

FINANCIAL RESULTS – MARCH '09

Mumbai, May 7th, 2009: The Bank has performed well on major parameters. Before detailing the key performance parameters, we would like to place in perspective certain areas, which forms a part of overall planned strategy of the Bank.

1. Cost to Income Ratio:

The Bank leveraged on low cost advantage to invest in capacity for future earnings. The cost to income ratio while has gone up from 38.17% to 41.8%, the investment took the form of the following initiatives:

	March '09	March 08
1) Re-branding exercise	132	34 (Rs in crores)
2) Delivery channels		
New Branches	196	114
New ATMs	644	377
3) Call Centre (Seats)	70	Nil
4) Talent induction via recruitment	2086	425

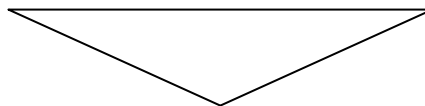
5. On Going 'Nav Nirman' Programme to restructure the Organisation

- Verticals based organizational design
- Wholesale banking transformation project

6. On going Investment in Customer Value Proposition

ATM charges made free ahead of Industry

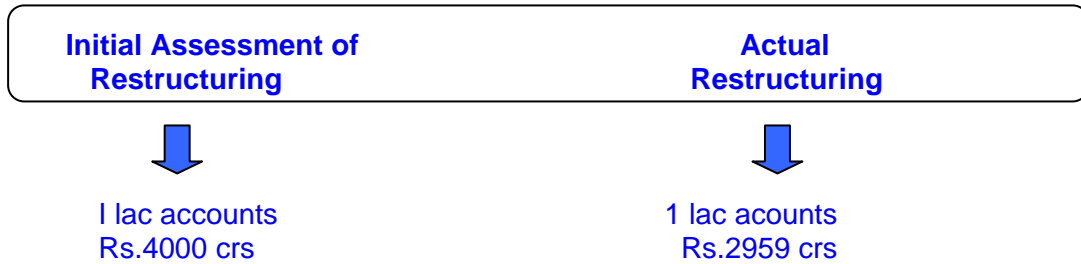
Continued Investment in Training & Reskilling 24000 staff trained in various schemes during FY09



- Higher than industry growth in the FY09 in both Deposits and Advances
- Capacity Building for future earnings
- Investments has led to increase in cost to income ratio but within acceptable range of 42%.

2. Restructuring of Accounts:

In the restructuring of accounts, we focused on viable accounts



Only viable accounts restructured

Among the restructured accounts, those with outstanding of Rs 1 crore amounting to Rs 1650 crs are only 170 accounts. The rest are small borrowal accounts and housing loans who have been given extension of repayment time to overcome the difficult times.

Unviable accounts classified under NPA resulting in about Rs. 600 crs additional slippages, total slippage amounting to Rs.1177 crs as against Rs.762 crs last year.

Delinquency ratio going up from 1.23 to 1.59% as against 1.25 projected.

- Gross NPA yet contained within 2% at 1.96 as against 2.18 last year.

3. Lending Automation Solution has been implemented this year which in addition to ensuring system driven robust credit assessment practices and assured turnaround time, will also enable the Bank to have Real Time Monitoring of accounts. Lending Automation solution is being implemented across all credit verticals viz., Retail, MSME & Corporate.

4. CASA

The CASA growth shows resilience in the face of exceptional growth in term deposits.

	Terminal	Average
Term deposits	43%	29%
CASA	15%	19%
Current Deposits	11%	17%
Savings Deposits	17%	20%

CASA ratio consequently came down from 34% to 30% well above peer bank's growth and in line with best of Industry performance.

86000 current accounts opened during the year showed higher relationship value at an average of 3.8 lac per account as against overall account value of 1.6 lacs – a 130% increase per account value in new accounts mobilized.

33 lac savings accounts canvassed as against 22 lac last year- the new acquisitions promise higher potential in relationship value – an area where the Bank's sales and service culture programme has invested substantially.

5. Talent Management- Re-skilling & Training of Existing Staff

In-house Management Executive Programme (MEP)

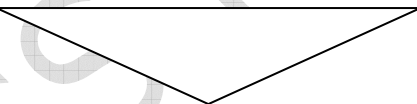
- Tie up with NMIMS & Other leading Institutes for training to over 5000 front office staff.

Tie up with Indian School of Business.

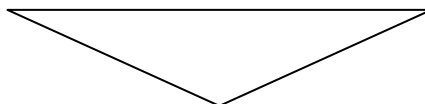
Retention measures- Creation of role in new opportunities like Advisory, Marketing, Insurance, Sales for new recruits.

