Union Bank of India

Presentation

Financial Results
30th Sept., 2008
HY 08-09

Union Bank of India

Performance Highlights

Q2 FY 09

❑ Total Business	Rs. 202488 cr.	↑	23.92% yoy
❑ Core Deposits	Rs. 96687 cr.	↑	26.12% yoy
❑ Gross Advances	Rs. 86549 cr.	↑	26.17% yoy
❑ N.I.I.	Rs. 975 cr.	↑	48.63% yoy
❑ N.I.M.		↑	3.01%
❑ Gross NPAs		↓	1.93%
❑ Net NPAs		↓	0.14%

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Performance Highlights

Half Year ended 30.09.2008

	Sept'07 (Q2)	Sept'08 (Q2)	Sept'07 (H1)	Sept'08 (H1)
Return on Average Assets (%)	1.05	1.12	0.99	0.93
Earning per Share (EPS)(in Rs)	21.84	28.62	19.83	23.35
Book Value per Share (in Rs)	103.56	122.80	103.56	122.80
Return on Equity (ROE) (%)	21.09	23.31	19.15	19.02
Capital Adequacy Ratio (CAR)	11.55	12.53	11.55	12.53
Gross NPAs (%)	2.42	1.93	2.42	1.93
Net NPAs (%)	0.65	0.14	0.65	0.14
NPA Coverage (%)	73.69	93.06	73.69	93.06

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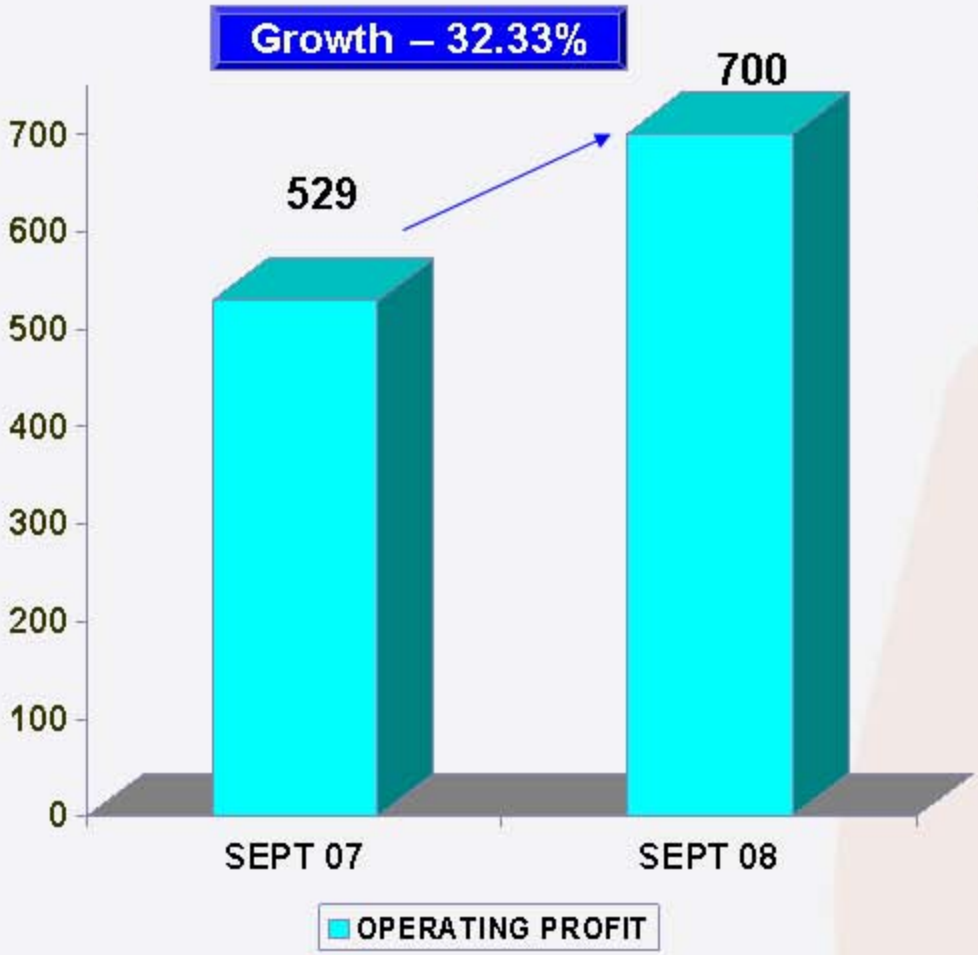
Operating Profits (Quarterly)



