



# *Financial Results*

## *Q1-2010*

*23<sup>rd</sup> July, 2009*

**Q1 FY 10**

## Performance Highlights

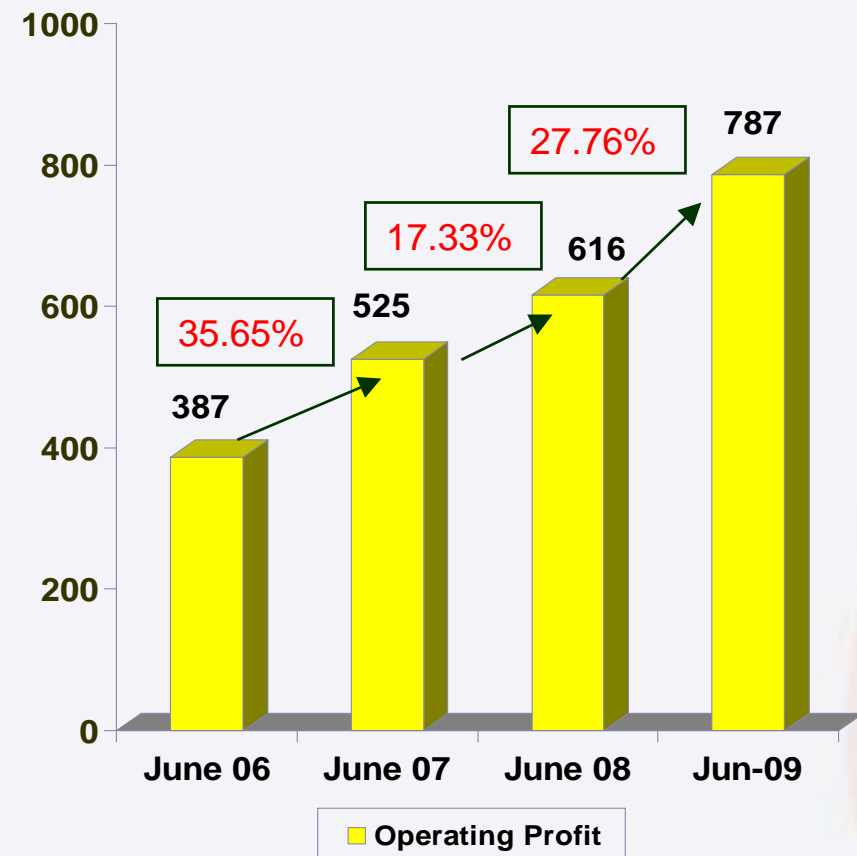
Head		%Increase YoY
Total Business	↑	31.06
Total Deposits	↑	34.16
Total Advances	↑	26.67
Operating Profit	↑	27.76
Net Profit	↑	93.86
Other Income	↑	117.70
Capital Adequacy Ratio	↑	13.73% from 12.22%

## MARKET SHARE

	AS ON June 08	AS ON June 09
<b>OUR MARKET SHARE IN DEPOSITS</b>	<b>3.13</b>	<b>3.37</b>
<b>OUR MARKET SHARE IN CREDIT</b>	<b>3.11</b>	<b>3.27</b>

# Operating Profits (YoY)

CAGR Growth of 26.69%



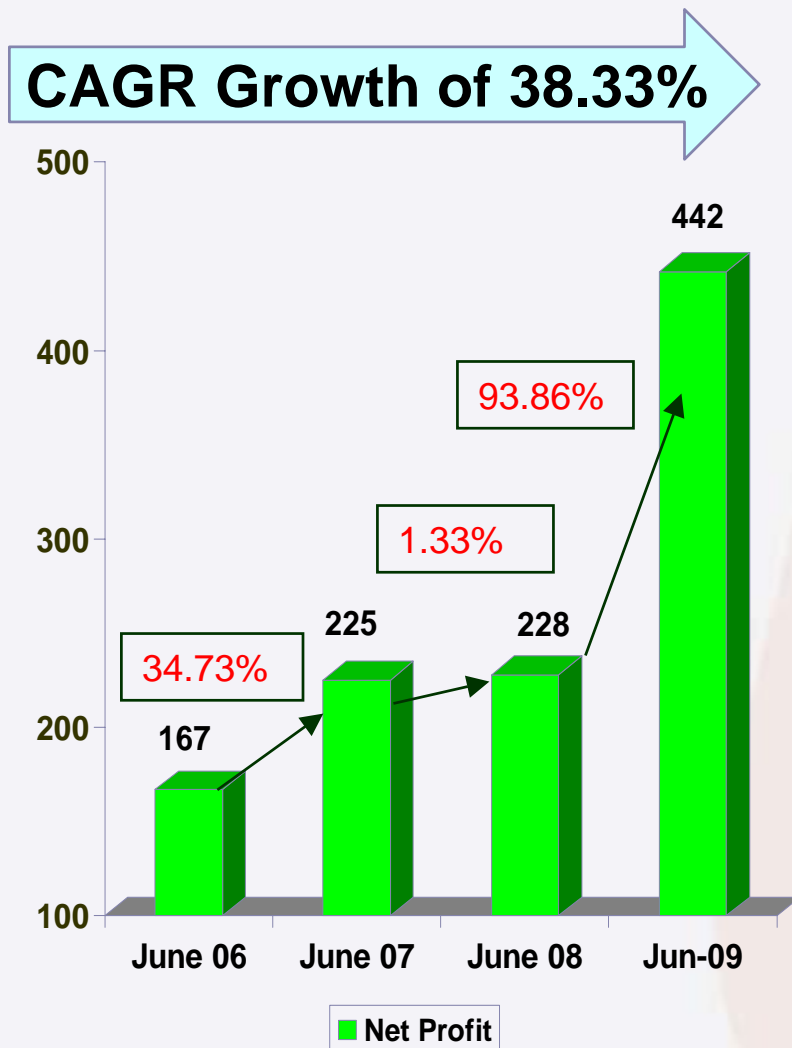
□ Operating Profits for the quarter ended Jun'09 improved by 27.76% to Rs. 787crs from Rs. 616 crs in the previous year.

