



यूनियन बैंक
ऑफ इंडिया
Union Bank
of India

Financial Results
Q4-09 & FY 2009

7th May, 2009

HIGHLIGHTS OF BUSINESS GROWTH

Total Business increased from Rs.179737 Cr. to Rs 236968 Cr.
an increase of 31.84 %

Total Deposits increased by an impressive from Rs.103859
to Rs. 138703 crs an increase of 33.55%.

Core Deposits grew from Rs.85739 Cr.to
Rs.124103 Cr. an impressive growth of 44.75%

Gross Advances have increased from Rs.75878 Cr.
to Rs. 98265 Cr.an increase of 29.50%

Net Interest Income has increased from Rs. 2853 Cr.
to Rs. 3813 Cr. An increase of 33.65%

Performance vis-à-vis guidance for FY09

- The Bank aims to reach a business mix of Rs 220000 crore by the end of March 2009, a growth of approx. 22%. Of this, Rs 127500 crore will be Deposits (growth of 23%YoY) and Rs 92500 crore will be Advances (growth of 22%YoY).

The Bank outperformed its guidance by achieving a business mix of Rs 236968 crore by end Mar'09, a growth of 31.84%. Deposits have reached Rs 138703 cr, a growth of 33.55% and Advances reached level of Rs 98265 crs, a growth of 29.50%.

- Bank will continue to focus on a four-pronged strategy for growth. Retail, Agri business, SME and Corporate will continue to be the four growth engines.

The Bank's advances growth has been fuelled by its 4 growth engines, MSME advances grew by 31.91% to Rs 16149 crs, Retail advances grew by 28.79% to Rs 10092 crs, Agri advances grew by 17.84% while Corporate advances grew by 35.95%.

Performance vis-à-vis guidance for FY09

- **Containing Cost of funds will be central to the strategy of the Bank during the year.**

Average Savings portfolio grew by 20%, the growth almost doubling from Rs 2400 crs to Rs 4500 crs. 33 lac new savings account added during the year. 85000 Current accounts opened with average size of account going up by 130% from 1.6 lacs to 3.8 lacs per account. High Cost deposit has come down to 10.4% from 19% last year.

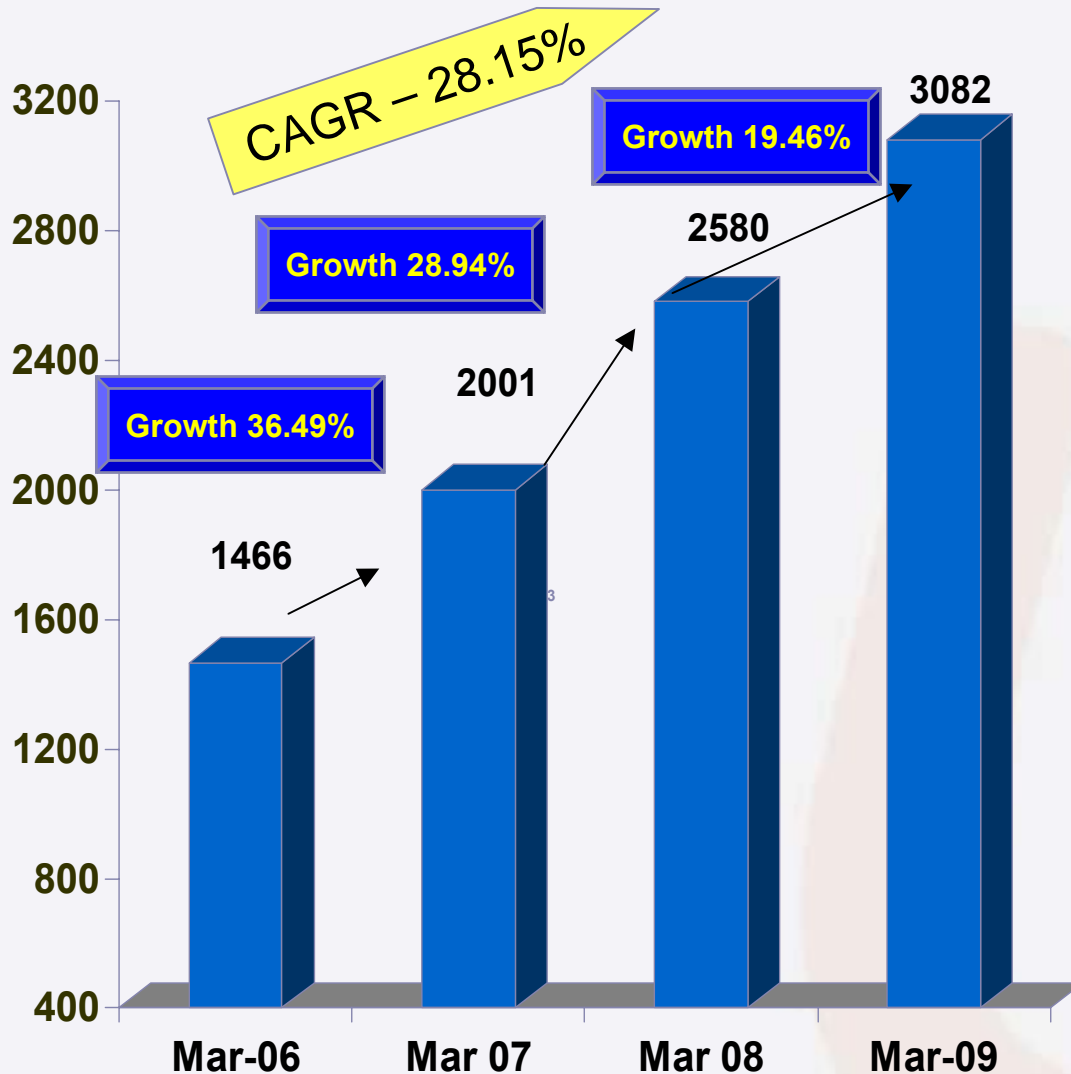
- **Gross NPA level is targeted less than 2%.**

Gross NPA level reduced to 1.96% from 2.18% through stringent monitoring of assets.

Financial Results – FY 2009

Yearly Results

Operating Profits (YoY)



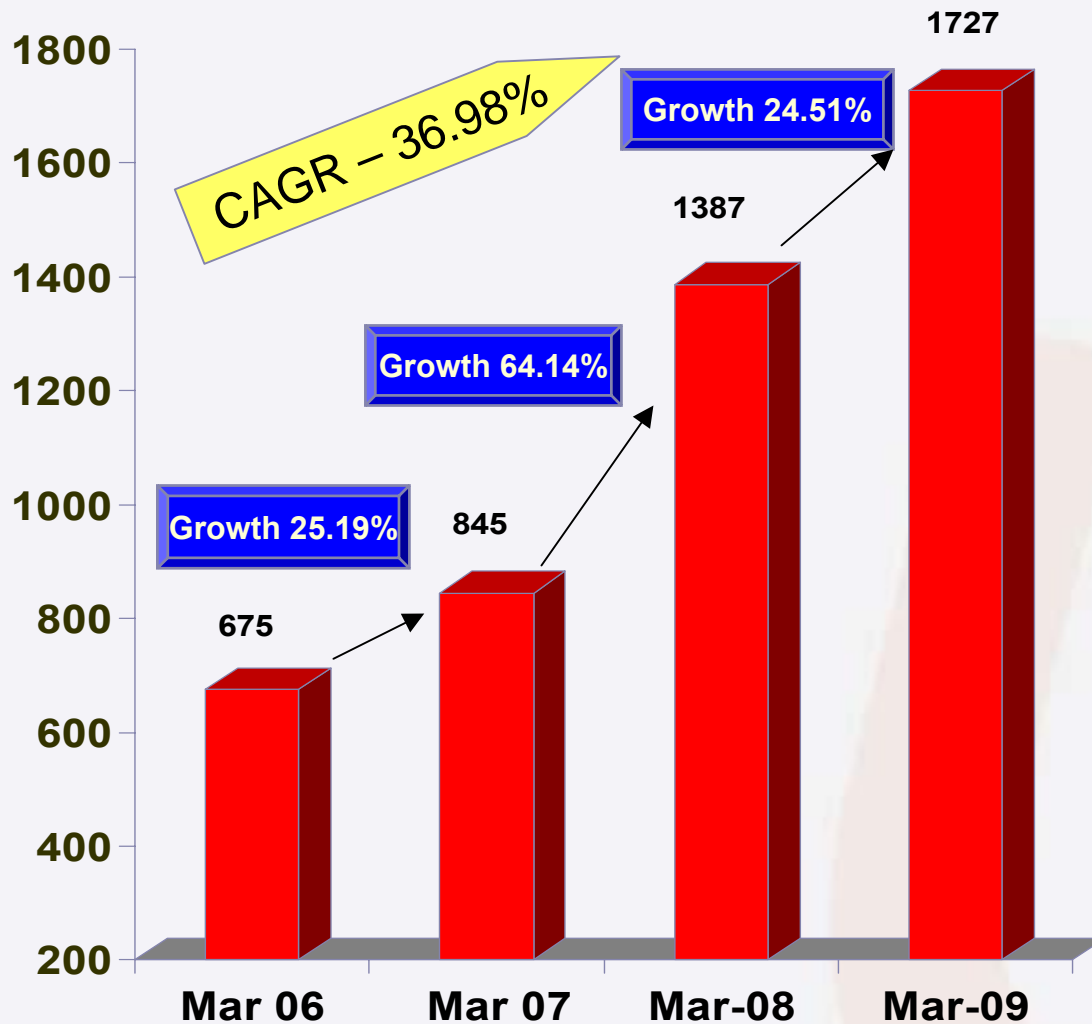
- The bank has been making continuous growth under Operating Profit. The Operating Profit has grown at a CAGR of 28.15% since 2006.

