



1st December, 2023

Q2 FY 24



India's Best Performing and Most Customer Centric PMS

Union Bank of India is a prominent player in the Indian banking sector, renowned for its diverse range of financial services, strong customer base, and strategic presence both within India and internationally. It is a versatile financial institution offering a wide range of services, including banking, government business, merchant banking, agency business insurance, mutual funds, and wealth management. Established as a cornerstone of financial stability, Union Bank of India has consistently demonstrated its commitment to excellence and prudence in financial management. Union Bank of India emerges as a financial powerhouse with a comprehensive suite of services, robust financials, an expansive domestic reach, strategic international presence, and a successful merger strategy.

Business Diversification: Union Bank of India prides itself on a diverse portfolio of services encompassing Banking, Government Business, Merchant Banking, Agency Business Insurance, Mutual Funds, and Wealth Management. This strategic diversification positions the bank as a comprehensive financial partner, catering to the varied needs of a broad customer base.

Expansive Reach: Union Bank has witnessed a remarkable expansion in its footprint. Presently, the bank boasts an extensive network of 8,580 branches and 10,835 ATMs across India. This growth is particularly noteworthy, nearly doubling from 4,281 branches and 6,895 ATMs before the merger with Andhra Bank and Corporation Bank.

Strategic Exposure: The bank maintains a judicious exposure to various industries. Infrastructure advances occupy a prominent share at 16% of total domestic advances, followed by NBFCs and HFCs (11%), reflecting a balanced approach to risk and reward.

Global Presence: While predominantly an Indian bank, Union Bank has established a minor yet strategic international presence, contributing approximately 2% to its total business. With a footprint in key financial centers such as Hong Kong, DIFC, Dubai, and Sydney, the bank strategically positions itself in global financial markets.

Government Support and Equity Infusion: Union Bank has demonstrated exceptional resilience, buoyed by substantial government support and successful fundraising efforts in recent years. Noteworthy equity infusions underscore the government's unwavering confidence in the bank's potential and its crucial role within the financial ecosystem. These strategic moves not only fortify Union Bank's position in the market but also contribute significantly to the overall stability and strength of the financial sector. This mutually beneficial relationship highlights the bank's integral role in the nation's economic landscape, positioning it as a key player with enduring government backing.

Merger Synergies: The merger with Andhra Bank and Corporation Bank in April 2020 marked a transformative phase for Union Bank. Approximately 100 crore equity shares were allotted to Andhra Bank shareholders and 198 crore to Corporation Bank shareholders, resulting in a near doubling of the bank's total business. This amalgamation has positioned Union Bank as a formidable force with enhanced capabilities and broader market access.

Stock Data	
CMP (01-12-2023)	108.80
52 Week High/Low	116/60.35
Face Value	10
Market Cap (In Crs)	80,833
Enterprise Value (In Crs)	11,31,107
NSE	UNIONBANK
BSE	532477
Bloomberg	UNBK:IN
Sector	Public Sector Bank

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	76.99%	83.49%
FII	2.89%	1.46%
DII	12.69%	7.88%
Public	7.42%	7.17%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	5.89%	8.77%	8.05%
UNIONBANK	9.13%	54.55%	33.25%

Key Ratios	
P/E	6.82
P/S	0.88
P/B	0.93
Debt To Equity	14.80
ROE	11.40%
ROCE	5.02%
Dividend Yield	2.76%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Interest Income	24587	23478	19682	4.72%	24.92%
NII	9126	8840	8305	3.24%	9.89%
Operating Profit	7221	7179	6577	0.59%	9.79%
Net Profit	3511	3236	1848	8.50%	89.99%
EPS	4.82	4.79	2.71	0.63%	77.86%

Result Highlights

Union Bank's financial performance in the second quarter of FY24 exhibited robust growth, demonstrating a positive trajectory compared to both the preceding quarter and the corresponding period in the previous year (Q2 FY23). The bank reported a significant increase in interest income, reaching Rs 23,478 crores in Q2 FY24, marking a QOQ growth of 4.72% and an impressive YOY surge of 24.92%. The Net Interest Income (NII) continued its positive momentum, standing at Rs 9,126 crores, with a QOQ growth of 3.24% and a substantial YOY increase of 9.89%.