# PROVISIONS

(Rs.in crore)

	June'08 (Q1)	June'09 (Q1)
<b>Taxation</b>	<b>92</b>	<b>155</b>
<b>NPAs</b>	<b>-51</b>	<b>241</b>
<b>Standard Assets</b>	<b>1</b>	<b>15</b>
<b>Depreciation on Investment</b>	<b>339</b>	<b>-135</b>
<b>Others (Frauds / Suspense Etc.)</b>	<b>13</b>	<b>39</b>
<b>Restructured Advances</b>	<b>-6</b>	<b>30</b>
<b>Total</b>	<b>388</b>	<b>345</b>

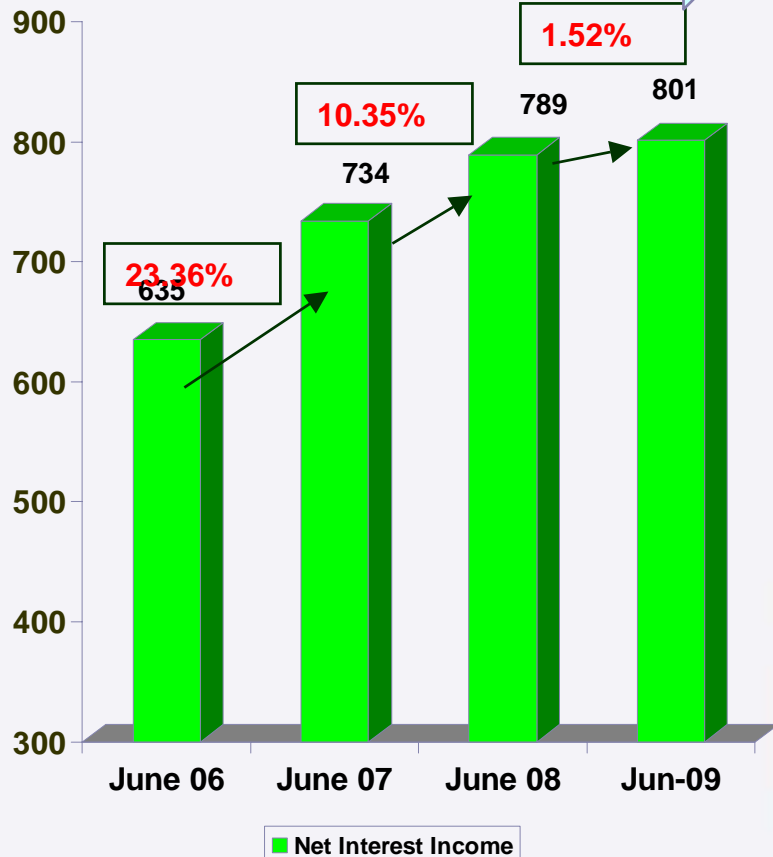
## Net Profits (YoY)



□ Net Profit has grown by 93.86% on YoY basis from Rs. 228 crore to Rs. 442 crore mainly on account of increase in other income which has risen from Rs. 243 crore to Rs. 529 crore.

# Net Interest Income (YoY)

**CAGR Growth of 10.42%**



The Bank's transformation process "Nav Nirman" enabled higher level of client acquisition and resultant growth.

The NII of the Bank was flat mainly due to 3 reasons:-

1. Deposit growth during the past 3 years have progressively increased in line with the transformation process. Substantial deposits were mobilised at the then prevailing deposit rates of 9.5% to 10.5%. Interest outflow remained high.
2. On the flip side, due to the prevailing global economic downturn and resultant sluggish credit offtake, with a view to giving relief to borrowers, the bank fast forwarded reduction in BPLR though cost of deposit remained at elevated levels.
3. Certain portion of surplus liquidity was deployed in MF schemes. As per the accounting procedure, the yield is accounted in other income.

Bank has reduced interest rates on deposits since 4<sup>th</sup> quarter of 2008-09. A substantial portion of deposits raised in last 2 years will mature during 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 09-10. It is expected that these deposits will be repriced at lower deposit rates. This together with increase in credit off-take is expected to improve the NII / NIM during 2<sup>nd</sup> quarter onwards.

## Non-Interest Income- Quarterly Comparison

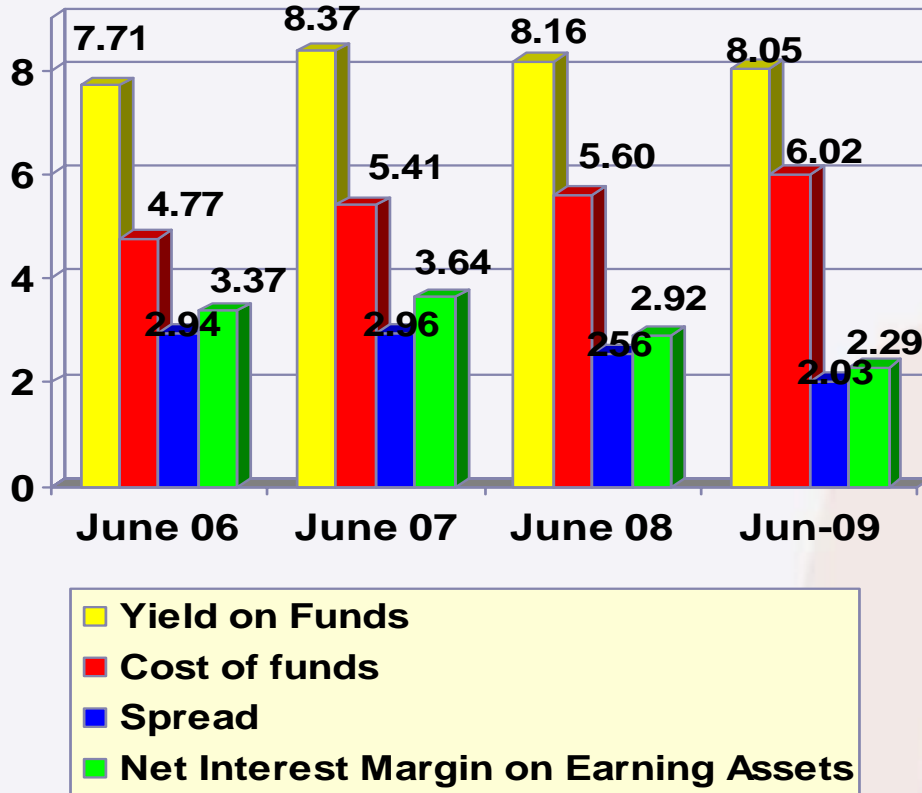
(Rs.in crore)

	June'08 (Q1)	June'09 (Q1)	Growth %
<b>Trading Profit – Treasury</b>	<b>29</b>	<b>209</b>	<b>620.69</b>
<b>Recovery in write-off accounts</b>	<b>22</b>	<b>46</b>	<b>109.10</b>
<b>Forex Income</b>	<b>59</b>	<b>91</b>	<b>54.24</b>
<b>Other Income</b>	<b>133</b>	<b>183</b>	<b>37.59</b>
<b>Total</b>	<b>243</b>	<b>529</b>	<b>117.70</b>

Fee Income from Core operations went up from Rs 192 crs to Rs 274 crs at a growth rate of 42.70%



# Net Interest Margin (NIM)



## Estimate of Average Rate on Term Deposits

The estimated month wise weighted average rate of interest (WaR) on term deposits up to Dec 2009 is as under:

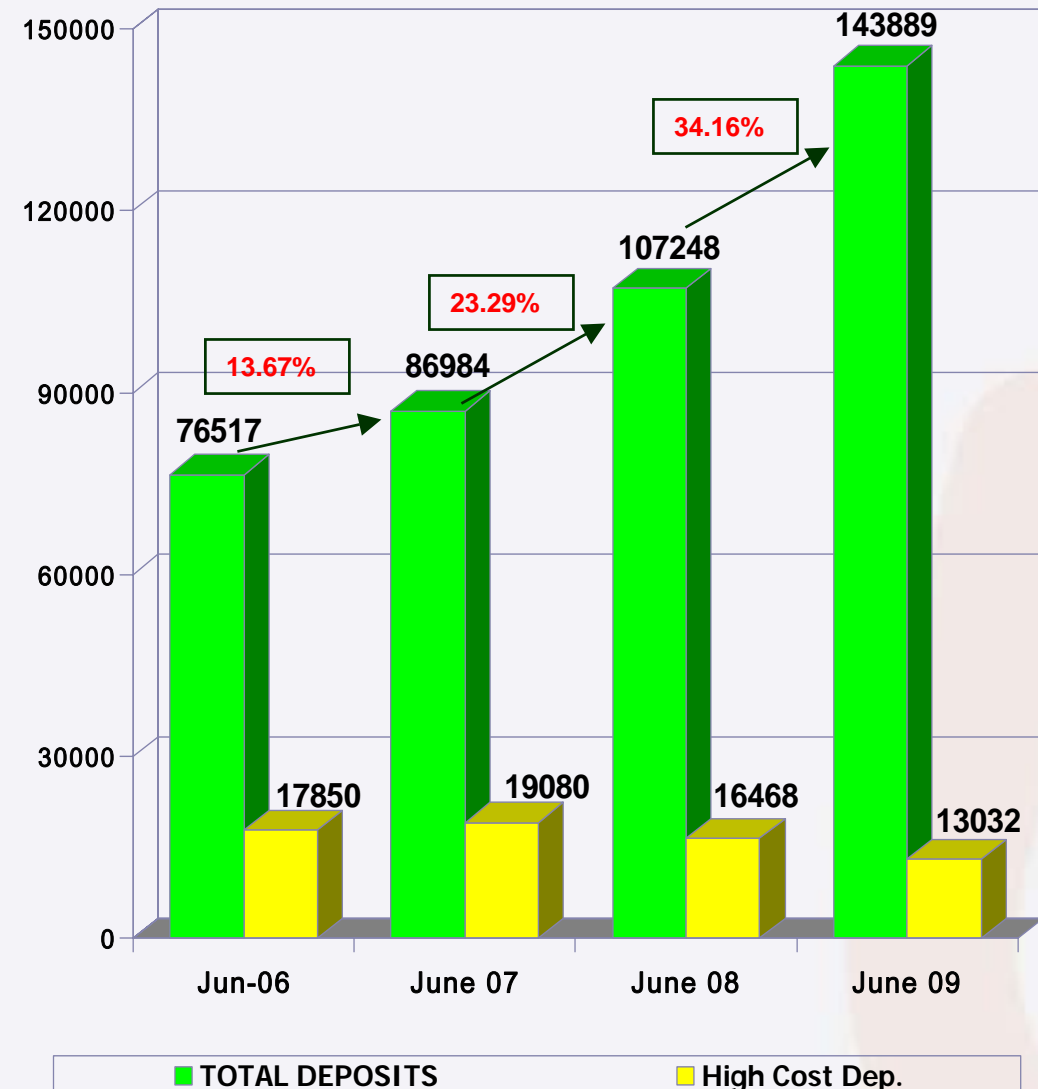
Month	Estimated WaR*
July 09	8.33
August 09	8.00
September 09	7.88
October 09	7.68
November 09	7.44
December 09	7.20

\*On outstanding deposits for respective month only

### Observations:

- The cost of term deposits is expected to reduce by 113 bps by Dec 09 on month over month basis compared to July 09.
- On average basis the same is expected to come down by 62 bps.
- Accordingly, it is expected that NIM will improve over the next 2 quarters.

# Deposits



- Total Deposits grew by 34.16% to Rs. 143889 crs as against Industry (SCBs) deposit growth of 21.60%\*.
- The Bank has shed high cost deposits by 20.86% to Rs 13032 crs as of June'09.

## CASA Deposits

CAGR GROWTH OF 19.36%

(Rs. in Crore)

	June'06	June'07	June'08	June'09	% Growth
<b>Current Deposits</b>	<b>6708</b>	<b>8340</b>	<b>11617</b>	<b>14334</b>	<b>23.39</b>
<b>Savings Deposits</b>	<b>19018</b>	<b>20587</b>	<b>25663</b>	<b>29408</b>	<b>14.59</b>
<b>Demand Deposits (CASA)</b>	<b>25726</b>	<b>28927</b>	<b>37280</b>	<b>43742</b>	<b>17.33</b>
<b>% to total deposits</b>	<b>33.62</b>	<b>33.26</b>	<b>34.76</b>	<b>30.40</b>	
<b>Cost of Deposits (%)</b>	<b>4.96</b>	<b>5.72</b>	<b>6.06</b>	<b>6.47</b>	

- ❑ CASA deposits have shown growth of 17.33% YoY as against growth of 28.88% YoY in the previous year mainly due to robust growth in term deposits outpacing the CASA growth.
- ❑ Current account surpluses of business communities have witnessed decline due to prevailing market conditions demanding tighter cash management.
- ❑ Decline in CASA share is in tune with the industry trend

## Liability Management-CASA

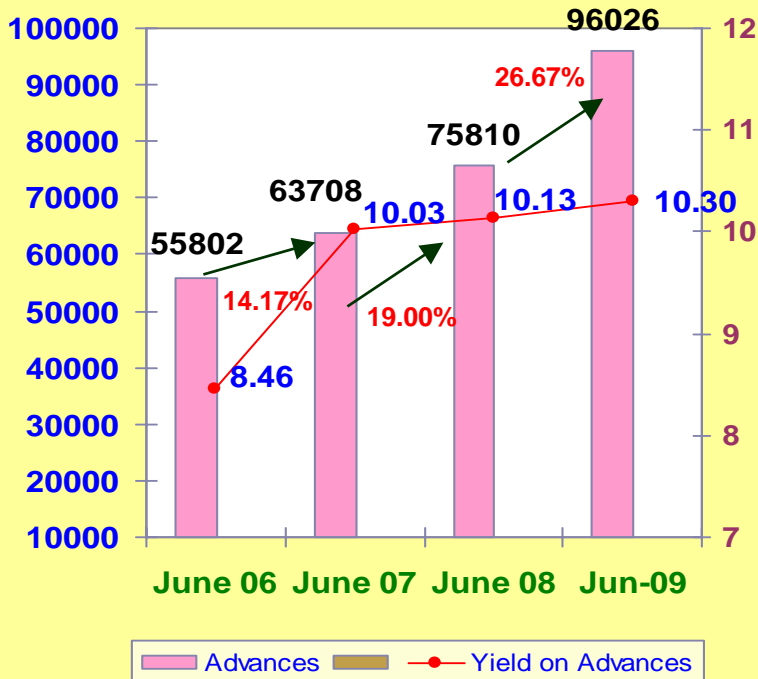
### CASA % Share of PSBs vis-à-vis Union Bank of India

	31st March 2006	31st March 2009
Public Sector Banks	39.95%	32.66%
Union Bank of India	32.36%	30.13%

**Source of Data** – RBI annual policies, IBA Publication, Annual Reports

- ✓ While CASA % of PSBs have declined by 729 bps, CASA % share of the Bank has declined marginally by 223 bps as of Mar'09 vis-à-vis Mar'06.
- ✓ Bank was able to bring down the gap between PSBs and ours from 759 bps to 253 bps in 3 years.
- ✓ New Customers added – 1.54 million (2006-07), 2.27 million (2007-08), 4.10 million (2008-09)

### Advances & Yield on Advances



# Advances

- Bank registered growth of 26.67% YoY in advances to Rs. 96026 crs. This is against Industry (SCBs) growth of 15.10%\*. Improvement in yield is by 17bps to 10.30% as of June'09.
- Advances growth of the Bank has been towards productive sectors of the economy, mainly Agriculture Advances have grown by 38.16%, MSME has increased by 22.98%. Retail advances (Personal segment) grew at 29.07%.