Fast track promotion scheme to reward higher quality talent

Recruitment process involving intake of 2086 staff (including 600 from reputed Management Institutes / Business Schools)



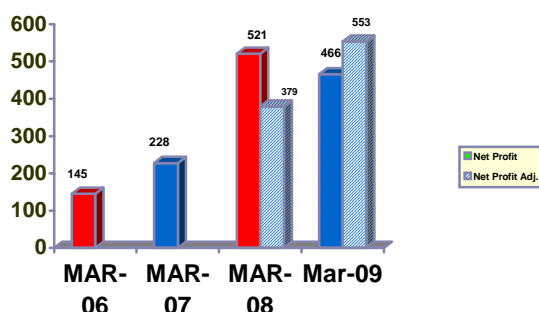
Reduced Average Age
Age as on 31.3.08 – 48.3
Current average age – 47
Projected average age (FY10) – 45
Target average age (FY12)- 40



Young Vibrant Organization
Motivated employees
High customer service
Faster growth

6. NET PROFIT OF Q409

Net profit of Q409 adjusted for exceptional items has grown by 45.64% over



corresponding quarter.

Net Profit for the quarter ended March 2009 has reduced mainly due to higher provisions of Rs. 446 crore as against RS 370 crs in the previous year, substantial employee benefits write-backs of Rs 142 crs in Q408 (Gratuity write-back of Rs 84 crs, Pension – Rs 14 crs, other employee benefits – Rs 54 crs), whereas additional provision of Rs 87 crs (for pension and wage arrears) required in Q409.

We now present the details of Performance during Q409 and FY09

WORKING RESULTS – YEAR ENDED 31st MARCH, 2009

Major Highlights

Q4 FY09	Q3 FY09	Q4 FY08	Growth YoY%	(Rs in Crores)	12M FY09	12M FY08	Growth YoY%
912	854	891	2.36	Operating Profit	3082	2580	19.46
466	671	521	-10.56	Net Profit	1727	1387	24.51
1.25	1.92	1.72		Return on Avg Assets	1.27	1.26	
0.34	0.12	0.15		Net NPA%	0.34	0.15	
38.64	43.81	22.20		Cost to Income Ratio	41.81	38.17	
560	395	373	42.09	Non Interest Income	1483	1320	12.35
2.49	3.21	2.54		Spread	2.82	2.59	
2.80	3.68	3.20		NIM (Earning Assets)	3.24	2.93	

Union Bank of India today reported its financial performance for the year ended 31st March 2009. Highlights of the audited results as compared to the previous period are as under:-

The Bank's Net profit grew by 24.51% YoY to Rs.1727 crs in FY 2009. Operating profit grew by 19.46% YoY to Rs 3082 crs in FY 2009. On a quarterly basis, the Bank's net profit for Q409 declined by 10.56% to Rs 466 crs from Rs 521 crs in the previous year.

While the Gross NPA of the Bank reduced from 2.18% to 1.96% as of March 2009, Net NPAs increased marginally from 0.15% to 0.34% as of March 2009. The Net NPA of 0.34% for Mar'09 is among the best in the Industry.

The Bank's total Deposits grew by 33.28% to Rs 138416 crs as of Mar'09 from Rs 103859 crs in the previous year. Of the total deposits, retail deposit portfolio showed an impressive growth of 44.75 % to Rs 124103 Cr. as of Mar'09 as against Rs.85739 Cr.in the previous year.

Financial Highlights

Business Growth

Domestic Business mix of the Bank has registered growth of 30.96% (y-o-y) to Rs.235376 Crore as on 31.03.2009 from Rs 179737 crore as on 31.03.2008.

Global Business mix of the Bank registered growth of 31.84% YoY to Rs 236968 Crore as of 31.03.09.

Key Financials

The Bank recorded a quarterly Operating profit of **Rs. 912 crs** for Q409 as against Rs.891 crs for Q408 registering increase of **2.36%**.

Net Profit has declined from Rs. 521 crore to Rs 466 crore registering a decline of 10.56% QoQ.

Net Interest Margin (NIM) for year ended March 09 has improved to 3.24% as against 2.93% in the previous year. Spread for the year Mar09 improved to 2.82% from 2.59% in the previous year.

Capital Adequacy stood at 12.01% in March 09 as against 12.51% in March 08. As per Basel II, the Capital Adequacy works out to 13.27% as of March 09 as against 11.70% in the previous year.