Union Bank's net profit witnessed a significant surge to Rs 3,511 crores, showcasing a notable QOQ growth of 8.50% and a substantial YOY jump of 89.99%.

These stellar financial results underscore Union Bank's resilience, strategic acumen, and effective risk management, positioning the bank as a stable and formidable player in the dynamic financial landscape. The positive growth across crucial financial parameters reflects the bank's adaptability and prudent financial management, instilling confidence in stakeholders regarding its financial strength and sustained performance.

Strategic Talent Acquisition and Future Leadership: Union Bank's forward-looking approach is evident in its hiring plans, targeting critical positions such as Chief Economic Analyst, Chief Compliance Officer, CFO, and heads of Union Learning Academies. This strategic move indicates the bank's commitment to securing top-notch talent, fostering leadership, and ensuring a robust organizational structure to navigate future challenges and opportunities. The emphasis on these key roles underscores the bank's proactive stance in shaping its leadership team for sustained growth and excellence.

Digital Transformation and Customer-Centric Banking: With a customer base of 24 million registered users on its mobile platform, Union Bank's focus on digital initiatives and journeys for both asset and liability products reflects a customer-centric approach to banking. The emphasis on digital channels aligns with evolving consumer preferences and industry trends, showcasing the bank's commitment to enhancing customer experience, accessibility, and convenience. This strategic investment in digital capabilities positions Union Bank as an innovative player in the financial sector.

Asset Quality Management and Proactive Risk Mitigation: Union Bank's commitment to maintaining high asset quality standards is evident in its immediate target to bring down the net NPA below 1%. Additionally, considering the creation of additional provisions in the standard assets category showcases a proactive stance in managing risks and ensuring the health of the loan portfolio. This qualitative highlight reflects the bank's dedication to robust risk management practices, safeguarding its financial health and resilience against potential challenges in the economic landscape.

Transparency and Stakeholder Communication: The bank's analyst interactions during the conclave underscore its commitment to transparency and proactive communication with stakeholders. Addressing queries on deposit growth, credit yield, NIM outlook, and processing charges demonstrates a willingness to engage with analysts and provide clarity on key financial metrics. This commitment to open communication fosters trust among investors and analysts, positioning Union Bank as an institution that values transparency and effective stakeholder engagement.

Concall Highlights

Economic Overview: Despite global uncertainties, the Indian economy has showcased resilience, driven by strong domestic demand, policy support, and structural reforms. Economic activities have seen an upswing, evident in the growth of GST collections, increased automobile sales, rising UPI payments, and expansion in both manufacturing and services sectors. Geopolitical tensions, sluggish external demand, fluctuating oil prices, and controlled inflation pose challenges that require careful monitoring.

Financial Performance: Union Bank successfully raised INR 5,000 crores through a Qualified Institutional Placement (QIP), underscoring investor confidence and providing the bank with additional capital for growth and compliance. The positive outlook from domestic rating agencies on Basel III compliance bonds reflects the bank's commitment to regulatory standards and enhances its borrowing capacity at competitive rates.

Initiatives and Achievements: The launch of the first-ever women's hockey team aligns with the bank's commitment to gender diversity, empowerment, and promoting sports at a grassroots level. Total business reaching INR 19.85 trillion, driven by a deposit base of INR 11.38 trillion and advances at INR 8.47 trillion, indicates sustained efforts in business growth. Achieving an operating profit of INR 14,400 crores in H1FY24, with a robust year-on-year growth of 19.8%, highlights the bank's operational efficiency and profitability.

Digital Initiatives: Insights into the growth and distribution of the 24 million registered customers on the mobile platform. Specific features or innovations contributing to the popularity of the mobile platform. Strategies for further expanding the digital customer base. A detailed overview of the digital journeys introduced for both asset and liability products. The customer-centric design elements, user experience enhancements, and efficiency gains associated with these digital initiatives. Metrics or feedback indicating the success of digital journeys in attracting and retaining customers.

Strategic Initiatives: Introduction of Wealth Management, CRM Edge tool, Analytical Centre for Excellence, and onboarding external domain experts indicate a multifaceted strategic approach, encompassing customer relationship management, analytics, and specialized financial services. Bringing in external domain experts in critical roles demonstrates a forward-looking strategy to infuse specialized knowledge and skills for sustained growth.