- Operating Profit of the Bank grew by an impressive 32.33% to Rs. 700 crs, fuelled by increase in NII by Rs.319 crs (QoQ), a growth of 48.63%

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Provisions As On 30.9.08(Quarterly)

(Rs.in crore)

	Sept'07 (Q2)	Sept'08 (Q2)
Taxation	155	135
NPA (excluding adhoc provision for Standard Assets)	86	160
Standard Assets	43	80
Depreciation on Investment	4	-54
Others (Frauds / Restructured Adv.Etc.)	- 35	17
Total	253	338

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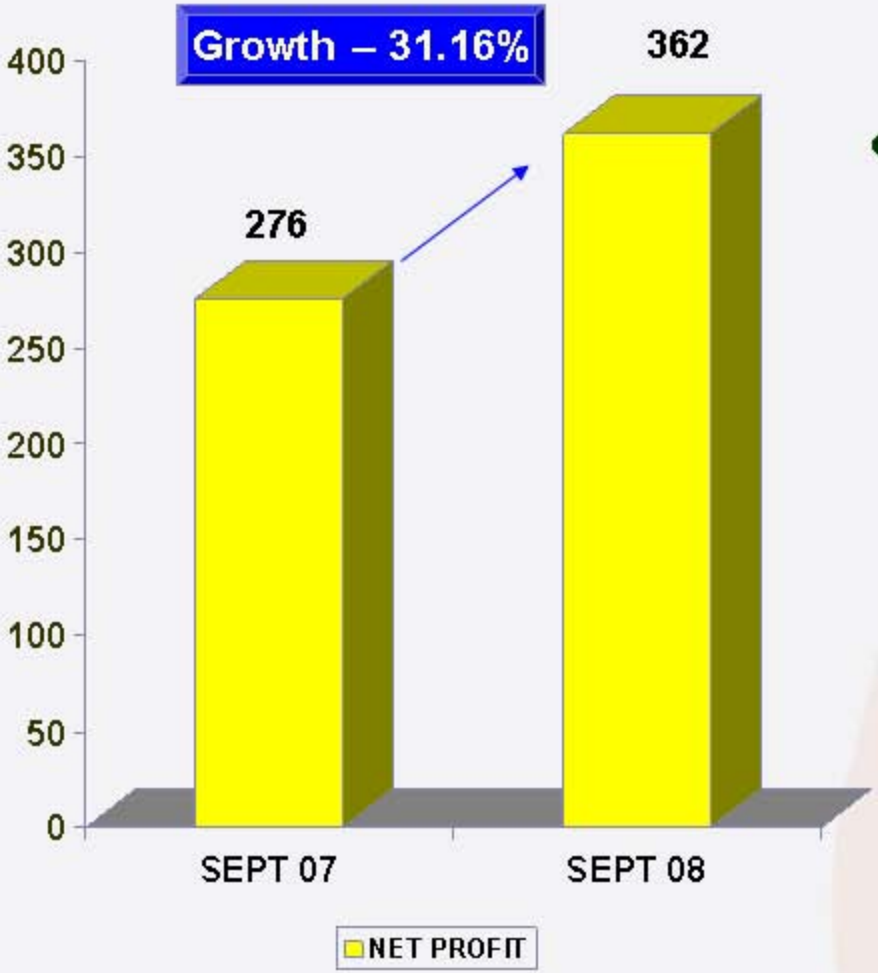
Net Profits (Quarterly)



- The overall improvement in financial parameters is reflected in Net Profit of Rs 362 crs as on 30th September'08 as against Rs.276 crs in the previous year, a growth of 31.16%.

