excellent growth during the current year.

Nidhu Saxena: Just to add on that regarding the home loans, what we have seen last year, lot of centralization has given benefits to the bank. So, home loan in one particular area tying up with builders. So, that we found that, we need to actually improve, ramp up and what we have done this time that the builder project approvals were all centralized at the central office. That itself will increase our penetration in the builder new projects that are coming up across the country and with that of course the home loan growth will be further improving.

Ramasubramanian S: I to continue on that. If you are looking at it, our education portfolio which has shown a 33% growth. The thing is this is – we are now focusing on a high value education loans, where it is to the premier institutes or abroad studies only where more or less it is a very good job opportunity or it is fully collateralized. So, we also find that, this is a great avenue for the bank, and also for the new generation, the customer acquisition also it helps us on that.

Jai Mundhra: Right. Sir, your yield on advances, right, this question was, I think, was asked earlier also. The yield on advances has grown by – has increased by 40 basis point Q-o-Q, which is actually higher than what it was, higher than the uptake seen in the last quarter. Of course, there is a floating loans getting repriced. The question -- there are two questions, one, A, do you think that because the repricing should continue in, let us say, second quarter as well, so similar kind of a yield improvement is possible in yield on advances? And, B, is there any some other sector also such as maybe the interest recovery on NPA bulky NPA or something else which may have helped this number, yield on advances or this should be assumed to be…

A. Manimekhalai: Yes, see my MCLR book is close to 50% of my loan book and during the current quarter just about 25% of my MCLR base book has been repriced. So, going forward I do have a book of about INR2,76,000 crores of advances which are still to be repriced and for the next three quarters it will be repriced accordingly. Then I also have recovery also I am looking at and written off accounts and where it is fully provided. In those sector also, there will be an interest reversion and I am also looking at interest income coming from that portfolio.

Jai Mundhra: Right, so 25% has already that got repriced in this quarter, right, if that is first quarter?

A. Manimekhalai: Yes, June quarter it has been repriced.

Jai Mundhra: Right. Understood ma'am. And lastly, on bulk deposits, so we have 25%, 27% of the deposits under bulk category, is that the blended cost of bulk deposit in a way is, I mean, lower than the TD cost or how has that behaved?

Sudarshana Bhat: That will be little higher between 20 bps to 30 bps than the retail cost of the deposit.

Jai Mundhra: Okay. And is that the trend getting better there sir? I mean the bulk deposit isn't the cost moderating at a slightly faster pace?

Sudarshana Bhat: Yes, it is moderating at the current level because more demand supply matters. And expectation of the rate cut in the coming fourth quarter of the financial year also looked into.

A. Manimekhalai: As there is enough liquidity in the market right now and so we are seeing a moderation in the rate of bulk deposits.

Jai Mundhra: Sure. And I have a last question ma'am on ECLGS, right, so we have mentioned around INR16,700 crores sanctions. If you can share the outstanding number and as well as the NPA that is there?

A. Manimekhalai: Yes, the outstanding is around INR 8,700 crores and NPA is to the tune of 5.93%. But these are all -- there is a guarantee on these accounts which has been given by the government. So, we have no problems in recovering this amount.

Jai Mundhra: Right. And 5.93% is on sanctions amount, right, because that is how…

A. Manimekhalai: Yes, yes.

Jai Mundhra: Sure. Thank you, madam, and all the best.

A. Manimekhalai: Thank you.

Moderator: Thank you. The next question is from Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: Hello, hi team. Congrats and good afternoon. Just a couple of questions from my side, if I look at the slippages breakup across segments, you have seen elevated slippages from the corporate segment this quarter. Can you give some colour on what sector these slippages have come from?

A. Manimekhalai: Yes, we had slippages to the tune of INR 1,200 crores from the corporate credit. And it has only one or two accounts and that is only in the LRD segment that we have got this, about one LRD segment that we have got. And others were small loans that the RBI had plugged off, but they had not asked us to classify that NPA but we took view to classify this accounts.

Ashlesh Sonje: Okay, ma'am and secondly, if I look at the staff cost number, sorry, the non-staff cost number that has declined by 7% quarter-on-quarter, could you explain this decline?

P K Samal: Ashlesh ji if you see our Q4 number last year, there are some additional items like the PLI was there, the performance linked incentive provision was there. The family pension, one-time family pension, it was fully provided where we were supposed to amortize it over the next four years we have provided the entire amount of INR 1,500 crores. So, that was the main reason why the Q4 of last year's staff cost was higher. So, that is now normalized, actually.

Ashlesh Sonje: I was more curious about the non-staff cost part, which has come down by 7% Q-o-Q?