Provisions as on 31.3.09 (YoY)

(Rs.in crore)

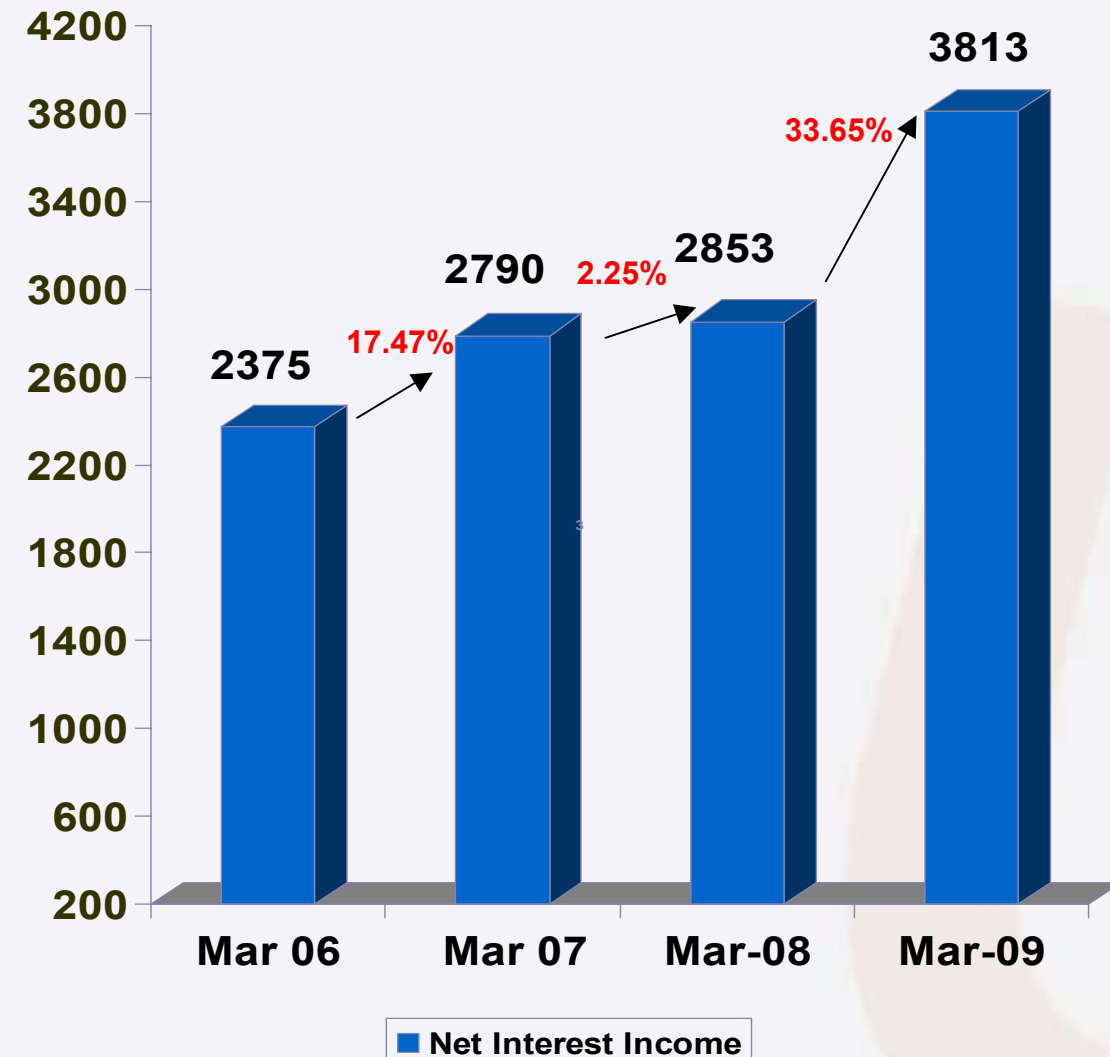
	Mar'08	Mar'09
Taxation	477	618
NPA (excluding adhoc provision for Standard Assets)	585	546
Standard Assets	80	80
Depreciation on Investment	30	-39
On Shifting of Securities	48	14
Others (Frauds / Restructured Adv.Etc.)	-27	136
Total	1193	1355

Net Profits (YoY)



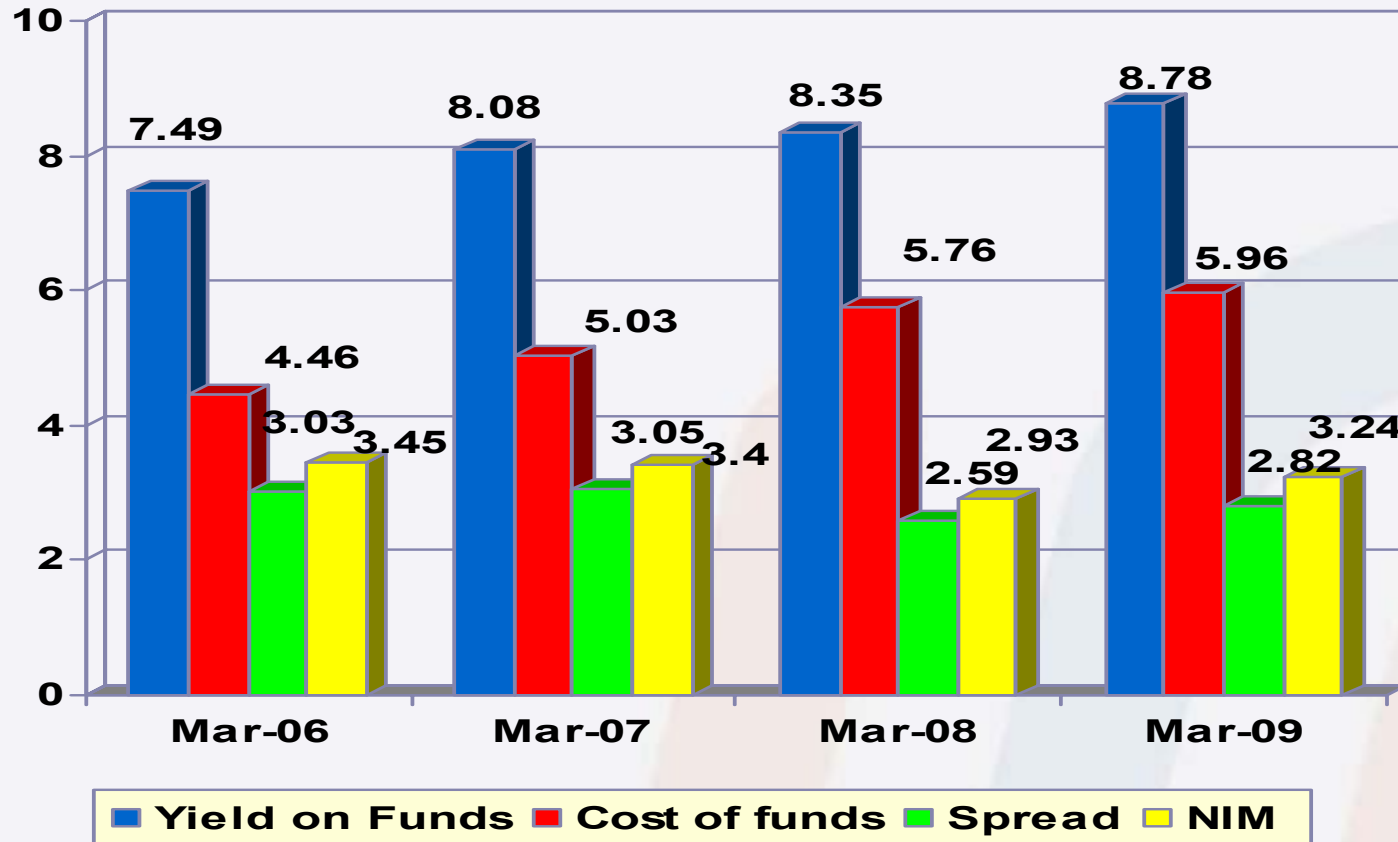
- The bank has been making continuous steady growth under Net Profit. The Net Profit has grown at a CAGR of 36.98% since 2006. Net Profit growth has been more than 150% in the last 3 years

Net Interest Income (YoY)



- NII increased to Rs.3813 crs in FY 09 from Rs. 2853 crs, a growth of 33.65%.

Net Interest Margin (NIM) [YoY]



- Cost of Funds stood at 5.96%. Yield on funds improved to 8.78%
- Spread improved from 2.59% to 2.82%. Net Interest Margin (NIM) on earning assets improved to 3.24% from 2.93%.

Non-Interest Income- YoY Comparison

(Rs.in crore)

	Mar'06	Mar'07	Mar'08	Mar'09	Growth %
Core Fee based Income	307	387	633	818	29.22
Treasury Income	154	199	510	517	1.37
W/w					
(Profit on Sale of Investment)	95	109	(377)	(321)	-14.85
(Forex Income)	59	90	(133)	(196)	47.36
Recovery in Written-Off accounts	33	101	177	148	-16.38
TOTAL	494	687	1320	1483	12.35

Core income has grown by 29.22% mainly due to new stream of income from Syndication of loans, Wealth Management Services and Channel Financing.

Major Components – Non Interest Income (fee based)

YoY Comparison

(Rs.in crore)

	Mar'08	Mar'09	Growth %
Comm. On L/Cs and L/Gs Issued (Inland)	128	168	31.25
Processing Charges	87	215	147.13
Exchange on Inland Remittances	80	54	-32.5
Income from Foreign Exchange Business	261	339	29.89
Comm on Govt. Business and CMS	21	24	14.29
Others	56	18	-67.85
Total	633	818	29.22

Non-Interest Expenditure- YoY Comparison

(Rs.in crore)

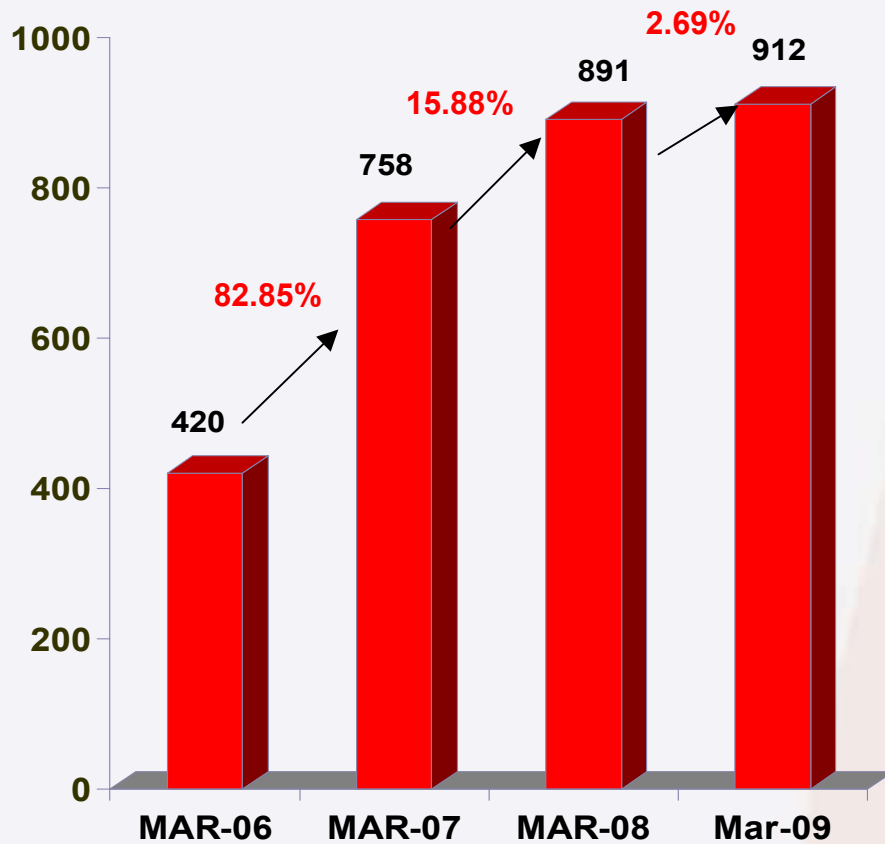
	Mar'06	Mar'07	Mar'08	Mar'09	Growth %
Staff Expenses	867	874	845	1152	36.34
Other Operating Expenses	535	602	748	1062	41.98
Total	1402	1476	1593	2214	38.99

Staff Expenses have increased from Rs.845 crore to Rs. 1152 crore due to increase in pension provisions from Rs.62 crore to Rs. 106 crore, increase in provisions for Wage Arrears from Rs. 20 crore to Rs.177 crore. The Bank recruited 2000 new staff during the year.