Asset Quality Management: Detailed plans and strategies to bring down net Non-Performing Assets (NPAs) below 1% immediately. Steps the bank is taking to address existing NPAs, prevent further slippages, and ensure the health of the loan portfolio. Any specific sectors or segments identified for focused asset quality improvement. The rationale behind considering additional provisions in the standard assets category. Details on the risk factors or sectors driving the decision to proactively enhance provisions. The bank's approach to maintaining a balance between provisioning for potential risks and supporting lending activities.

Yield Increase and Lending Strategies: Union Bank's significant increase in lending yields prompts a detailed discussion on its lending strategies and the ability to adapt to interest rate changes. The bank provides nuanced insights into the repricing of the Marginal Cost of Funds Based Lending Rate (MCLR) portfolio, with a substantial portion already repriced and the remainder scheduled for repricing in the current and upcoming quarters. A focus on retail segments is justified by intense competition in the corporate sector, aligning with the prevailing market dynamics. The bank's approach to borrower reactions to interest rate changes is explored, highlighting the confidence in customer retention and the measures taken to address potential concerns. This detailed exposition offers stakeholders a comprehensive understanding of Union Bank's lending dynamics, strategic choices, and its positioning in a competitive market environment.

Future Outlook: Union Bank expresses optimism about future opportunities aligned with emerging trends, emphasizing a commitment to maintaining a robust balance sheet, healthy growth, and profitability. Strategic focus on increasing CASA ratio through segmentation, exclusive products, dedicated relationship managers, and digital channels aims at building a stable and low-cost deposit base.

Treasury Management and Market Dynamics: Union Bank's approach to treasury management is marked by a strategic focus on navigating global market dynamics. The bank provides insights into its treasury portfolio management, shedding light on the composition of investments, adjustments made in response to interest rate fluctuations, and strategies aligned with international economic developments.

New Initiatives

HR

- Union Learning Academies (ULA) to build specialized workforce
- Assignment of roles & KRAs through role clarity tool
- Learning Management System, Training
- Management System & Digital Library

Verticalization

- Transaction Monitoring Vertical to monitor EWS & Frauds
- Dedicated Transaction Vertical, Reconciliation Centre & National Processing Centre
- Revamped Wealth Management Vertical

Asset Quality

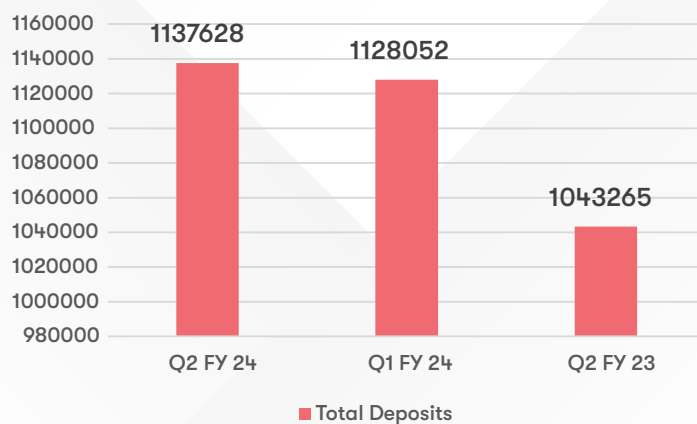
- Feet on Street, Leveraging BC network for collections
- End-to-end digital solution for Recovery Management
- Regional Collection Centres

Digital

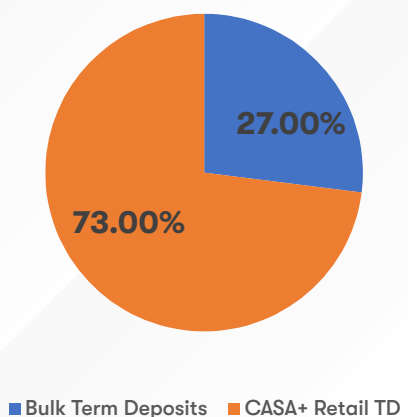
- CBDC made live for android and iOS users
- Triple ISO Certification on IT Security (ISMS, BCMS & ERMS) and PCI-DSS Certification
- Digital Enhancement of Working Capital