(Rs. in Crore)

	June'06	June'07	June'08	June'09	YoY Growth%
<b>AGRICULTURE</b>	8788	10929	10798	14919	38.16
<b>RETAIL (P-Segment)</b>	6273	6867	8191	10572	29.07
<b>MSME</b>	6834	8962	12630	15533	22.98

\*Source: RBI as of 26<sup>th</sup> June'09

## TOP SECTOR EXPOSURES

Across Large & Mid Corporates, SME and Corporate Agri Business

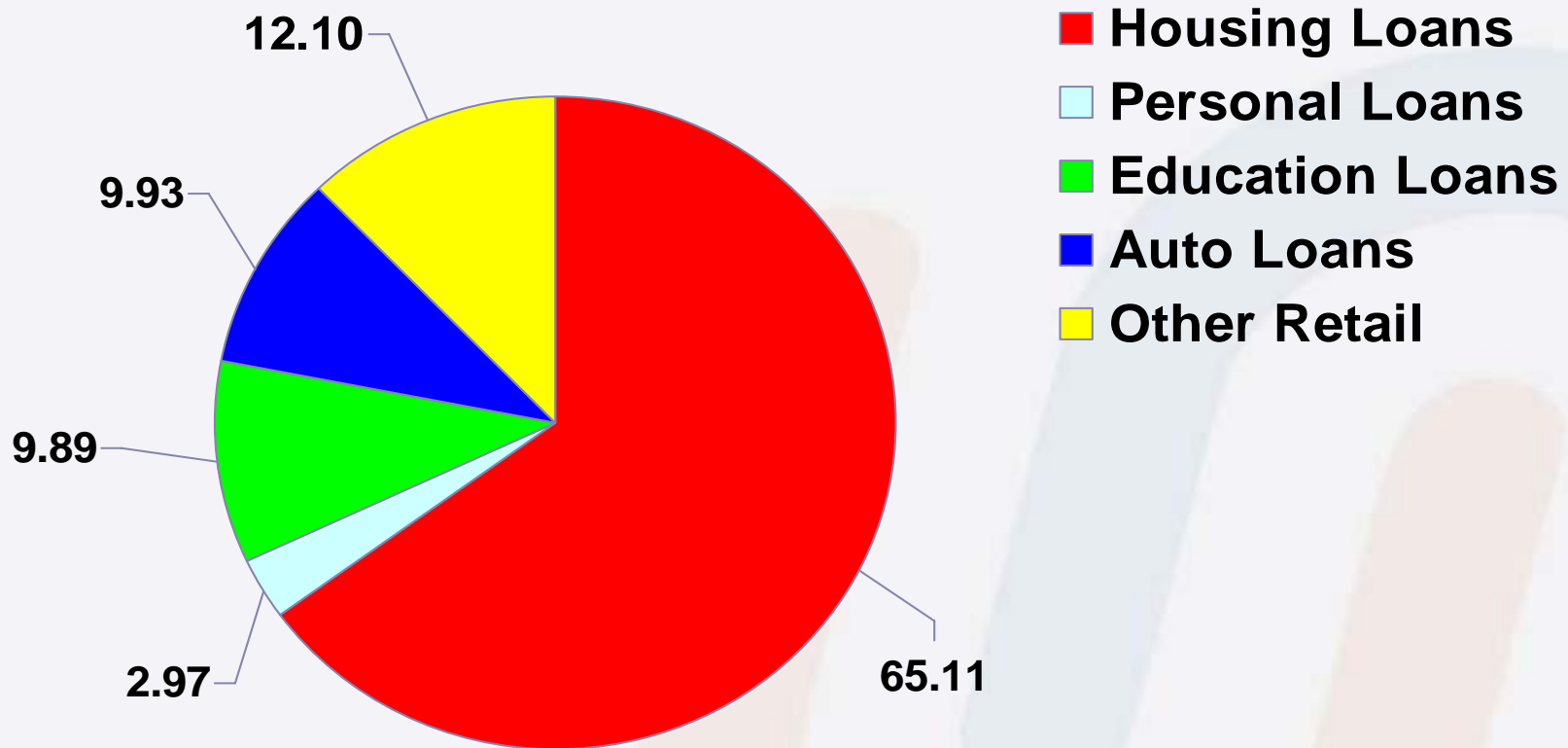
Rank	Sectors	Exposures (As on 30 <sup>TH</sup> JUNE 2009)	
		%	Amount (Rs. in Crore)
1	Retail Advances	11.01	10572
2	Trade	8.57	8225
3	Infrastructure	9.74	9349
4	Iron & Steel	4.47	4296
5	Electricity	4.68	4489
6	Commercial Real Estate	3.77	3617
7	Textile	2.96	2839
8	Chemical & Chemical Products	2.03	1956
9	Gems & Jewellery	1.96	1879
10	Other Industries	23.89	22935

# Sectoral Deployment of Credit June 09

Sector	% Share in Gross Credit
Agriculture	15.54
Large Corporates	38.35
Retail	11.01
MSME	16.18
Trade	8.57