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Net Interest Income(NII) (Qty)

- NII moved up from 656 crs to Rs 975 crs recording impressive growth of 48.63%. Improvement of NIM from 2.49% as on 30th Sept'07 to 3.01% as on 30th Sept'08 resulted in impressive growth of NII.

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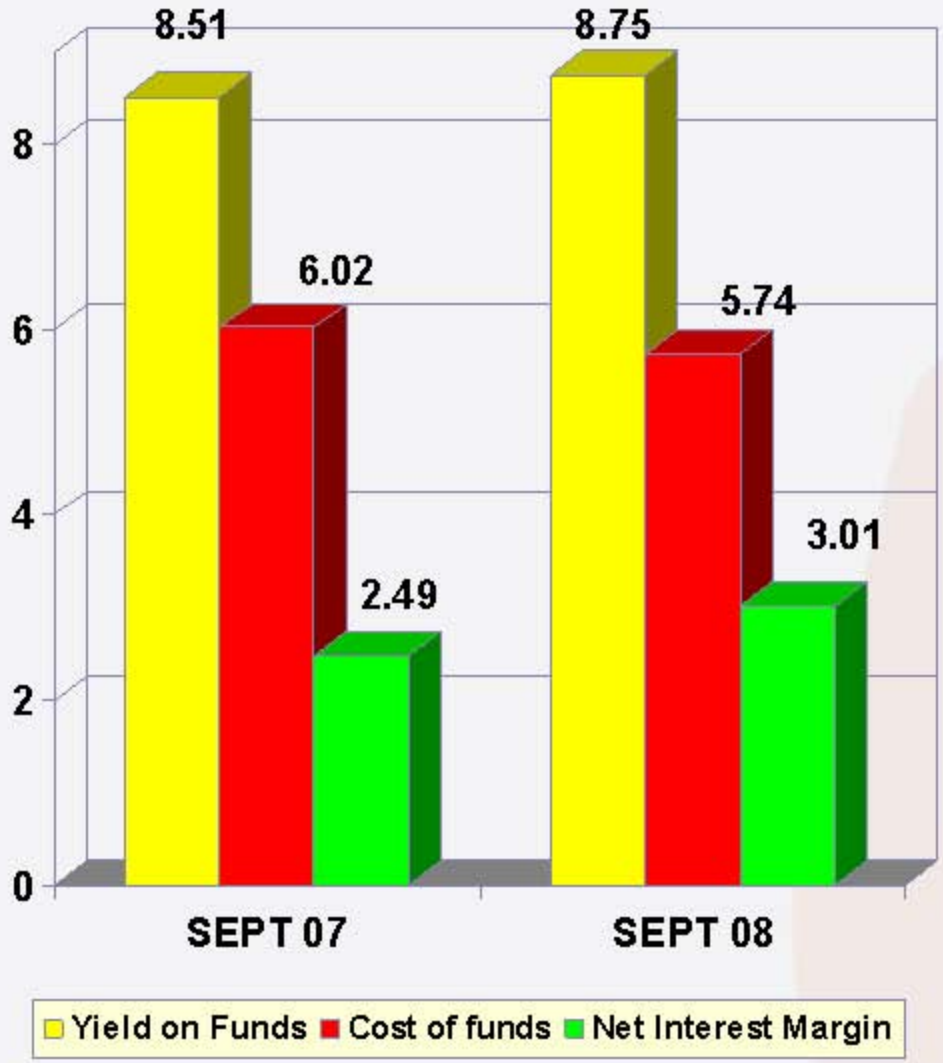
Net Interest Margin (Qty)



- Yield on funds stood at 8.75% compared to 8.51% as on Sept.'07.
- Cost of Funds stood at 5.74% compared to 6.02% as on Sept'07.
- Net Interest Margin is 3.01% as against 2.49% on Sept'07.