Financial Results – FY 2009

Q409
financials

Operating Profits (Quarterly)



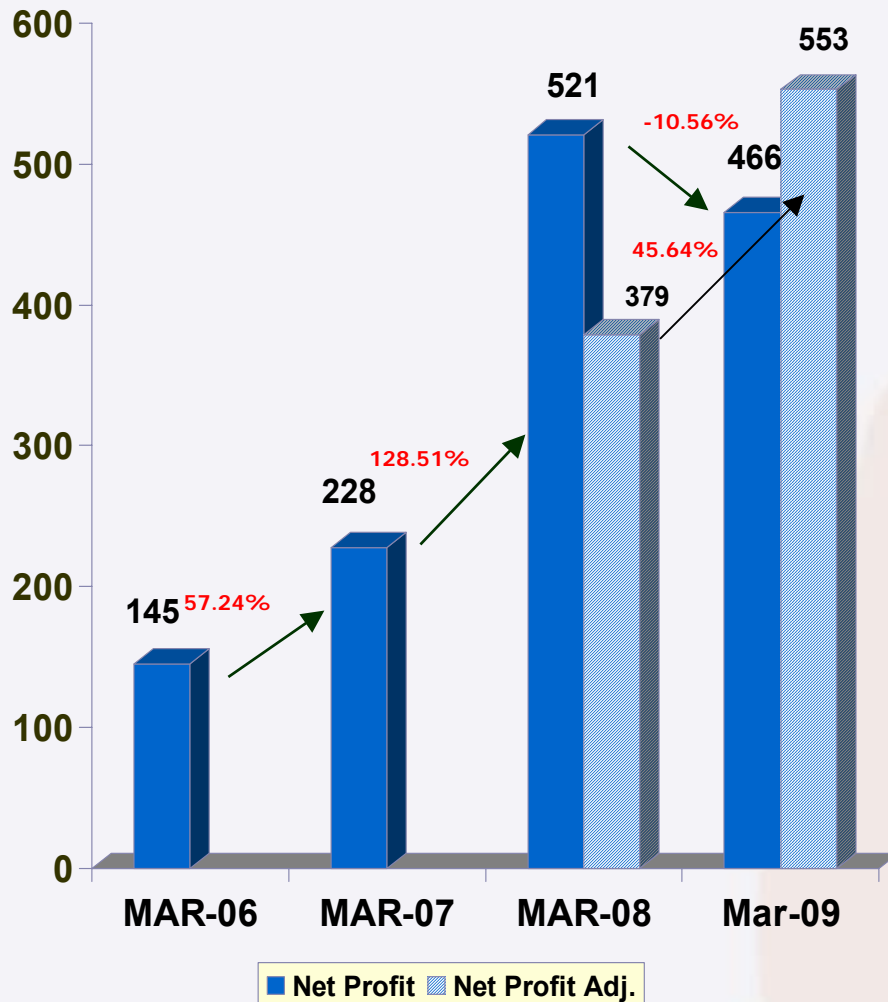
- Operating Profit for the quarter ended March 2009 has increased marginally mainly due to substantial rise in provision for staff expenses such as Pension liability, Wage arrears etc.

Provisions as on 31.03.2009 (Quarterly)

(Rs.in crore)

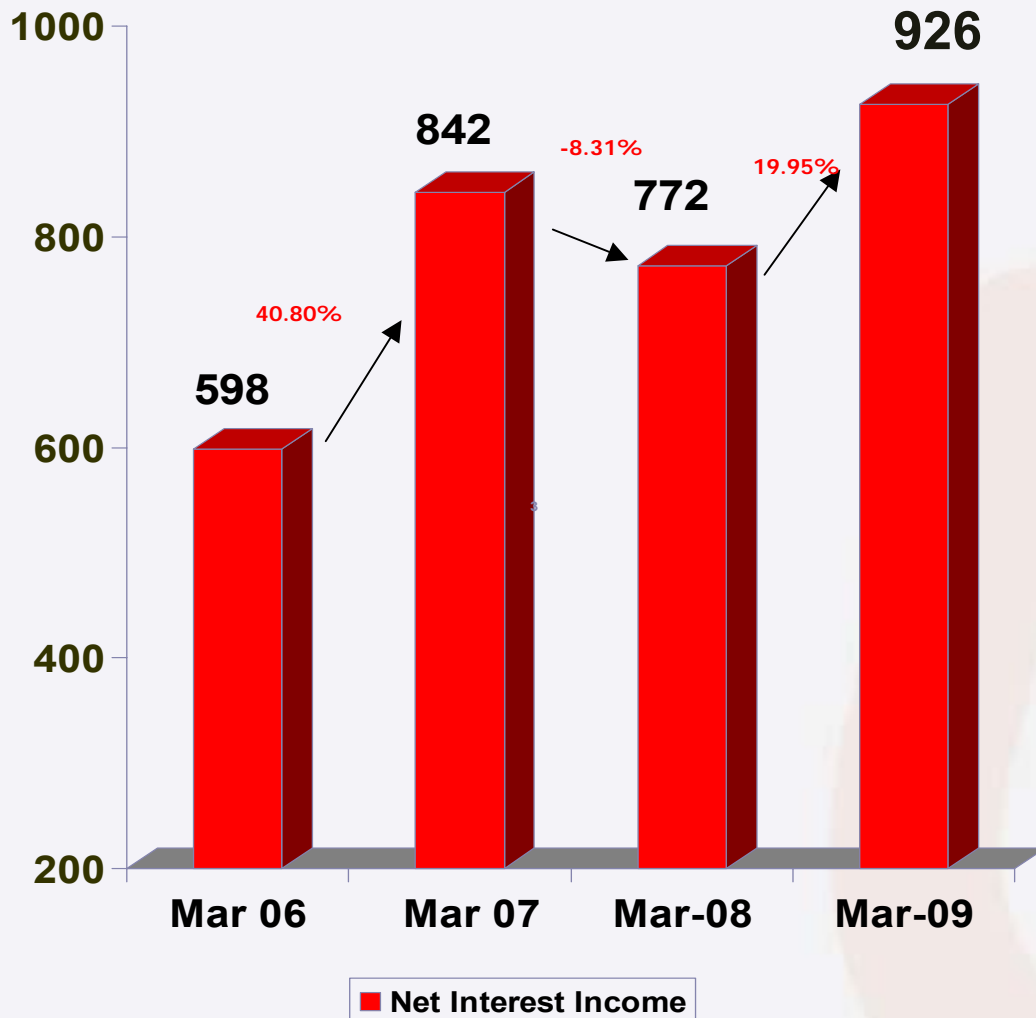
	Mar 07 (Q)	Mar 08 (Q)	Mar 09 (Q)
Taxation	214	17	163
NPA	158	235	277
Standard Assets	92	21	-7
Depreciation on Investment	78	110	-33
Others (Frauds / Restructured Adv.Etc.)	-12	-13	46
Total	530	370	446

Net Profits (Quarterly)



- Net Profit for the quarter ended March 2009 has reduced mainly due to higher provisions of Rs. 446 crore as against Rs 370 crs, substantial employee benefits write-backs of Rs 142 crs in Q408, whereas additional provision of Rs 87 crs required in Q409.
- Net Profit would be 45.64% if the above extraordinary items are not taken into account.

Net Interest Income (Quarterly)



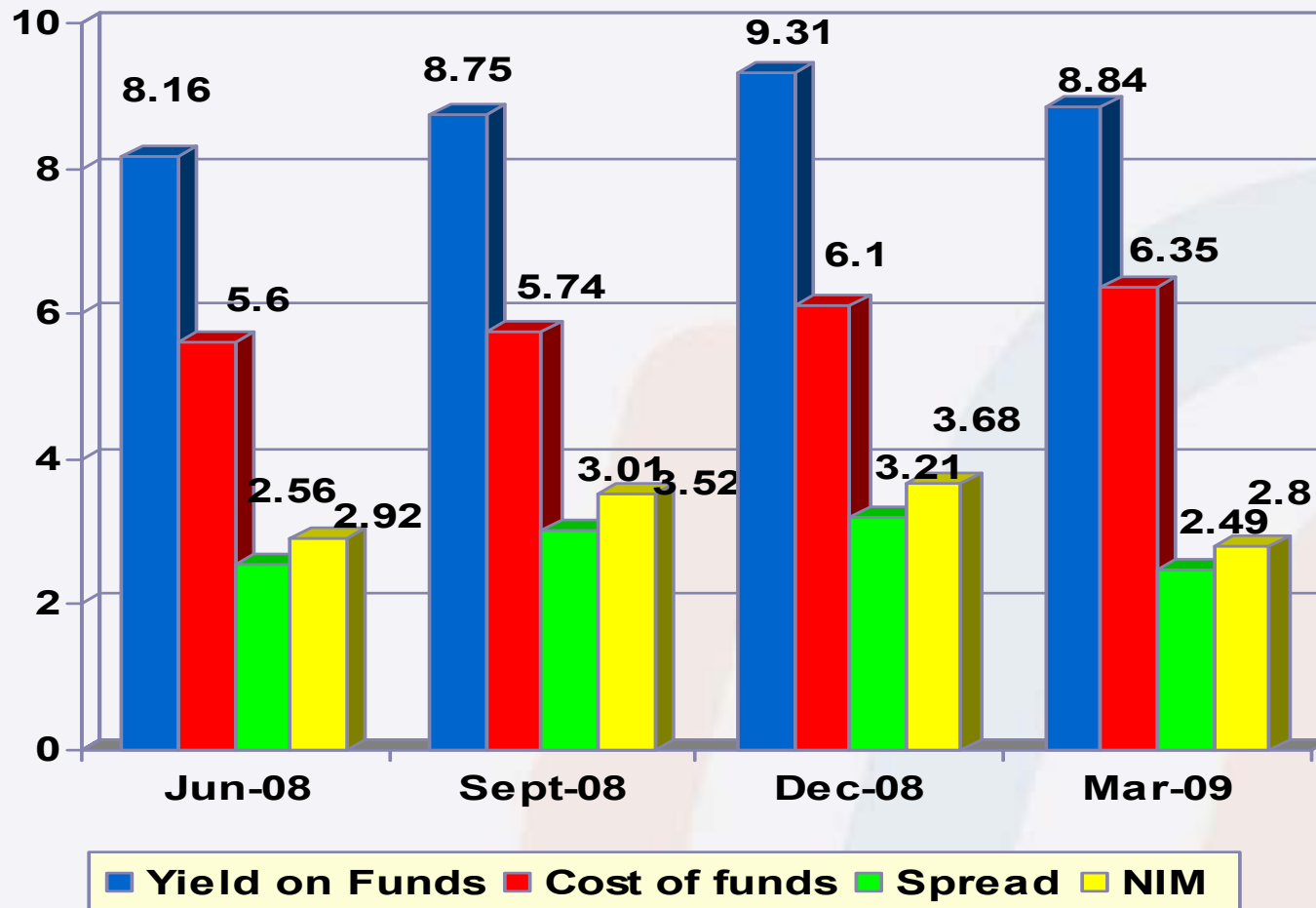
- NII increased to Rs. 926 crs in Q4 09 from Rs. 772 crs, a growth of 19.95%