Net Worth of the Bank posted a rise to Rs. 6964 crs as of March 09 from Rs. 5616 crs as of March 08 due to plough back of profits.

Return on Average Assets has marginally increased from 1.26% in March'08 to 1.27% in March'09 indicating more efficient utilization of assets. On a quarterly basis, Return on Average Assets declined to 1.25% for March'09 quarter as against 1.72% in the corresponding period of the previous year.

Asset Quality:

In difficult turbulent times, the asset quality was maintained with marginal **increase in Net NPAs** from 0.15% in March 08 to 0.34% in March 09. However, **Gross NPAs declined** to 1.96% from 2.18% in the previous year.

Gross NPA level increased to Rs.1923 crore in March 09 from Rs.1657 crore in March'08. Net NPAs increased in absolute terms from Rs.126 crore in March 08 to Rs. 326 crore as of March 09.

NPA provision coverage was at 83.05% as of March 09 as against 93.49 % in the previous year.

Other Highlights

The Bank won a Special citation at FIIA Awards 2009, Singapore for its 100% Core Banking achievement through in-house efforts.

After networking all its branches under CBS, the Bank has commenced networking of its sponsored RRBs under CBS. Bank has pioneered this initiative among the 86 RRBs present in the country.

Bank has launched an advanced 60 seater 24X7 call centre at its Technology Centre, Powai. This Call centre, part of Bank's brand promise of multiple delivery channels, facilitates superior customer experience.

The Bank has implemented Loan Automation Solution for its Retail, MSME and Corporate asset portfolios. The solution is expected to significantly streamline Turn-around-Time(TAT) in sanction of credit facilities, enhance customer experience besides generating MIS for the Bank for strategic planning.

Leveraging on the 100% networking of branches under CBS, the Bank has been introducing value added technology related products. This has resulted in usage of transaction through the electronic mode increasing from 6% as of Mar'08 to 21% of the total transactions as of Mar' 09.

The Bank signed an MOU with Madras School of Economics, Chennai to establish a Special Chair in the Bank's name to be named "UNION BANK CHAIR FOR EXCELLENCE IN BANKING" for conducting academic research in banking and Industry oriented dissemination.

The Bank also set up a research chair at the prestigious Indian Institute of Management–Ahmedabad. The chair will fund research in MSME sector and findings will be shared with the Bank.

The Bank signed an MOU with Great Lakes Institute of Management (GLIM), Chennai for setting up a “UNION BANK GREAT LAKES CENTRE FOR BANKING EXCELLENCE (UBGLCBE)” and a Faculty Chair as part of this MOU for conducting research and learning program initiatives in banking, Financial services sector and Insurance.

Working Results Overview – Q4 ended March, 2009

		Q4 to Q4 change		
		March 08	March 09	% change
1.0	Total Income	2913	3849	32.13
1.1	Interest Income	2540	3289	29.49
1.1.1	-on advances	1813	2446	34.91
1.1.2	-on investments	621	775	24.80
1.1.3	-on others	106	68	-35.85
1.2	Non-Interest Income	373	560	50.14
2.0	Total Expenses	2022	2937	45.25
2.1	Interest Expenses	1768	2363	33.65
2.1.1.	-Deposits	1592	2217	39.26
2.1.2	-Others	176	146	-17.05
2.2	Other Expenses	254	574	125.98
2.2.1	-Establishment	57	313	449.12
2.2.2	-Others	197	261	32.49
3.0	Interest Spread	772	926	19.95
4.0	Operating Profit	891	912	2.36
5.0	Provisions	370	446	20.54
6.0	Net Profit	521	466	-10.56

Working Results Overview

Business:

The Bank achieved a domestic business–mix of Rs.235376 Cr. as on Mar’09, a growth of 30.96%, as against Rs 179737 crs in the previous year.

Global business-mix reached a level of Rs. 236968 Cr. as of Mar’09.

The Bank’s domestic deposits as on 31st March 09 reached a level of Rs. 138416 crs from Rs. 103859 crs as on 31st March 08, an increase of 33.28%. In sync with its strategic focus, the Bank’s Core deposits comprising CASA and retail deposits grew by

an impressive 44.75% to Rs.124103 crs in FY 2009. Demand deposits grew by Rs.5507 crs (15.22%) to Rs. 41711 crs as on 31st March'09 from Rs.36204 crs as on 31st March'08.