Story Through Charts

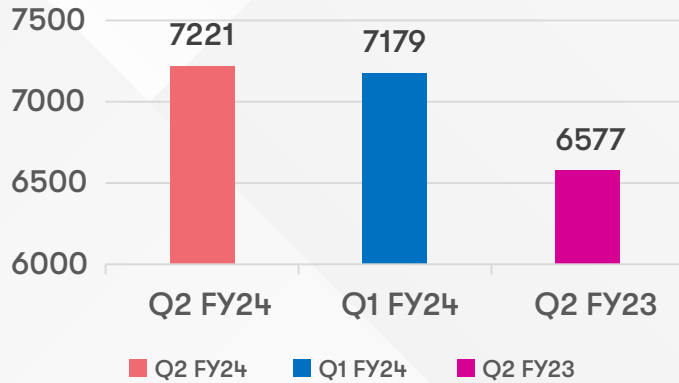
CASA(In Crs)



Composition of Deposits



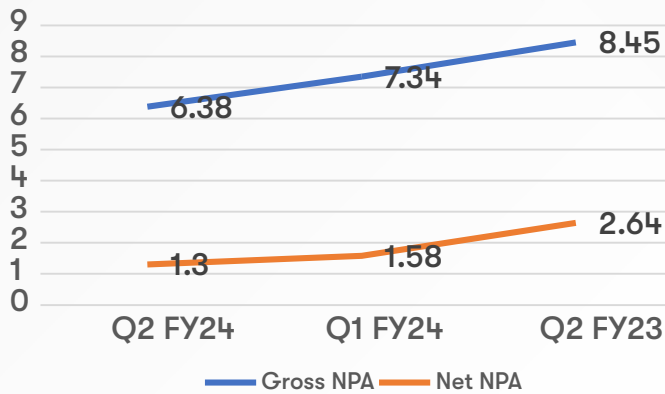
Operating Profit



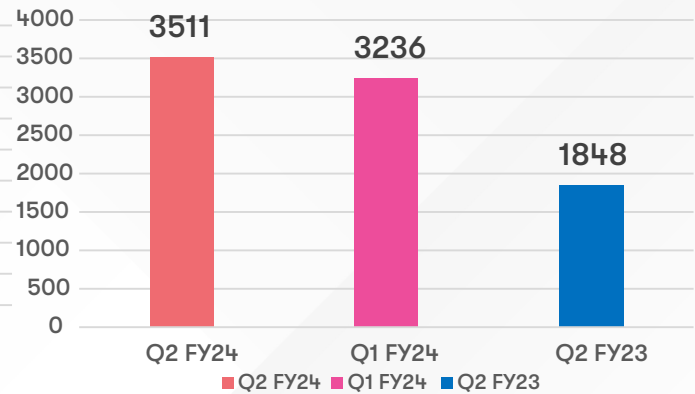
Cost & Yield of funds



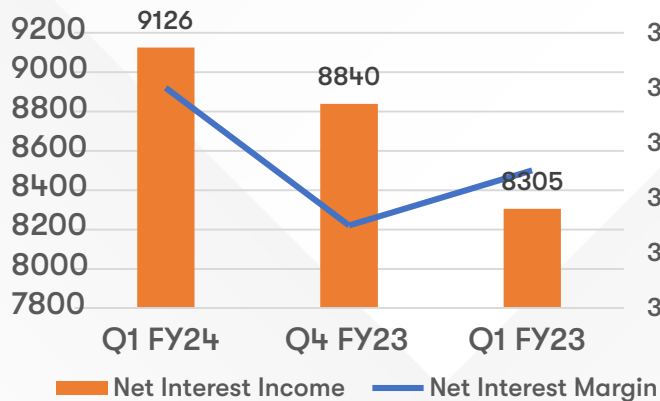
NPA



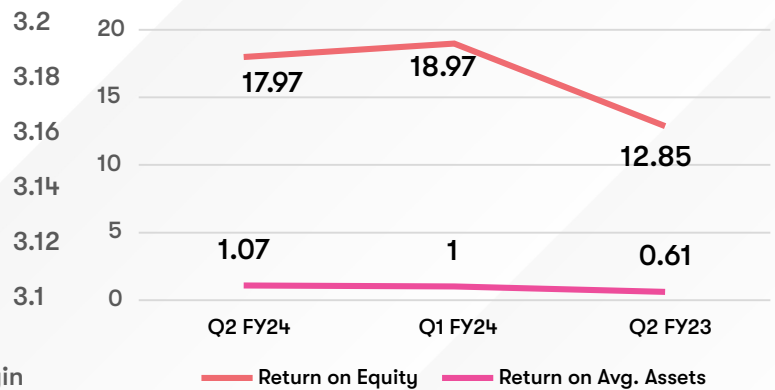
PAT (In Cr)