Non-Interest Income- Quarterly Comparison

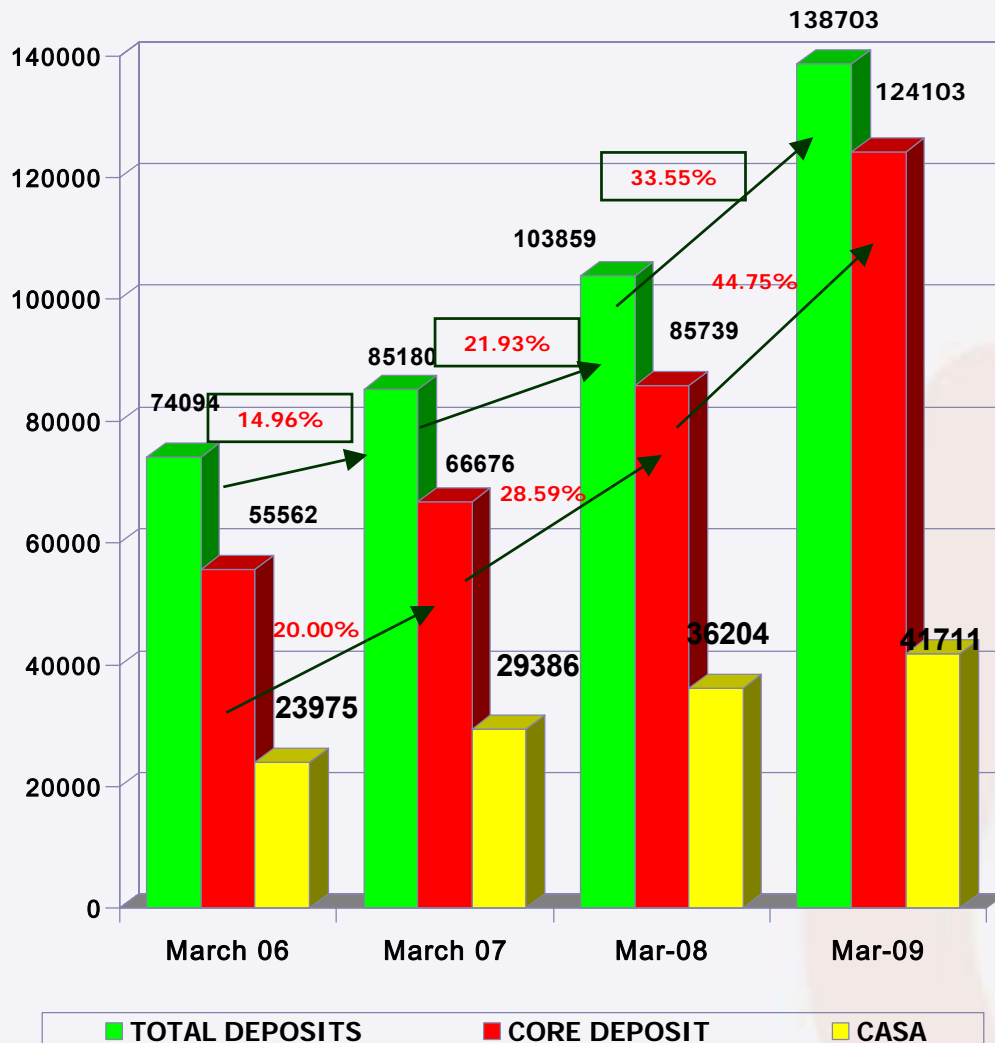
(Rs.in crore)

	Mar'07 (Q4)	Mar'08 (Q4)	Mar'09 (Q4)	Growth %
Core Income	192	244	298	22.14
Profit on sale of Investments	13	67	227	238.81
Recovery in Written-Off accounts	37	62	35	-43.54
TOTAL	242	373	560	50.14

Net Interest Margin (NIM) [Quarterly]



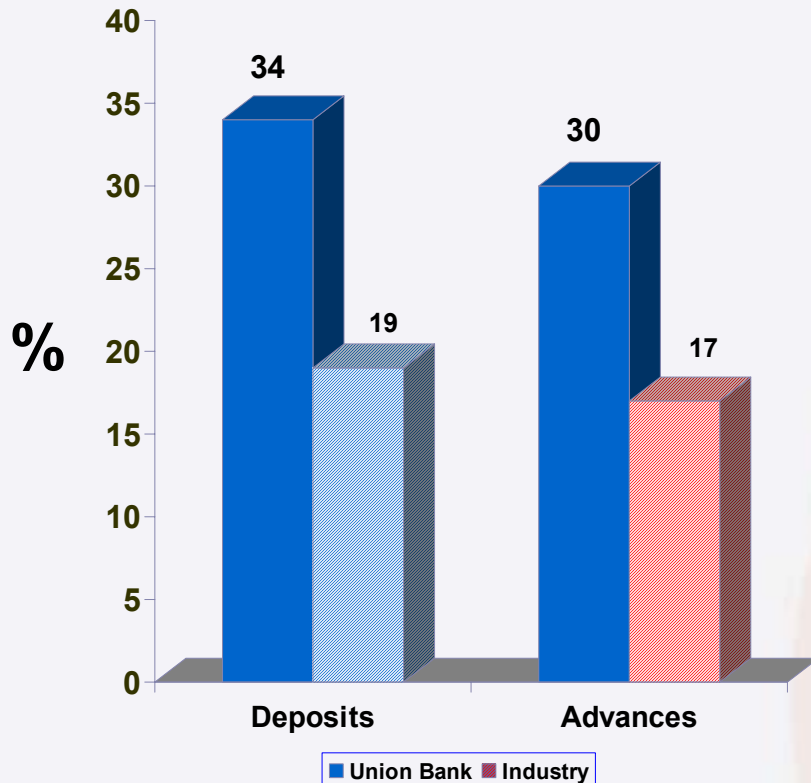
Deposits



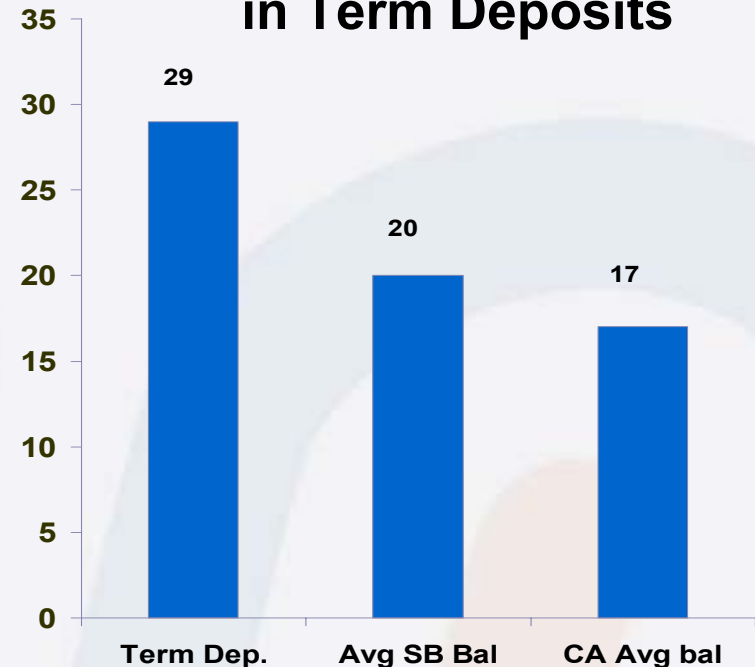
- **Total Deposits** grew by **33.55%** to **Rs.138703 crs.** The Bank's core deposits grew by a robust **44.75%** to **Rs.124103 crs.**
- **Demand deposits (CASA)** improved by **15.21%** to **Rs.41711 crs** from **Rs.36204 crs** in the previous year.
- **High Cost Deposits of Rs 3520 crs** were shed during the year. **HCDs** are now down to **10.53%** from **17.45%** of total deposits.

Bank's marketing transformation has yielded handsome results – Deposit and Advances growth above industry.