P K Samal: Non-staff cost. Okay. That's also normal basically, what happens, it is usual for the normal first quarter kind of business, normally opex used to be a lower side because most of the expenses the payments are made in the fourth quarter. So, normally fourth quarter the opex used to be on a higher side. But otherwise if you see on quarter-to-quarter basis sorry year-on-year basis June '22 it was INR 2,298 crores and June '23 it is INR 2,300. So, slight increase on year-on-year basis.

Ashlesh Sonje: Okay, perfect. And just lastly, can you share the number of employees who are still part of the defined benefit pension scheme?

P K Samal: That we will provide you right now, that number is not available with me. I will provide you separately.

Ashlesh Sonje: Okay, sir. Thank you. And just one last clarification if I may on the YOA number, the yield number which we have given our presentation, would that be a yield on assets number or a yield on advances number for us?

P K Samal: Yield on which yield you are talking?

P K Samal: It is yield on advances. Right

Ashlesh Sonje: Perfect. Thank you.

Moderator: Thank you. The next question is in the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Yes. Thank you very much sir for the opportunity. Sir, so first of all I wanted to have a clarification. You mentioned about INR 600 to INR 700 crores of some additional income, right? What was that account of?

P K Samal: INR 600 to INR 700 additional income during Q1? No, we have not mentioned any such thing. In fact, Q1 there were some additional income one was the PSLC certificate sale of priority sector certificate with just INR 550 crores plus there was income tax refund of INR300 crores.

Deepak Poddar: And INR 300 crores is what?

P K Samal: That is income tax refund.

A. Manimekhalai: INR 700 was recovery in write off…

Management: 100% recovery that normally we get.

Deepak Poddar: So, INR 550 crores of PSLC extra additional income?

P K Samal: Priority sector certificate sale.

Deepak Poddar: Okay, understood. And sir in terms of your cost-to-income I think, we have seen a big improvement right in this quarter, so how do we see that going ahead and our ROA aspirations, yes?

P K Samal: The cost-to-income we will be something around 44% to 45% that is what we are trying to reach, basically. So, we are well-placed to achieve that. The number one is that the benefits from digitization and other activities will come. And second is through our outsourcing, through our wholly owned subsidiary, UBI Services Limited wherein we have been now a lot of marketing of the loan products as well as the back office operations and all being outsourced that expansion is also in a very good phase. So, that we will save. Apart from that, whatever branch rationalization and all that we have done, that cost will be definitely continue to accrue to us.

Apart from that, we have been focusing on the fee-based income, which is basically this year fee-based income focus will be again on the transaction banking side, on the third party income like wealth management, insurance product and all, credit card will be the primary focus on the fee-based income. So, considering that, we believe that we will be able to have that guidance of around 44% to 45% cost-to-income ratio.

Deepak Poddar: Understood and ROA aspirations over the medium-term?

P K Samal: Yes, that was, in fact, every time you are asking the same question when the bank is going to achieve a ROA of 1%, we are always telling you it will be the 2025. But we will always tell you, but we are aiming to achieve it much earlier than 2025.

So basically, there are three things to achieve this. One is that the credit cost, which is very important, and we are very closely checking that. So our recovery cost and the slippages control. This is one thing, because that is the sole thing which determines your ROA. So we believe that our credit cost will remain under control over the next year, this year, and going forward also, credit cards will be under control, that is one thing.

Then the non-interest income side, we are very focused and last year we had around 30% kind of growth, this year also we have been focusing on that to have that kind of a growth. So we are putting our best efforts to, see that we maintain this. That is our endeavor.

Deepak Poddar: Okay, maintain this 1% ROI rate.

P K Samal: Yes.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Yes, thanks for the opportunity. My first question is regarding the provisions. So you have mentioned that our gross NPA target is coming below 6%. What kind of target we have for the net NPA and also the credit cost was substantially lower this quarter. So do you feel that for rest of the year also it will be in this range?

Rajiv Mishra: Last year also we did a good recovery, though the guidance was around INR 16,000 crores, we did around INR 20,000 plus crores. This year also the guidance which we have given for recovery is around INR 16,000 crores and we have done in the first quarter around INR 3500 plus crores, which we intend to better off in the remaining nine months and we will be doing better. So guidance for GNPA is around below 6%, and Net NPA would be around below 1%.

Dixit Doshi: Okay, and what about credit cost?

P K Samal: Same as I mentioned, we are very much taking very much, very concerned steps on this area to check the slippages as well as recovery. And I think we have done aggressive provisioning in the earlier years that you have seen our provision coverage ratio is more than 90%. So we are therefore expecting that going forward, aggressive provisioning is not required and through our recovery mechanism and all, we are not expecting any substantial slippages.