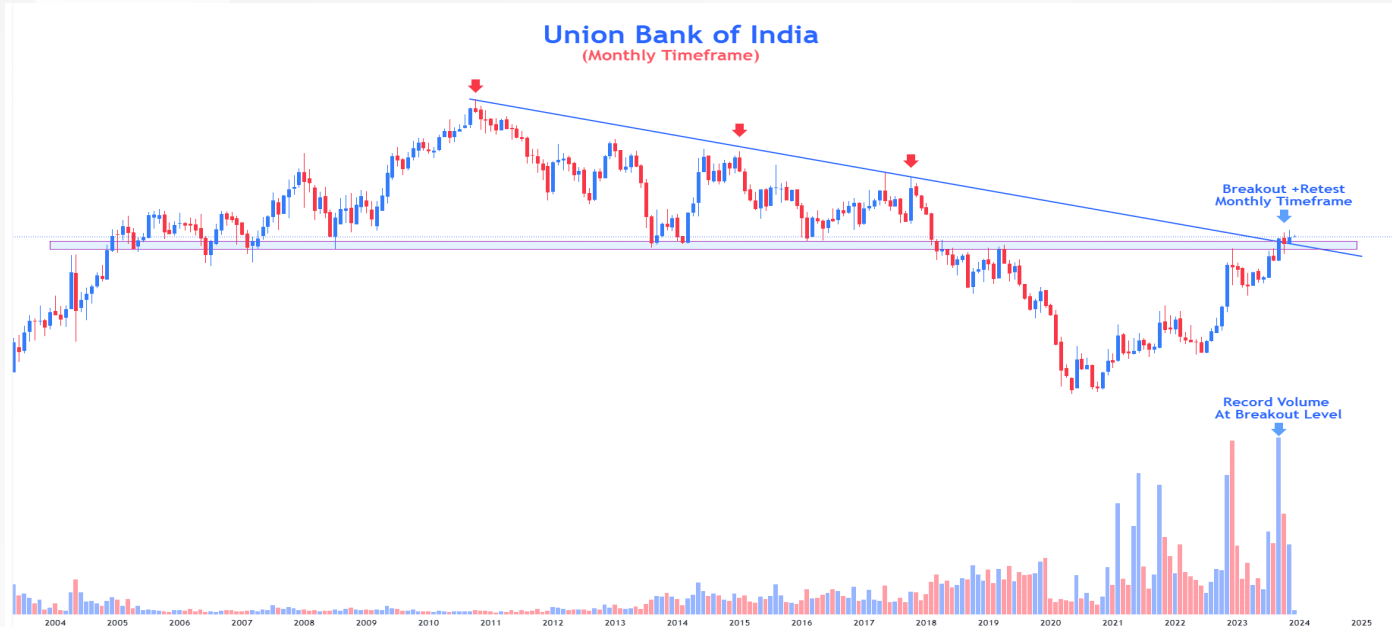
Interest Income & Margin



Return Performance



Technical Outlook



Union Bank of India has given a breakout on monthly time frame with record volumes on the breakout level.

The 5DMA>10DMA>20DMA>50DMA>100DMA>200DMA shows strong bullish momentum in the stock on both higher and lower time frames.

Weekly RSI Above 60 displays bullishness in the stock.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	108.42	108.46
10	108.13	108.12
20	107.29	107.01
50	104.27	103.12
100	96.56	96.75
200	83.57	87.01

Pivot Levels : FIBONACCI			
R1 110.24	Pivot 107.97	S1 105.69	
R2 111.64		S2 104.29	
R3 113.92		S3 102.02	

Relative Strength Index (RSI)	Daily	Weekly
	56.23	68.93

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