Above average growth rate FY09



Exceptionally high growth in Term Deposits



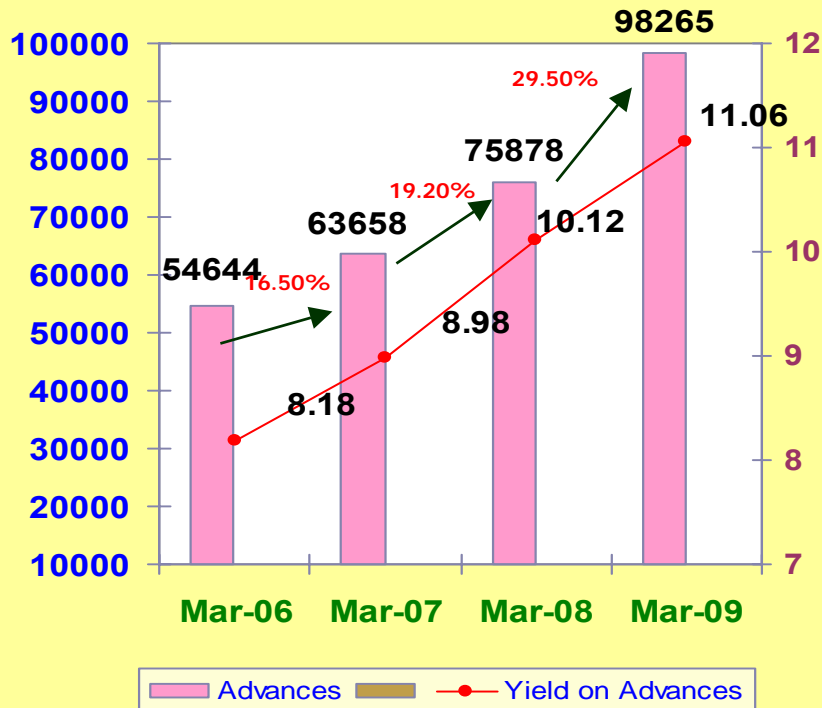
- Accretion in Savings deposit almost double of last year. Rs 4300 crs Vs Rs 2200 crs.
- 2nd highest deposit growth in Industry results declared so far.
- 3rd highest CASA growth in Industry results declared so far
- CASA ratio consequently reduced from 34% to 30%

Core Deposit Growth

(Rs.in crore)

	Mar 08	Mar 09	Growth %
Core Deposits	85739	124103	44.75
Wholesale Deposits	18120	14600	-19.43
CASA Deposits	36204	41711	15.21
Deposit Clientele (Mn.)	19.50	23.60	+4.10 Mn

Advances & Yield on Advances



Advances

- Bank registered growth of 29.50% YoY in advances to Rs. 98265 crs. Yield on Advances improved by 94 bps to 11.06% as of Mar'09.
- Within the advances segments, SME registered a robust growth of 31.91% to Rs.16149 crs, while Retail advances (Personal segment) grew by 28.79%.

(Rs. in Crore)

	Mar 06	Mar'07	Mar'08	Mar'09	YoY Growth%
AGRICULTURE	8142	10639	11472	13519	17.84
RETAIL (P-Segment)	6117	6771	7836	10092	28.79
MSME	6540	8833	12242	16149	31.91

Non Fund Based Business of the Bank

Rs in Crs

Nature of Business	March 08	March 09	(Growth) %
Letter of Credit	5116	5881	14.96
Letter of Guarantee	4704	8350	77.51
Other Contingent Items	52697	66967	27.08
Total	62517	81198	29.89

TOP SECTOR EXPOSURES

Across Large & Mid Corporates, SME and Corporate Agri Business

Rank	Sectors	Exposures (As on 31 st March 2009)	
		%	Amount (Rs. in Crore)
1	Retail Advances	10.26	10092
2	Trade	9.71	9439
3	Infrastructure	8.92	8670
4	Metal & Metal Products	5.96	5790
5	Electricity	4.02	3915
6	Commercial Real Estate	3.71	3588
7	Textile	3.61	3509
8	Chemical & Chemical Products	1.98	1939
9	Gems & Jewellery	1.56	1521
10	Other Industries	5.07	4986

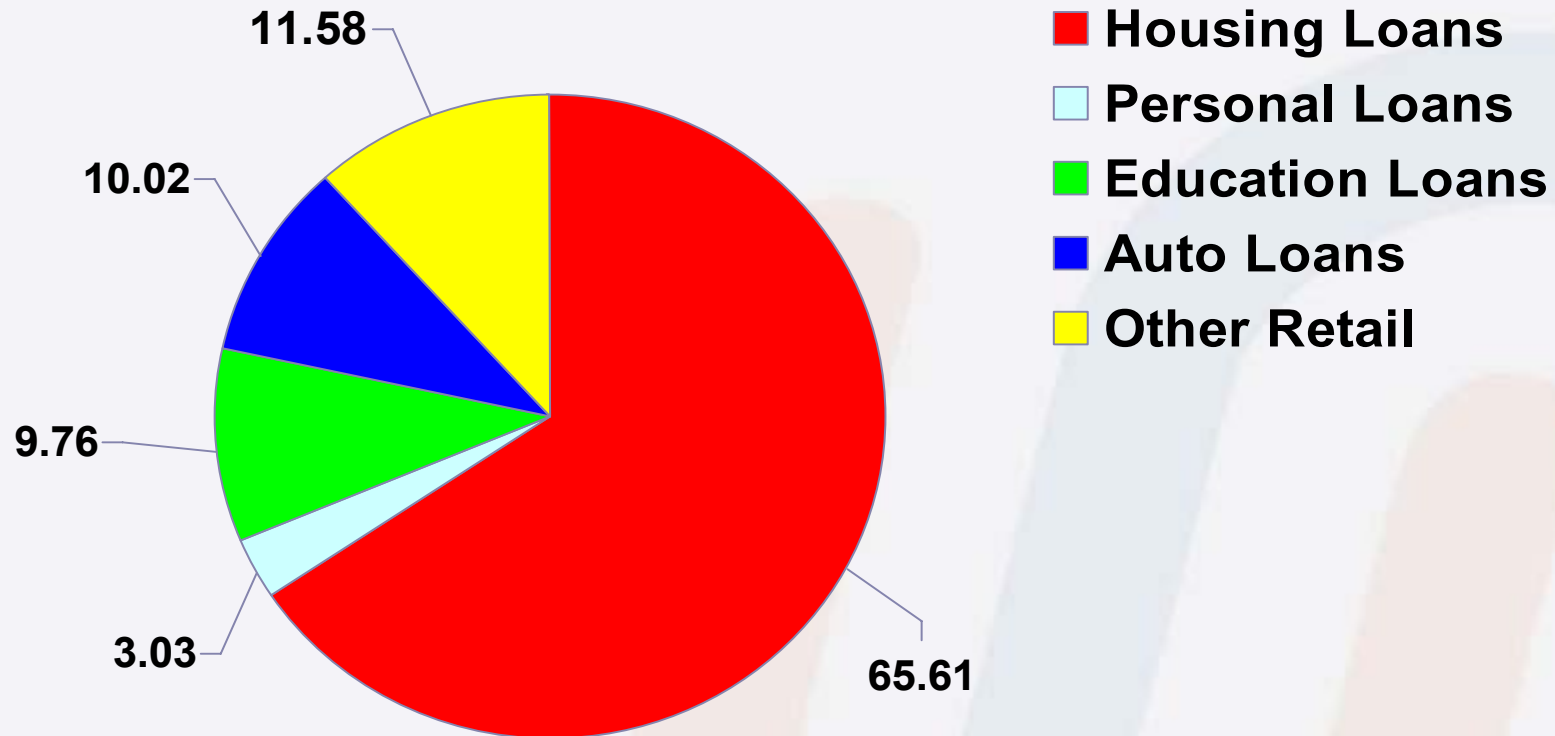
DISTRIBUTION OF RATINGS LARGE & MID CORPORATES

The Bank is having a portfolio of Rs.49442 crore (No. of Accounts 340) of more than Rs. 50 crore, out of which 216 Accounts with exposure of Rs. 31806 Crore are rated. Rating of the Accounts is as under:

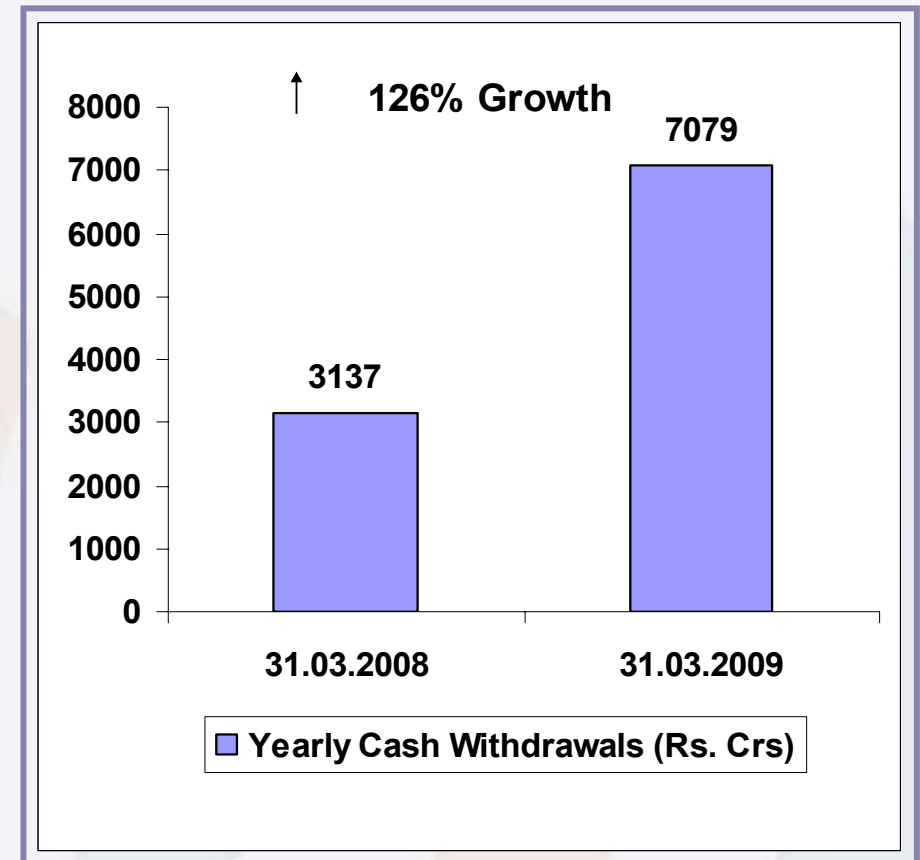
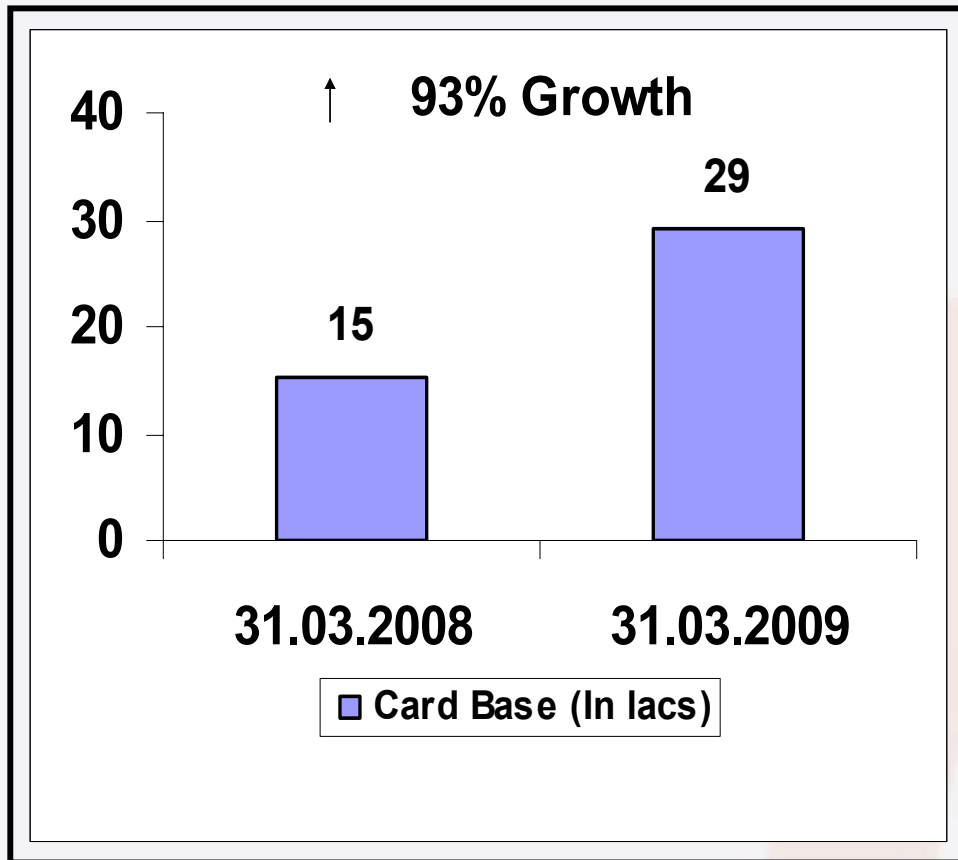
Rating	No of Borrowers	Exposure	% OF RATED EXPOSURE
AAA	33	11853	37.26
AA	47	8133	25.56
A	67	6945	21.84
BBB	56	4224	13.27
BB& BELOW	13	651	2.07