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Non-Interest Income- (Qty)

(Rs.in crore)

	Sept'07 (Q2)	Sept'08 (Q2)	Growth %
Recovery in Write off Accounts	53	64	20.75
Profit on Sale of Investments	60	-38	-ve
Other Non - Interest Income	175	257	46.86
Total	288	283	-1.74

Financial Results – 30th Sept., 2008

Half-Year Comparisons

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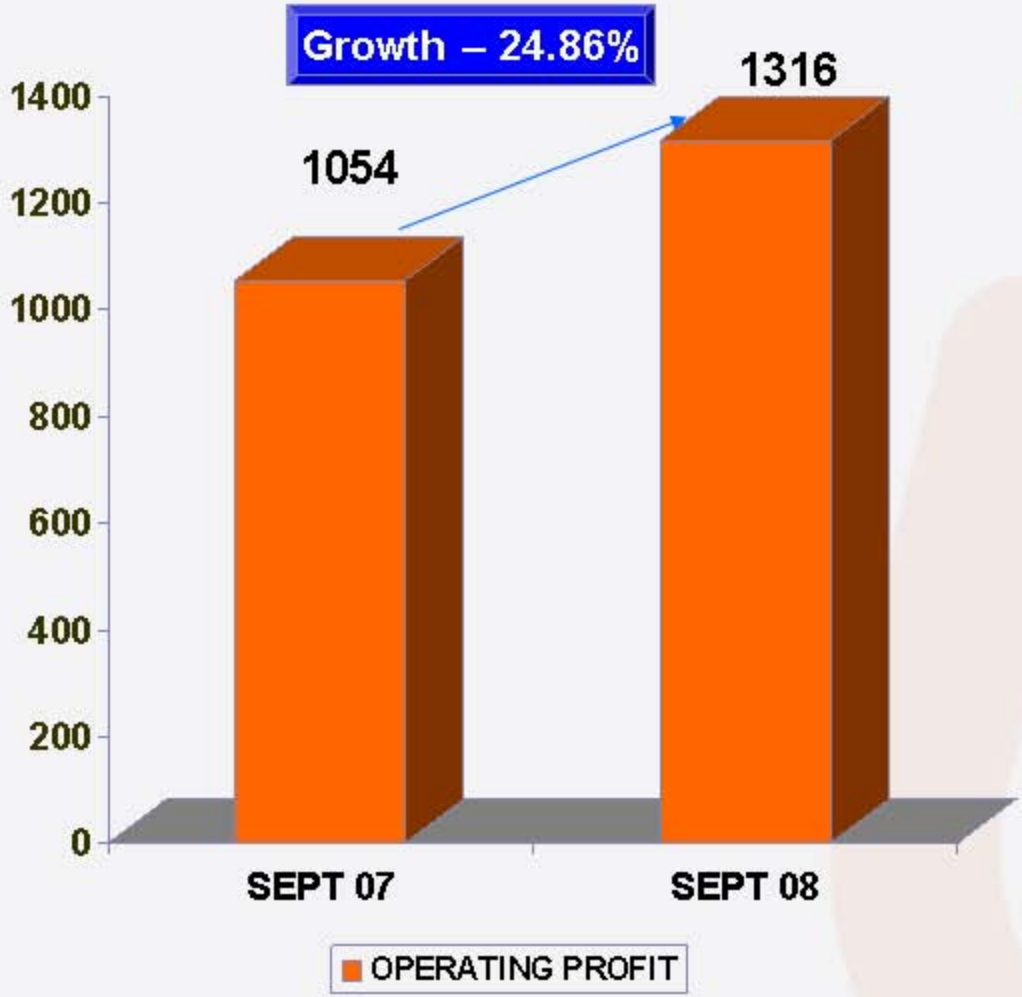
Operating Profits (HY)



- Increase in NII by Rs. 395 crs, a growth of 28.42% resulted in Operating Profit of Rs.1316 crs, a robust growth of 24.86% for the half year ended Sept'08.