# COMPOSITION OF RETAIL ASSETS

Product-wise composition of Retail assets Portfolio JUNE 09



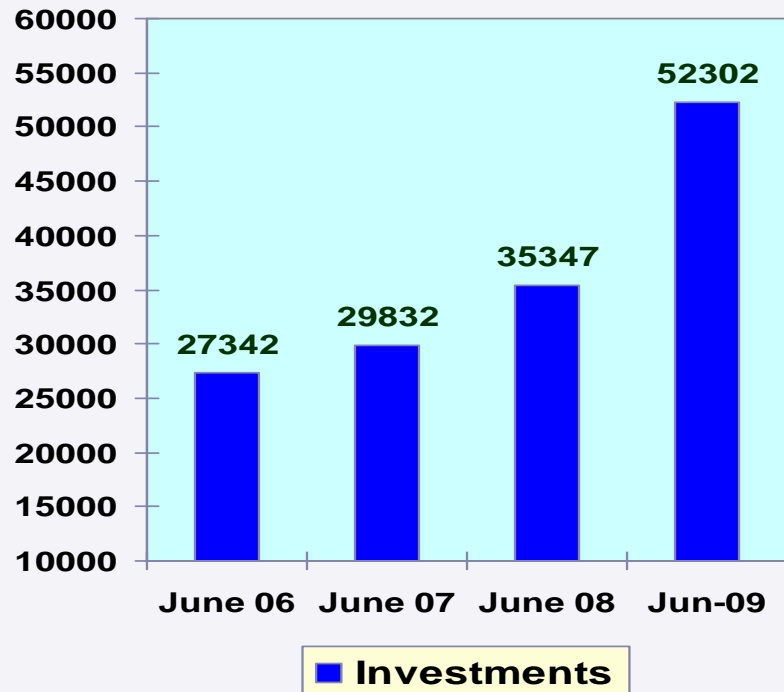


## DISTRIBUTION OF RATINGS LARGE & MID CORPORATES

The Bank is having a portfolio of Rs.49159 crore (No. of Accounts 337) of more than Rs. 50 crore, out of which 236 Accounts with exposure of Rs. 28544 crore are rated. Rating of the Accounts is as under:

Rating	No of Borrowers	Exposure (Rs. in Cr.)	% OF RATED EXPOSURE
AAA	38	10993	38.51
AA	53	7345	25.73
A	66	5024	17.60
BBB	56	3929	13.77
BB& BELOW	23	1253	4.39

## Investments



Investments grew by 47.97% to Rs. 52302 crs as of June'09.

Return on investments was at 7.94%\* for Q1-10 as against 7.68% in the corresponding period of the previous year.

(Rs. in crore)

	Jun'06	%	Jun'07	%	Jun'08	%	Jun'09	%
<b>Held to Maturity</b>	20858	76.28	21658	72.60	23827	67.41	36169	69.15
<b>Held for Trading</b>	0		10	0.03	4	0.01	13	0.03
<b>Available for Sale</b>	6484	23.72	8164	27.37	11516	32.58	16120	30.82
<b>Total</b>	27342	100.00	29832	100.00	35347	100.00	52302	100.00

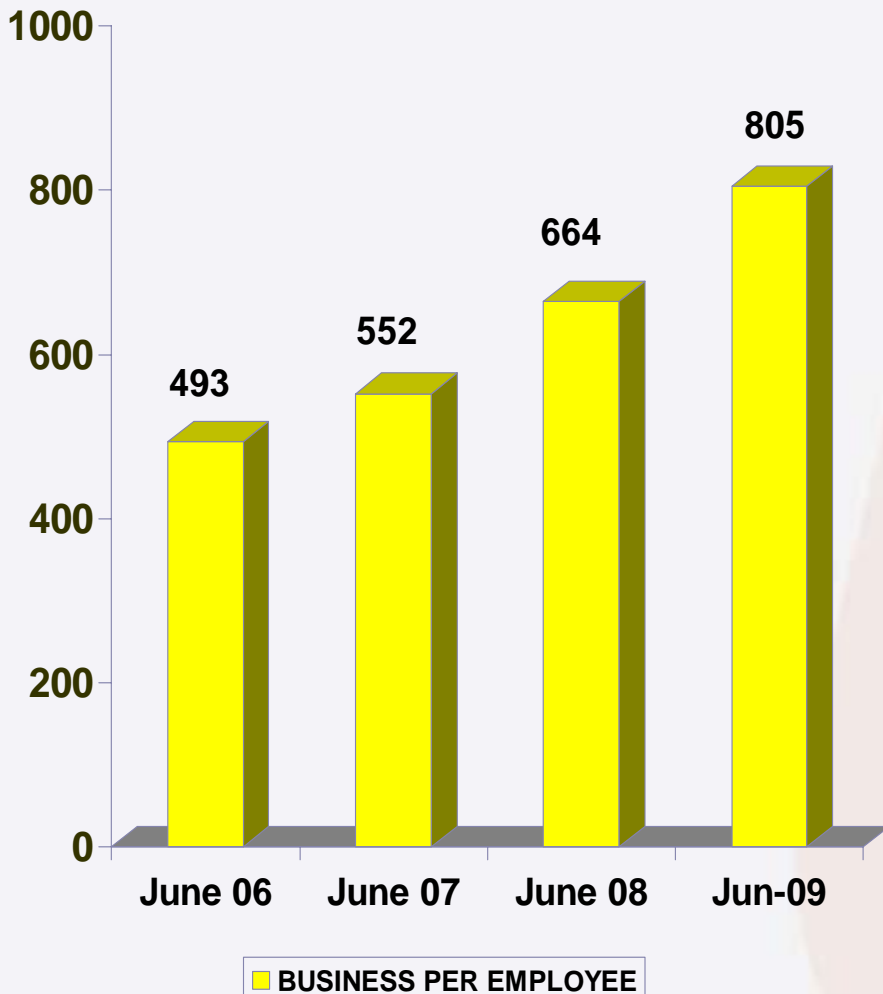
\*including all income from Treasury

## Investment Duration

	June 06	June 07	June 08	June 09
<b>HTM</b>	4.88	4.15	4.09	5.53
<b>AFS</b>	2.81	2.78	2.72	2.70
<b>HFT</b>	-	3.82	-	4.00
<b>Total</b>	<b>4.42</b>	<b>3.79</b>	<b>3.66</b>	<b>4.86</b>