Gross domestic advances of the Bank reached a level of Rs. 96960 crs as on 31st March 09, registering an increase of 27.79% over March 08.

MSME advances grew by 3907 Cr. YoY from Rs. 12242 crs as of March 08 to Rs.16149 crs as of 31st March'09, a growth of 31.91% YoY. Bank's Retail advances (Personal Segment) grew by 28.79% YoY to Rs.10092 crs from Rs.7836 crs in the previous year. Educational loans portfolio of the Bank grew by 49.01% YoY to Rs.982 crs as of 'March 09.

Capital & Net Worth:

The Bank's Capital Adequacy Ratio (CRAR) is at 13.27%. as on 31st March 2009 as per Basel II.

The Bank's Net Worth increased by 24.01% and stood at Rs.6964 crore as on 31st March 09 as compared to Rs.5616 crore in the previous year.

Financial Performance (12 Months):

The Net Interest Margin (on interest earning assets) of the Bank stood at 3.24% for the year ended 31st March 09 as against 2.93% in the previous year. Spread of the Bank was at 2.82% as against 2.59% in the previous year.

The Bank's Net Interest Income increased from Rs.2853 crs to Rs.3813 crs, a growth of 33.65% YoY.

The bank registered an overall growth of 12.35% in Non-Interest income to Rs.1483 crs in FY 2009 from Rs 1320 crs in the previous year.

Operating expenses are at Rs.2214 crs in March 09 as against Rs.1593 crs in the previous year.

Asset Quality:

The Bank Restructured assets aggregating to Rs 2959 crs in 113268 accounts in line with the policy guidelines of RBI. Among the restructured assets, those with outstanding of Rs 1 crore amounted to Rs 1650 crs in 170 accounts. The rest are small borrowal accounts who have been given extension of repayment period to overcome the difficult times.

Nature of Assets	No of Accts	Amount
		(Rs in Crs)
MSME W/w	28272	647.42
Micro Enterprises	20620	249.18
Small Enterprises	7571	242.91
Medium Enterprises	81	155.33
Large Enterprises	39	680.25
Others	30808	796.71
Agriculture	15987	113.71
Retail Loans	38162	721.25
Total	113268	2959.34

The sector-wise break-up of assets restructured are as under:-

Unviable accounts classified under NPA resulted in about Rs 600 crs additional slippages within the overall slippages amounting to Rs 1177 crs for FY09 as against Rs 762 crs in the previous year.

Gross NPAs have increased to **Rs.1923 crs** as on 31st March 08 from Rs.1657 crs as on 31st March 07.

The ratio of the Bank's **gross NPAs to Gross Advances** improved to 1.96% as on 31st March 09 as compared to 2.18% as on 31st March 08.

Net NPAs increased to Rs.326 crs as on March'09 from Rs.108 crs as on March'08.

The ratio of **Net NPAs** to Net Advances has increased to 0.34% as on 31st March 09 from 0.15% as on 31st March 08.

The **provision cover for NPAs** as on 31st March 09, was at 83.05% as compared to 93.49% as on 31st March 08.

Ratio Analysis (Yearly):

Despite increase in Yield on advances to 11.06% and Yield on funds to 8.78%, increase in Cost of Funds to 5.96% and Cost of deposits to 6.50% for the period ended 31st March 09, **Net Interest Margin(NIM)** was at 3.24% for **March'2009** from 2.93% in the previous year.

Return on Average Assets (ROA) increased from 1.26% in March'08 to 1.27% in March'09.

Return on Equity increased from 24.70% in March'08 to 24.79% in March'09.

EPS and Book value showed improvement to Rs. 34.18 and Rs.137.87 in March'09 from Rs. 27.46 and Rs. 111.19 respectively in March 08.

Cost to Income Ratio was at 41.81% as of March 09 as against 38.17% in the previous year.

Employee Productivity

Business per Employee increased to Rs. 861 lacs as of March'2009 from Rs. 699 lacs as on March'2008.

Net Profit per Employee increased to Rs.6.28 lacs as of March'2009 from Rs 5.39 lacs as on March'2008.

Future Plans

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 170250 crore will be Deposits (growth of 23%YoY) and Rs 122750 crore will be Advances (growth of 25%YoY).

Bank will strive to reach CASA to 35% by March 2012.

Gross NPA level is targeted less than 1.50%.

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.

CCD/09-10/04

Released on behalf of Union Bank of India by:-
R.B.Menon, GM, Corporate Communications Tel: 2202 6662 E-mail: rbmenon@unionbankofindia.com