COMPOSITION OF RETAIL ASSETS

Product-wise composition of Retail assets Portfolio March 09

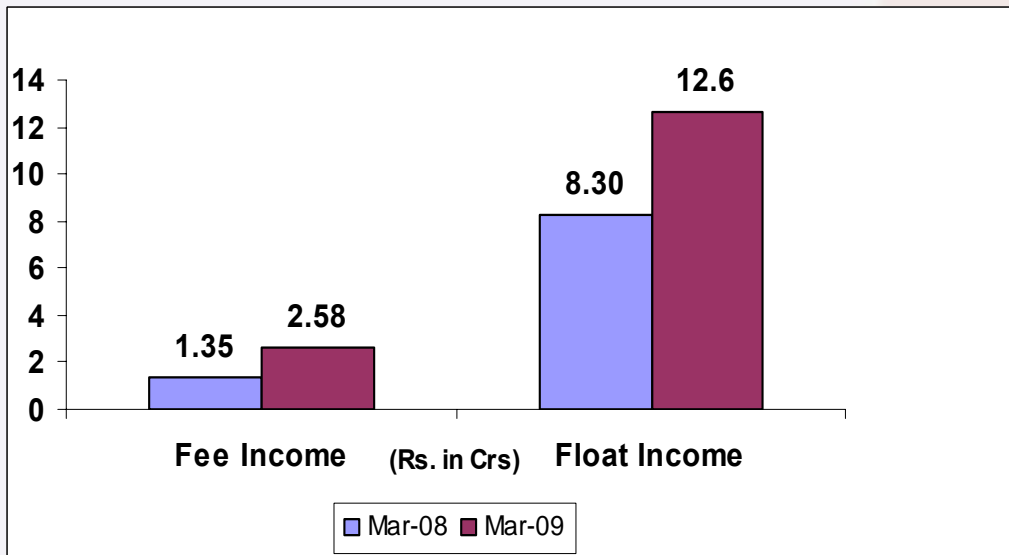
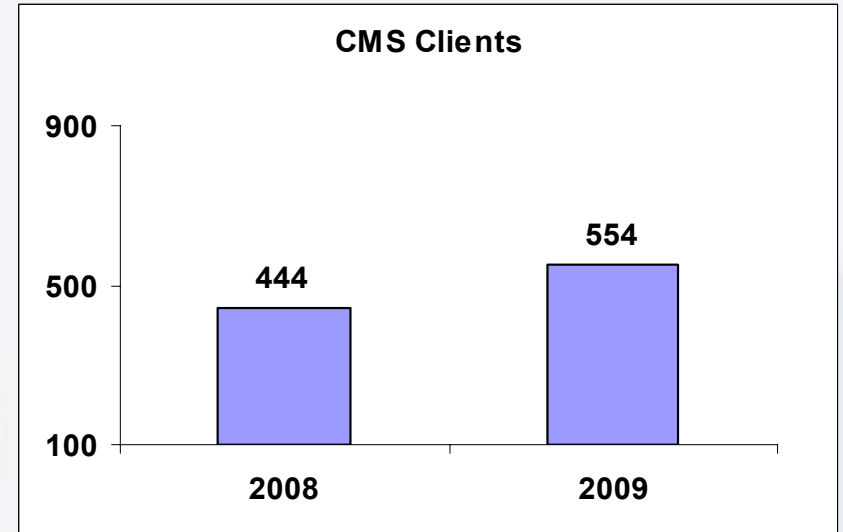
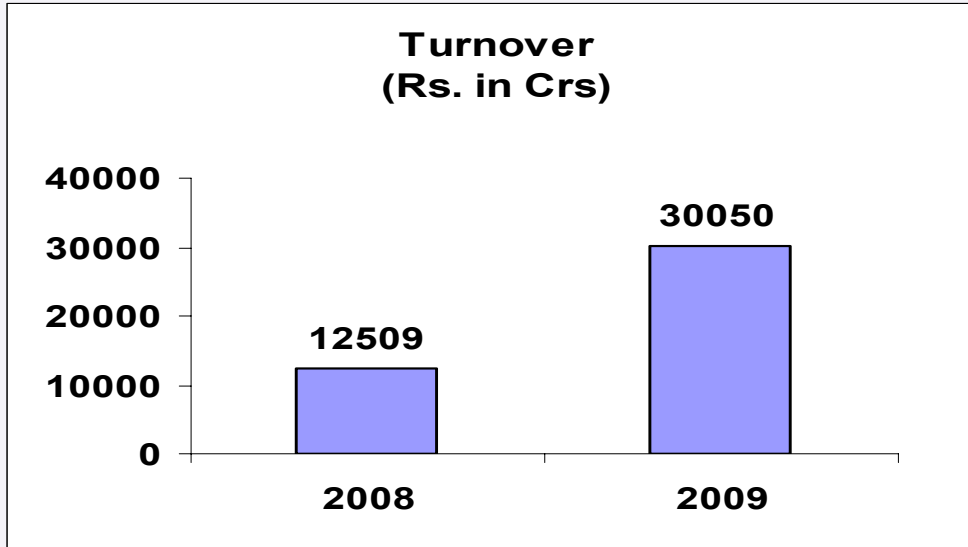


ATM Channel Migration



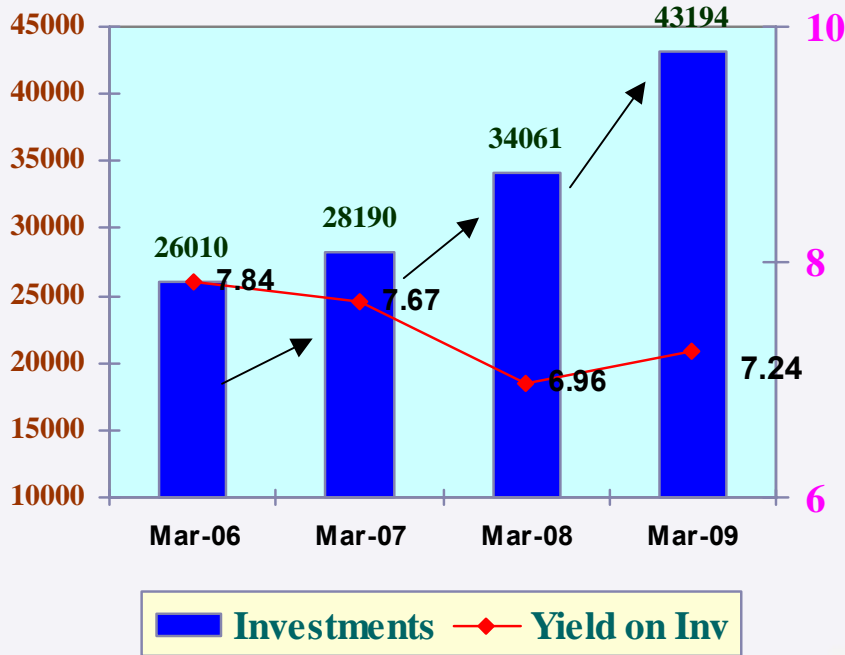
- Value added services such as Mobile Top-ups, Self Account transfers etc.

CASH MANAGEMENT SERVICES



- **11 Specialised CMS Branches**
- **Target group**
 - Captive credit clients
 - Govt/ Semi-Govt establishments
 - Mutual Funds, NBFCs
 - Co-operative Banks
 - Correspondent banks

Investments



- Yield on investments is at 7.24% which is comparable with industry average. Investments grew by 26.81% to Rs.43194 crs in FY 09.