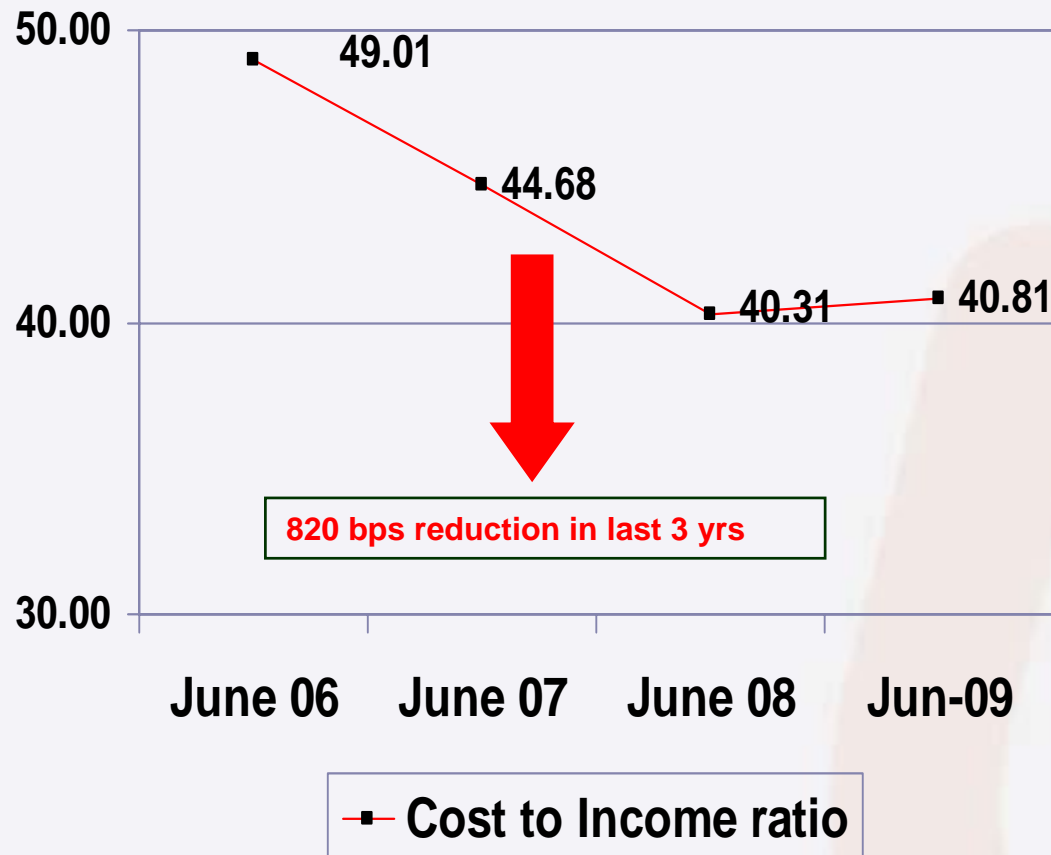
The Bank had taken a conscious decision to invest in high yielding State Developments Loans(SDLs) / Govt. securities of 10 year tenor in the HTM category which has resulted in higher duration of HTM portfolio to 5.53 as of June'09 from 4.09 in the previous year.

## IMPROVED EFFICIENCY



- Productivity measured by Business per employee increased from Rs. 664 lacs to Rs. 805 lacs.
- Gross Profit per employee has increased from Rs. 9.46 lacs to Rs. 11.31 lacs.

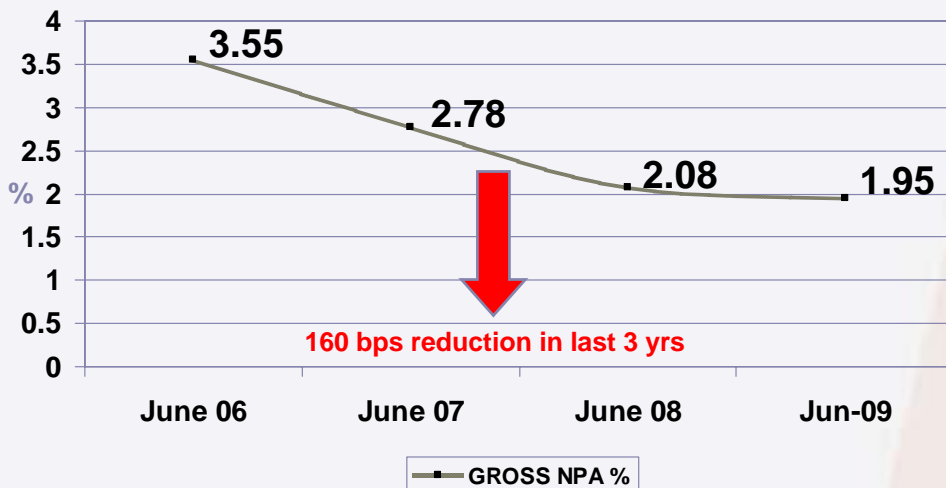
## Cost to Income ratio



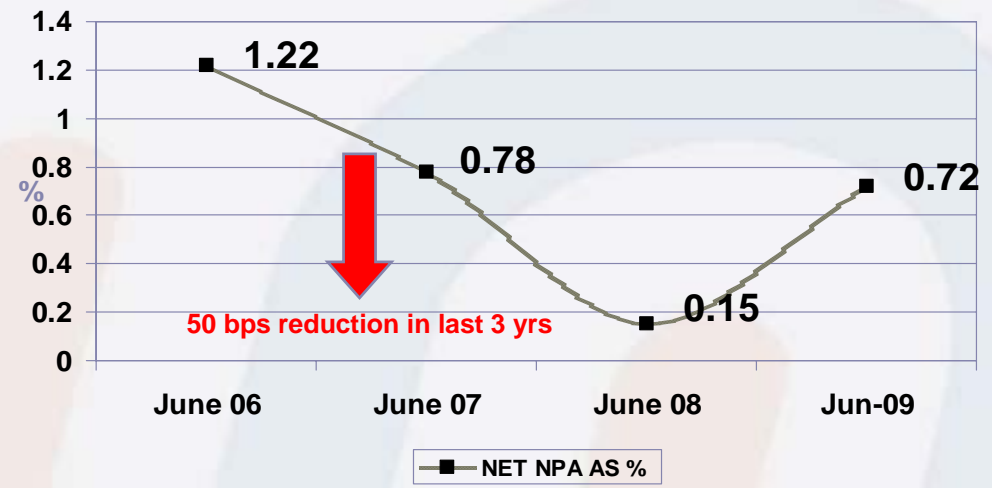
- The Cost to Income ratio which reflects the operating efficiency of the bank was at 40.81% and is one of the lowest among peer banks.

# NPA MANAGEMENT

## GROSS NPAs



## NET NPAs



- ❑ During the current quarter, as per RBI guidelines, the bank has reckoned the floating provisions as part of Tier-II Capital as against being netted out against Gross NPAs in the previous quarter.
- ❑ Consequently, Net NPA % of the Bank was at 0.72% from 0.15% as of June'08. Loan loss coverage of NPA decreased to 63.88% as of June'09 as against 93.05% in the previous year.

## Movement of NPAs

(Rs.in crore)

	June 07	June 08	June 09
<b>Gross NPAs – Opening</b>	1873	1657	1923
<b>Add : Additions</b>	201	158	189
<b>Less : Deductions</b>	305	240	238
<b>1. Due to Write Off</b>	118	13	97
<b>2. Due to upgradation/ Recoveries</b>	187	227	141
<b>Gross NPAs</b>	1769	1575	1874
<b>Gross Credit</b>	63708	75810	96026
<b>Gross NPA as a % age of GBC</b>	2.78	2.08	1.95
<b>Net NPA</b>	486	109	677
<b>Net Advances</b>	62424	74343	94668
<b>Net NPA as a % age of Net Advances</b>	0.78	0.15	0.72

**NET NPAs (With Floating Provisions)**
**Scenario - I**
**(Rs.in crore)**

	(Q1) June'08	(Q1)June'09
<b>Net NPAs</b>	<b>109</b>	<b>137</b>
<b>Net NPAs</b>	<b>0.15</b>	<b>0.15</b>
<b>NPA Coverage</b>	<b>93.05</b>	<b>92.67</b>

**NET NPAs (Without Floating Provisions)**
**Scenario - II**

	(Q1) June'08	(Q1)June'09
<b>Net NPAs</b>	<b>598</b>	<b>677</b>
<b>Net NPAs</b>	<b>0.80</b>	<b>0.72</b>
<b>NPA Coverage</b>	<b>62.00</b>	<b>63.88</b>