So that will keep our credit cost much under control. so you will not see any surprises I believe in the in terms of the credit cost it will be in the similar range.

Dixit Doshi: Okay so 10, 15 basis point plus or minus but it will be in this range only credit.

P K Samal: That's what, Yes.

Moderator: The next question is a follow-up question from the line of Ashok Ajmer from Ajcon Global. Please go ahead.

Ashok Ajmera: Yes, thank you for giving me the opportunity again. Sir, I got one small query -- I might have missed in between. This employee cost in this quarter has come down to INR 3,183 crores as compared to the last quarter of INR 4,142 crores. Whether the trend is going to be the same around INR3,200 crores every quarter hereafter or is there any provision to be done which is left out?

P K Samal: No sir, last Q4 was an exception because of the absorption of the onetime family pension cost. That was exceptional, otherwise there is nothing exceptional in the employee cost side. So normal increments and all will happen. So it will be similar only, sir.

Ashok Ajmera: And sir, my another question is on the provision for the ECL, expected credit loss. So whenever it comes, like the guidelines are getting now pumped up. So how much cushion do we already have and how much direct provision we have done in anticipation of the future credit loss?

P K Samal: Sir, what we are doing is that based on the particular account, we make specific account, specific provisioning sometimes. So what is required under the RBI, IRAC norms, we tend to provide a little more in these accounts. That's why you see our provision coverage ratio has gone close to 91%. That is one thing.

So we have not so far created any specific floating provisions which you are referring about to take care of the ECL. The reason being that we believe that the ECL can be better controlled through the monitoring mechanism through control of the SMA and all because on the NPA side we have provided enough so nothing more should come from ECL side.

Ashok Ajmera: So any other buffer provision, any other like COVID provision, or any buffer which we have, the provision other than the IRAC?

P K Samal: The COVID restructuring provisions are continued to be there in the book. So that is for the RBI guidelines. What I mean to say is that the ECL provision which we are mostly talking about is the differential is mainly coming from the SMA Stage 2 assets. So that is basically we are very closely and critically monitoring and trying to reduce and it has been if you see last few years we used to be have SMA assets double digit 15% and that has now come to below 4%.

So we have been gradually seeing the reduction in terms of the ECL provisioning, which we will see further reduction also. So we are trying to control that. So therefore we believe that there may not be very substantial impact going forward, maybe one year later when we will be actually moving to the ECL mechanism and we should be able to observe that.

Ashok Ajmera: Last is on NARCL, any colour on that because we have stopped talking about that now I think things are not happening there or we expect now in the coming two quarters at least something to happen here which may majorly bring in some money here.

Nidhu Saxena: So, Ajmeraji, last year already three accounts have seen the settlement, they have been transferred successfully, amount of INR990 crores around was involved and recovery for the bank was around to the tune of 46%. Now we have in addition to this another eight set of accounts where the NARCL has given us the price and the process for accepting those bids are on the way.

Another 10 set of accounts are there where the NARCL is doing their due diligence and in due course they will be sharing us the price to look at. So this is the thing and process is going on. Three accounts already settled. Another set of 20 accounts, 25 accounts we are seeing probably will be seeing the first recovery through NARCL.

Moderator: Thank you Mr. Ajmera. I request you to join the question queue for any follow-ups. The next question is in the line of Sarvesh Mutha from Antique Stock Broking. Please go ahead.

Sarvesh Mutha: I have one question. Can you give a break up of fee based income and treasury income? Thank you.

P K Samal: Okay, that break-up is available. The treasury income is somewhere around INR 775 crores, comprising of exchange income of INR 261 crores, received from the normal profits from the trading activities as well as mutual funds. Then the other one you have asked? Core fee-based income? Yes. The core fee-based income was INR 1,947 crores for the Q1 as against INR1,679 crores the corresponding figure of the last year.

Sarvesh Mutha: No, within fee based income like forex income or any other break up within that?

Sudarshana Bhat: As far as treasury is concerned INR 775 crores out of which forex income is INR 261 crores remaining are sale of investment profit on SLR, non SLR and mutual fund activity. That is around INR 500 cores.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing remarks. Thank you and over to you.

A. Manimekhalai: Thank you everyone and we hope that we have clarified all the issues that you have raised here. We are extremely thankful to the analysts for the positive things that you talk about of Union Bank and we will be closely interacting with you in the next few days also because the bank is in the process of raising the QIP. So we will be interacting with you more often. Thank you and have a good day.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Union Bank of India, that concludes today's call. Thank you all for joining us and you may now disconnect your lines.