(Rs. In crore)

	Mar 06	%	Mar-07	%	Mar-08	%	Mar-09	%
Held to Maturity	20048	77.08	21666	76.91	24073	70.68	33310	77.12
Held for Trading	44	0.17	9	0.03	376	1.10	6	0.01
Available for Sale	5918	22.75	6498	23.06	9612	28.22	9878	22.87
Total	26010	100.00	28173	100.00	34061	100.00	43194	100.00

Investment Duration

	Mar 06	Mar-07	Mar-08	Mar - 09
HTM	4.68	4.24	3.78	5.27
AFS	2.66	2.08	2.98	3.11
HFT	7.51	2.65	8.37	6.28
Total	4.23	3.89	3.61	4.80

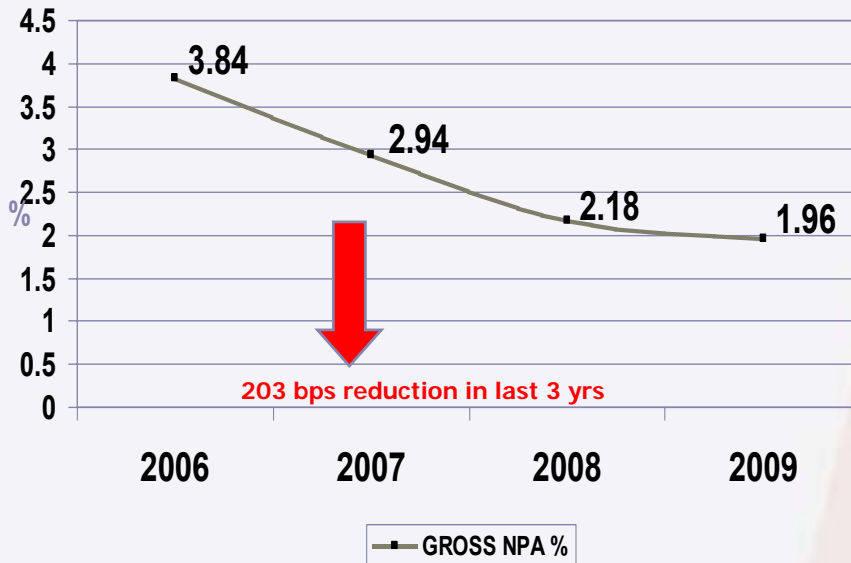
Movement of NPAs

(Rs.in crore)

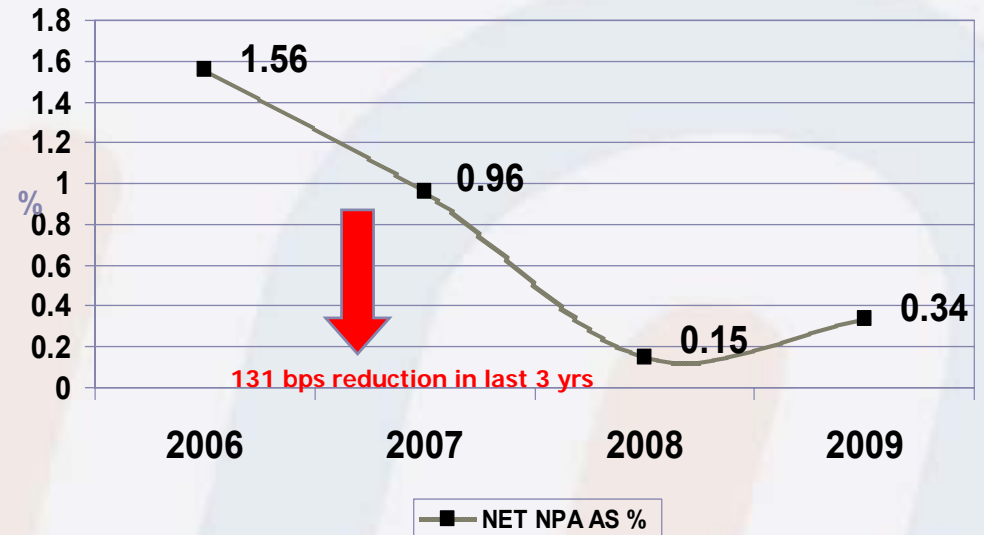
	Mar'07	Mar'08	Mar'09
Gross NPAs - Opening	2098	1873	1657
Add : Additions	750	762	1177
Less : Deductions	975	978	911
1. Due to Write Off	320	337	366
2. Due to upgradation/ Recoveries	655	641	545
Gross NPAs	1873	1657	1923
Gross Credit	63658	75878	98265
Gross NPA as a % age of GBC	2.94	2.18	1.96
Net NPA	601	108	326
Net Advances	62386	74267	96534
Net NPA as a % age of Net Advances	0.96	0.15	0.34

NPA MANAGEMENT

GROSS NPAs



NET NPAs



- Loan loss coverage of NPA at 83.05% as of FY09 is among the highest in peer group.

Assets Restructured during FY09

Nature of Advance	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

Restructuring – The Big Picture

Restructuring focussed only on viable accounts

Initial assessment
of Restructuring

- 1 lac accounts
- Rs 4000 crore



Actual
Restructuring

- 1 lac accounts
- Rs 2959 crore



- 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 as NPA - - Rs 600 crore slippage
 - Delinquency ratio going up from 1.23% to 1.59% as against 1.25% projected
 - Gross NPA contained within 2% at 1.96% as against 2.18% last year.

Sector-Wise NPAs

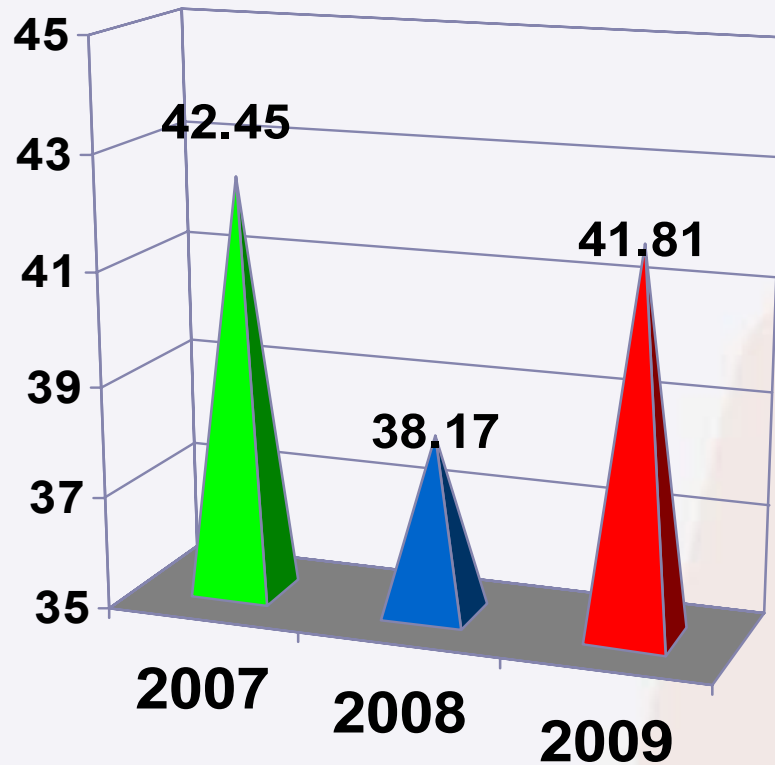
Sector	Gross NPA (%) 2007-08	Gross NPA (%) 2008-09
Agriculture	3.33	2.37
Large & Medium Ind.	2.75	2.47
Retail	4.21	3.71
Housing	4.14	3.14
SME	3.79	3.21



Delinquency Ratio

2006	2007	2008	2009
1.93%	1.45%	1.23%	1.59%

COST TO INCOME RATIO



■ Mar-07 ■ Mar-08 ■ 09-Mar

The Cost to Income ratio has gone up due to investment in capacity building for future growth

COST TO INCOME RATIO

During the year Operating Expenses have increased by Rs. 38.98 % mainly due to exceptional items of expenditure. If the Operating expenses would have curtailed by Rs. 150 Cr., the Cost to Income Ratio would have been at 38.98% almost in line with the ratio of previous year.

The Bank has ramped up capacity building for future earnings

Several initiatives aggressively launched

☐ Comprehensive rebranding campaign

✓ FY09 expenditure (Rs 132 cr) Vs Rs 34 cr in FY08.

2. Delivery Channel expansion.

✓ New Branches 196 (FY09) Vs 114 (FY08) - 71.92% growth

✓ New ATMs 644 (FY09) Vs 377 (FY08) - 70.82% growth

✓ Call Centre – seats 70 (FY09) Vs Nil (FY08)


3. Talent induction

✓ New staff recruitment 2086 (FY09) Vs 425 (FY08)

4. Ongoing Nav Nirman programme to restructure the organisation

✓ Vertical based organisation design

✓ Wholesale Bank transformation project

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- Capacity building to grow faster than Industry
 - Investment leads to increase in cost Income ratio but within acceptable range 30% to 42% (FY09)

The Bank has ramped up capacity building for future earnings

Several initiatives aggressively launched – Cont'd

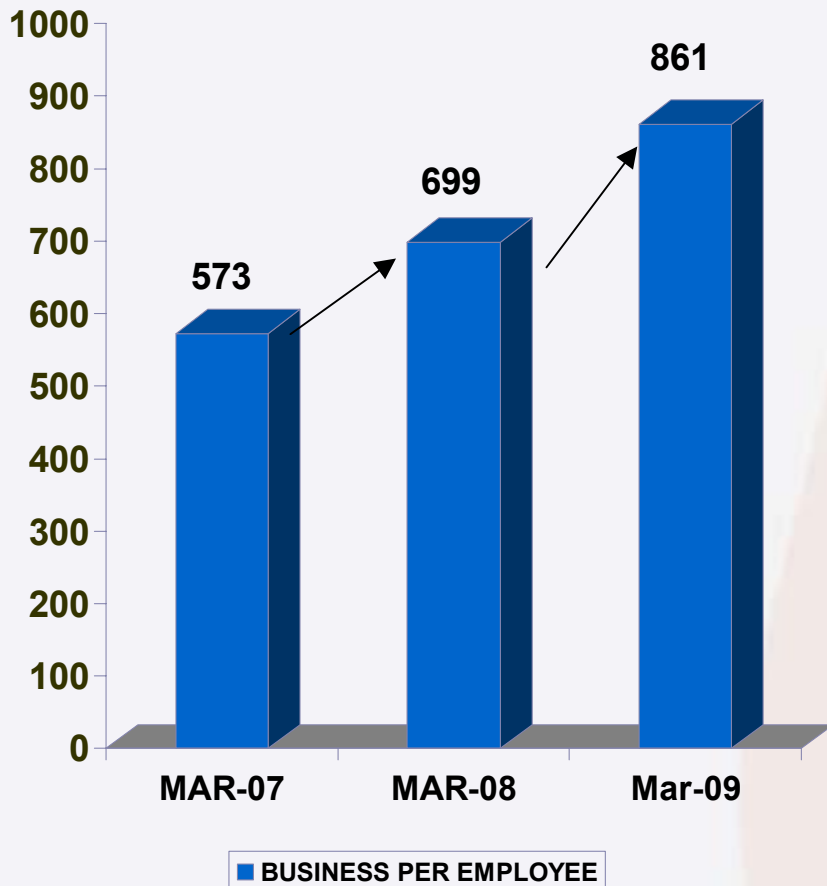
5. Ongoing investment in customer value proposition

- ✓ ATM charges made free ahead of industry

6. Continuing investment in Customer value proposition

- ✓ 24000 staff trained in various schemes during FY09.