As can be observed from the above, if the same accounting treatment is continued as in previous quarter(Scenario I), the Net NPAs remain flat at 0.15% with coverage ratio also remain at almost the same level. However, with the change in accounting treatment this quarter and similar treatment accorded in the previous year's quarter (Scenario II), the Net NPAs show improvement to 0.72 from 0.80 and coverage ratio also improves to 63.88%



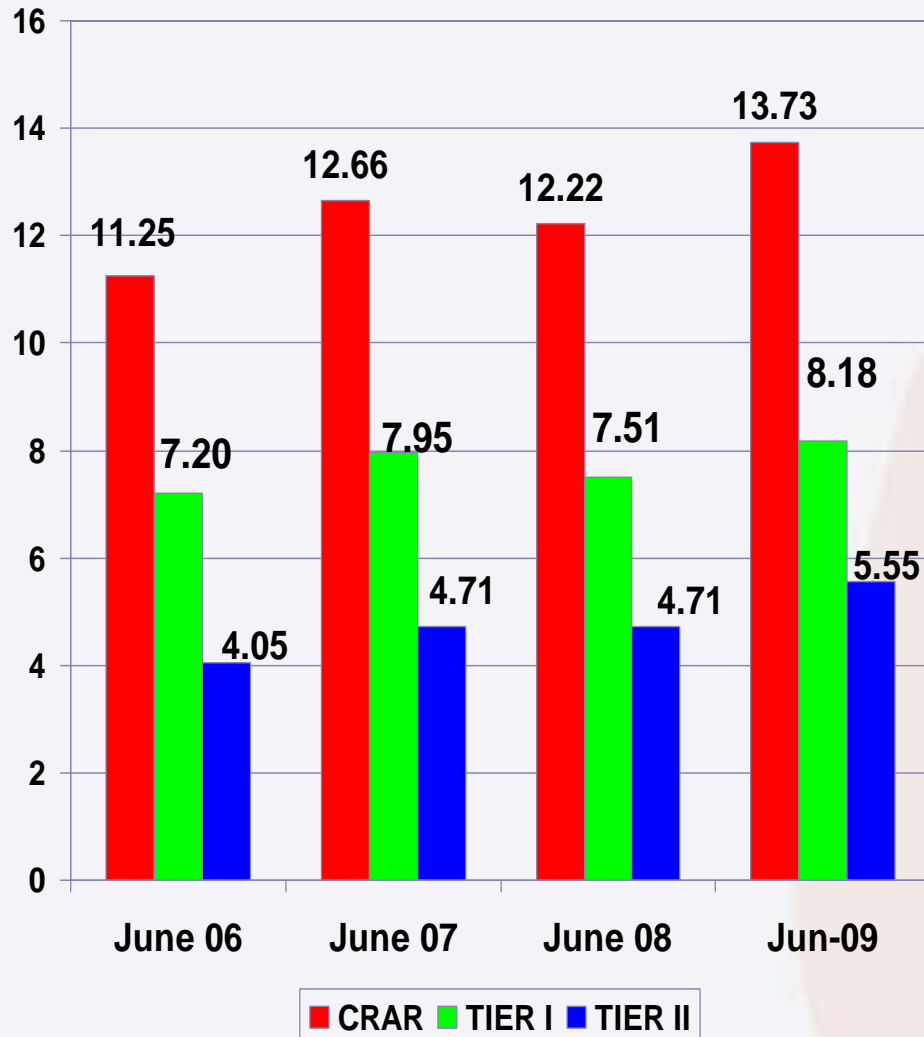
## IMPROVED ASSET QUALITY

Improved asset quality is reflected in declining trend in delinquency Ratio

	June 07	June 08	June 09
<b>Delinquency Ratio*</b>	<b>1.30</b>	<b>0.85</b>	<b>0.79</b>

*\*Annualised*

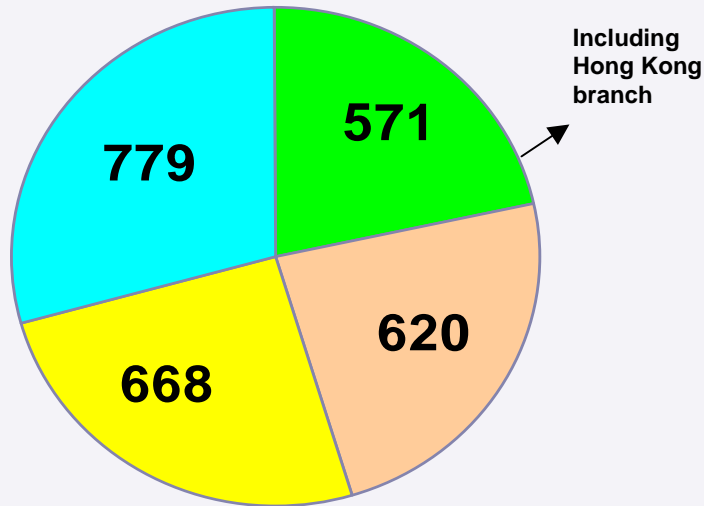
# Capital Adequacy



- As per Basel II Capital Adequacy Ratio is at 13.73% as of 30<sup>th</sup> June, 2009 as against 11.28% as of June 2008.
- Tier-I Core Capital Ratio is at 8.18 % as of June 2009
- As per Basel I the CRAR is 12.22% as on 30<sup>th</sup> June, 2008

# DISTRIBUTION CHANNELS

## BRANCH MIX



- The Bank added 265 branches and 722 ATMs during the last 12 months ending June 2009, of which 80 branches and 205 ATMs were added in June 09 quarter.

## SERVICE OUTLETS

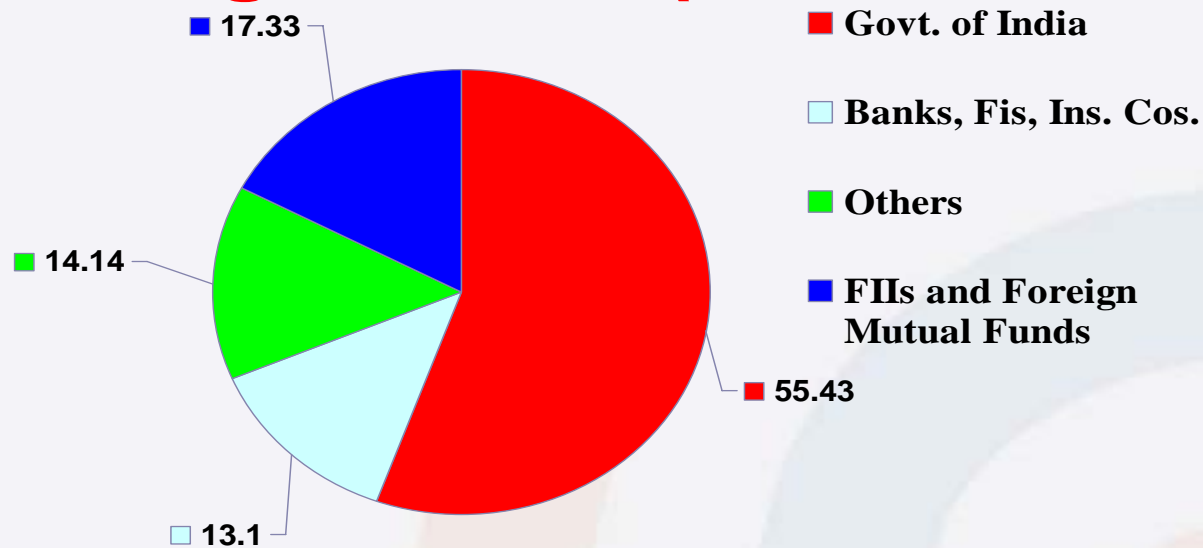
Metro	Urban	Semi-Urban	Rural
-------	-------	------------	-------

South	North	West	East
-------	-------	------	------

624	1063	582	368
-----	------	-----	-----

	Jun'06	Jun'07	Jun'08	Jun'09
Branches	2085	2235	2373	2638
Ext. Counters	144	135	118	110
Service branches	28	31	35	43
ATMs	522	831	1273	1995

# Shareholding Pattern (30<sup>th</sup> June, 2009)



	<b>JUNE 05</b>	<b>JUNE 06</b>	<b>JUNE 07</b>	<b>JUNE 08</b>	<b>JUNE 09</b>
<b>GOVT.</b>	<b>60.85%</b>	<b>55.43%</b>	<b>55.43%</b>	<b>55.43%</b>	<b>55.43%</b>
<b>FII's &amp; FMFs</b>	<b>18.17%</b>	<b>20.00%</b>	<b>19.72%</b>	<b>18.69%</b>	<b>17.33%</b>
<b>BANKS, INST./ MUTUAL FUNDS</b>	<b>4.91%</b>	<b>6.57%</b>	<b>8.95%</b>	<b>11.35%</b>	<b>13.10%</b>
<b>OTHERS</b>	<b>16.07%</b>	<b>18.00%</b>	<b>15.90%</b>	<b>14.53%</b>	<b>14.14%</b>

# INCREASING SHAREHOLDERS' VALUE

	Mar 2008 (YoY)	Mar 2009 (YoY)	June 2008 (Qty)	June 2009 (Qty)
<b>EPS (Rs.)</b>	<b>27.46</b>	<b>34.18</b>	<b>18.08</b>	<b>35.02</b>
<b>BOOK VALUE(Rs.)</b>	<b>111.19</b>	<b>137.87</b>	<b>115.70</b>	<b>146.68</b>
<b>RETURN ON EQUITY (%)</b>	<b>24.70</b>	<b>24.79</b>	<b>15.62</b>	<b>23.87</b>
<b>RETURN ON AVG. ASSETS (%)</b>	<b>1.26</b>	<b>1.27</b>	<b>0.74</b>	<b>1.12</b>

*The Bank is consistently returning profits after giving added value returns to Shareholders .*

## MOVEMENT OF SHARE PRICE OF UNION BANK VIS-A-VIS BANKEX AND SENSEX

	June 2007	June 2008	June 2009	YoY Growth%
<b>SHARE PRICE UNION BANK</b>	<b>132</b>	<b>109</b>	<b>241</b>	<b>121.10</b>
<b>BANKEX</b>	<b>8010</b>	<b>5916</b>	<b>8211</b>	<b>38.79</b>
<b>SENSEX</b>	<b>14651</b>	<b>13462</b>	<b>14494</b>	<b>7.66</b>

**Bank's share price has outperformed the Bankex  
& Sensex during the last 2 years**

*Major highlights  
of last quarter*

## Major Highlights Q1-10

- ❑ The Bank launched on 28<sup>th</sup> May, 2009 at Mumbai, its Merchant Acquiring Business through Point of Sale (POS) Terminals, powered by Financial Technologies Ltd., a leading enterprise providing transaction automation solution for equity, forex, commodity, derivative markets and financial services. The Bank plans to acquire 25000 merchants in 1<sup>st</sup> year and around 1 lakh by the end of 3<sup>rd</sup> year of the operation for its Merchant Acquiring Business.
- ❑ The Bank unveiled its ramped up enhanced mobile banking service - UMOBILE on 18<sup>th</sup> June, 2009. It will be recalled that the Bank introduced its Mobile Banking Services on 14<sup>th</sup> Nov'08 and had the distinction of being the first bank to go -live in full compliance with the RBI guidelines. Customers can now execute a host of transactions, get information about their account and make a range of payments through their mobile.



## Major Highlights Q1-10

- ❑ The Bank has successfully installed RAFTS(Real-time AML Filter for TurboSwift) solution making it first Bank to go live with the Real-time OFAC filter at the transaction gateway level. RAFTS is a real-time AML filter that works as an add-on TurboSwift gateway for all SWIFT transactions. It scans both - Outgoing and Incoming - messages for patterns based on the Bridgers List, which comprises over 20 international AML lists including the list released by Reserve Bank of India. It filters out transactions before they are transmitted or acted upon.

## Major Highlights – Q1-10

- ❑ Due to adoption of technology, transactions through electronic mode moved up from 21% to 24.08% of the total transactions of the bank in the last 3 months and is expected to touch 35% by March 2010. This will significantly bring down the transaction costs.
- ❑ Bank has opened its Representative office in Sydney, Australia in June'09. The Bank already has two representative offices at Shanghai in the People's Republic of China (PRC) and at Abu Dhabi in United Arab Emirates (UAE) and a full fledged overseas branch at Hong Kong.



*ROAD AHEAD*

## ROAD AHEAD

- ❑ The Bank aims to reach a business mix of Rs 293000 crore by the end of March 2010, a growth of approx. 23%. Of this, Rs 170000 crore will be Deposits (growth of 23%YoY) and Rs 123000 crore will be Advances (growth of 25%YoY).
- ❑ Bank will strive to reach CASA of 35% by March 2012.
- ❑ Gross NPA level is targeted less than 1.75%.
- ❑ Transaction through electronic mode to reach 35% of total transactions by March 2010.
- ❑ The Bank is in the process of appointing an HR consultant for critical areas such as talent management, placement, competency mapping, incentive schemes, succession planning.

# Disclaimer

Except for the historical information contained herein, statements in this presentation which contain words or phrases such as “is”, “aims”, ‘will’, ‘would’, ‘indicating’, ‘expected to’ etc., and similar expressions or variations of such expressions may constitute ‘forward-looking statements’. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion in business, the impact of any acquisitions, the adequacy of our allowance for credit losses, technological implementation and changes, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks as well as other risks. Union Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



**यूनियन बैंक**  
ऑफ इंडिया  
**Union Bank**  
of India

*Thank you*

Your dreams are not yours alone

[www.unionbankofindia.co.in](http://www.unionbankofindia.co.in)