IMPROVED EFFICIENCY



- ❖ Productivity measured by Business per employee increased from Rs. 699 lacs to Rs.861 lacs.
- ❖ Gross Profit per employee has increased from Rs.10.03 lacs to Rs.11.20 lacs

The Bank is aggressively nurturing talent – building foundations for future

Reskilling / Training existing staff


- ✓ In-house management executive programme (MEP)
- ✓ Tie-up with NMIMS and others – Soft skill training to 5000 front office staff
- ✓ Tie-up with ISB – For M&A initiative

Recruitment of Talent

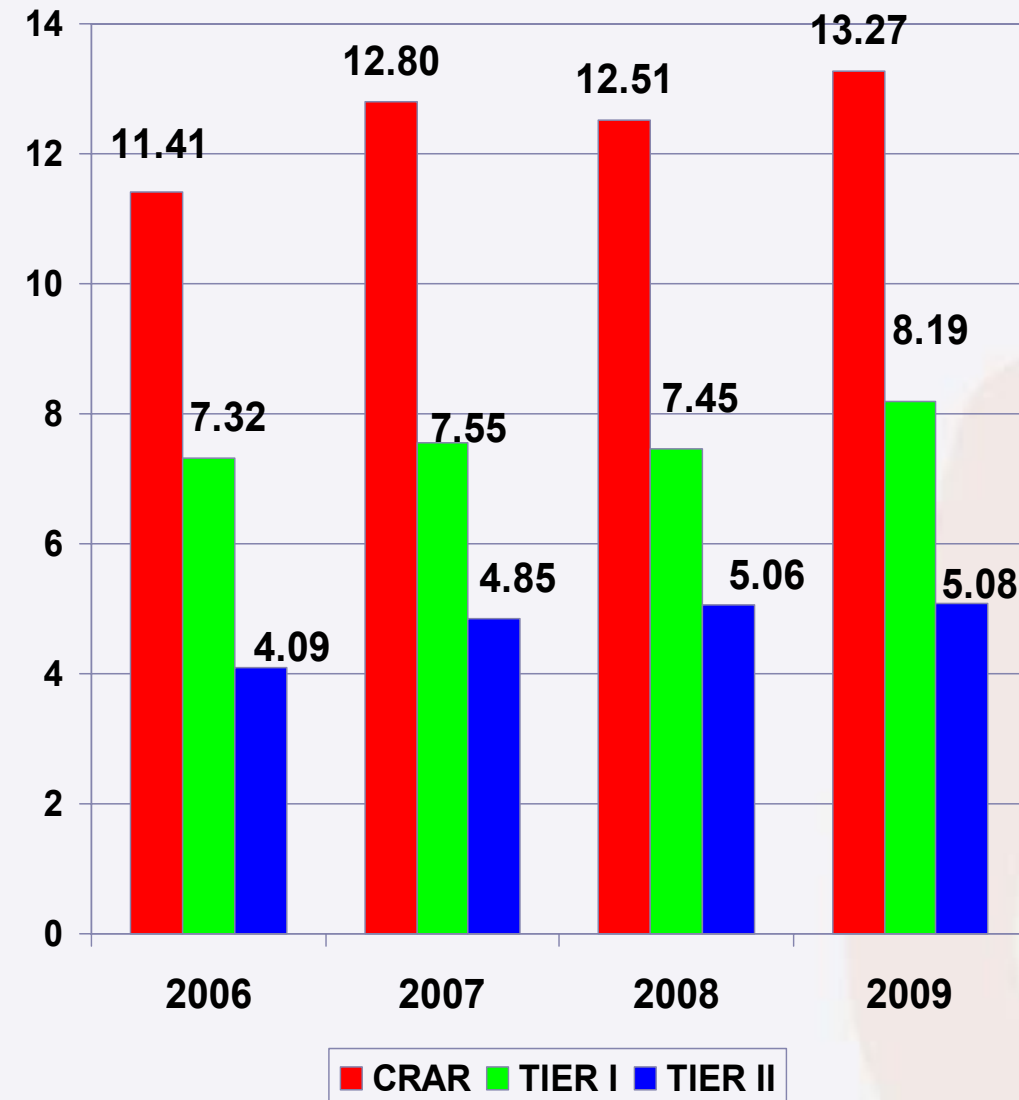
- ✓ 2086 staff inducted overall

Retention measures

- ✓ Creation of roles in new opportunities like Advisory, marketing, insurance, sales for new recruits.
- ✓ Fast track promotion schemes to reward high quality talent.

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- Reducing Average age
Current - 47
Projected FY10 45
Projected FY12 40
 - Young Vibrant Organisation
 - Motivated employees
 - High Customer Service
 - Faster growth

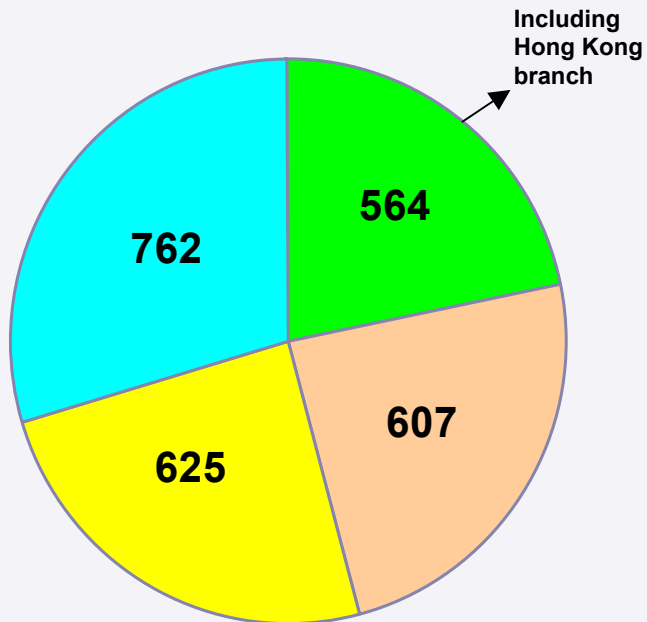
Capital Adequacy



- Capital Adequacy Ratio is at 13.27% as of 31.03.2009 as per Basel II.
- Tier-I capital funds have increased by 27.65% from Rs.6106 crore as on March, 2008 to Rs.7794 crore mainly due to plough back of profits and also raising of funds by way of issue of Perpetual Bonds of Rs.340 crore ranking as Tier I Capital.

DISTRIBUTION CHANNELS

BRANCH MIX

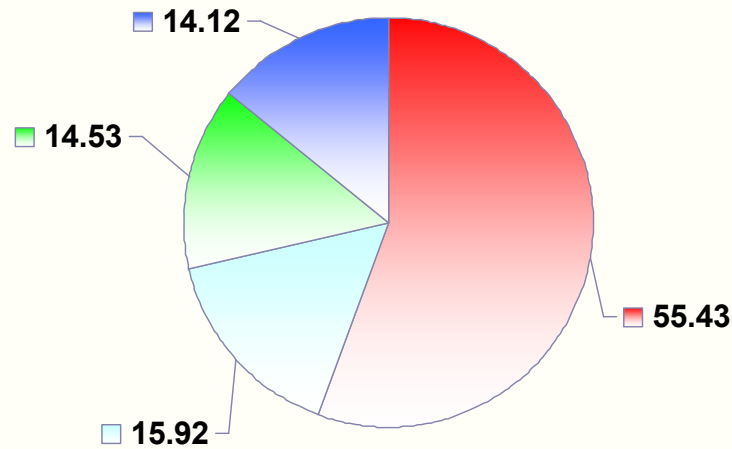


- The Bank added 197 branches on a net basis which includes conversion of 51 Ext. counters to branches.
- 644 ATMs were added in FY 09
- The Bank proposes to add 500 new branches in FY10.

SERVICE OUTLETS

	Mar'06	Mar'07	Mar'08	Mar'09
Branches	2082	2206	2361	2558
Ext. Counters	145	136	118	67
Service branches	28	31	35	36
ATMs	473	769	1146	1790
Total Outlets	2255	2373	2514	2661

Shareholding Pattern (31st March, 2009)



■ Govt. of India
■ Others

■ Banks, Fis, Ins. Cos.
■ FIIs and Foreign Mutual Funds

- **Share Capital** Rs 505.12 crore
- **No. of Shares** 505.12 million
- **Net worth** Rs 6964 crore
- **B. V. per share** Rs 137.87
- **Return on Equity (annualised): 24.79%**

	MAR-07	MAR-08	MAR-09
GOVT.	55.43%	55.43%	55.43%
FIIs & FMFs	19.72%	19.48%	14.12%
BANKS, INST./ MUTUAL FUNDS	8.95%	11.95%	15.92%
OTHERS	15.90%	13.14%	14.53%

Union Bank is a Part of the following Indexes

- BSE 100, BSE 200 and BSE 500
- Nifty Junior and Bankex.
- Union Bank Share is listed on BSE and NSE in 'Future and Options' segment also.

INCREASING SHAREHOLDERS' VALUE

	MAR 2006	MAR 2007	MAR 2008	MAR 2009
EPS (Rs.)	14.58	16.74	27.46	34.18
BOOK VALUE (Rs.)	80.77	93.60	111.19	137.87
RETURN ON EQUITY (%)	16.55	17.88	24.70	24.79
RETURN ON AVG. ASSETS (%)	0.84	0.95	1.26	1.27

The Bank is consistently returning profits year after year giving value added returns to Shareholders even during turbulent times.

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

	MAR 2007	MAR 2008	YoY Growth%	MAR 2009	YoY Growth%
SHARE PRICE UNION BANK	104	141	35.71	147	4.33
BANKEX	6542	7718	17.97	4490	- 41.82
SENSEX	13072	15644	19.68	9708	- 37.94

**Bank's share price has outperformed the Bankex
 & Sensex during FY08 & FY09**

*Major highlights
of last quarter*

Major 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.**

Major Highlights

- ❑ **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 and support key requirements like Monitoring and MIS.**
- ❑ **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.**

CSR Initiatives

- ❑ 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.

Financial Inclusion

- ❑ **The Bank has frontrunner in leveraging technology to touch the lives of urban poor, migrant labourers and rural poor.**
- ❑ **The Bank has made investments to set up a viable Business Correspondent / Business Facilitator model to disseminate user friendly products such as No frills savings account, Micro credit, Micro Insurance, remittance facilities through biometric cards.**
- ❑ **With the branchless model stabilising, and issue of 1.5+ million cards, the Bank has started earning profits from A.P. operations and Milk Pourers of NDDDB. The Bank looks at immense opportunities to expand the initiative to other unbanked areas of the country.**

ROAD AHEAD

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- ❑ 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 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.

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.



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