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Provisions As On 30.9.07(HY)

(Rs.in crore)

	Sept'07 (HY)	Sept'08 (HY)
Taxation	300	227
NPA (excluding adhoc provision for Standard Assets)	214	109
Standard Assets	43	81
Shifting Loss	47	12
Depreciation on Investment	- 16	285
Others (Frauds / Restructured Adv.Etc.)	- 35	12
Total	553	726

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Net Profits (HY)

- The overall improvement in financial parameters is reflected in Net Profit of Rs 590 crs as on 30th September'08 as against Rs. 501 crs in the previous year, a growth of 17.76%.

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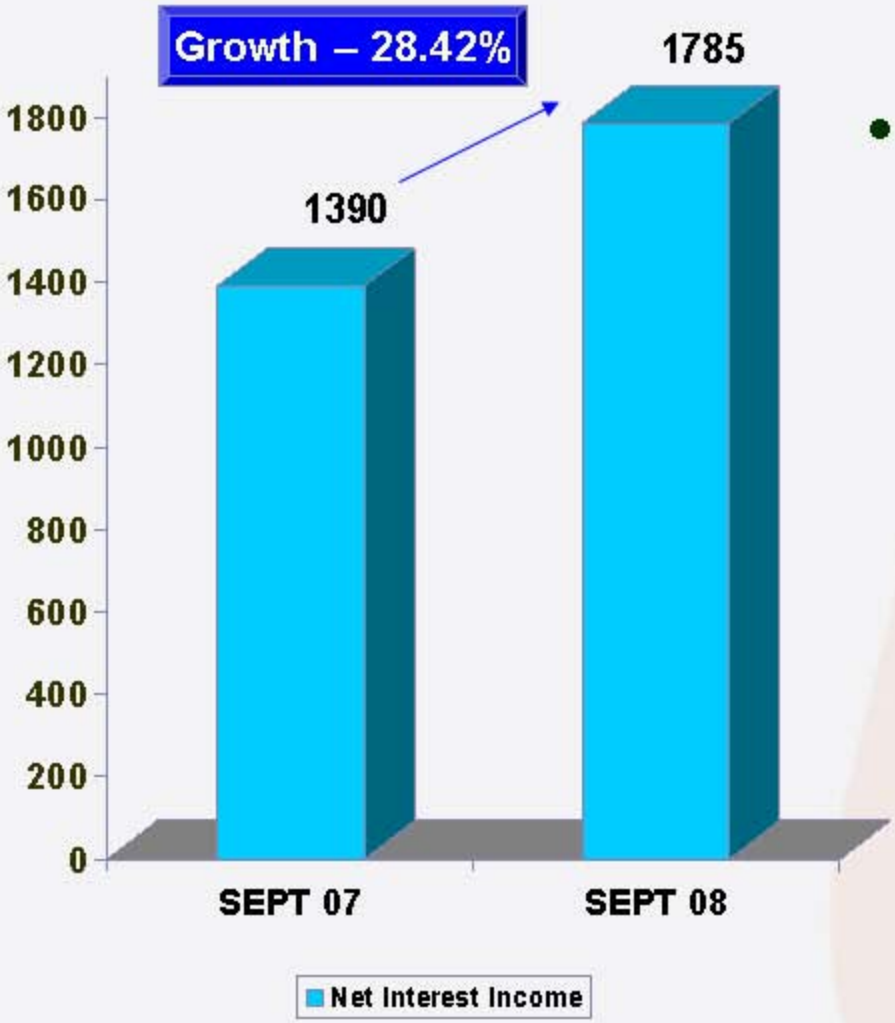
Net Interest Income(NII)-(HY)



- NII improved to Rs.1785 crs as on 30th Sept'08 from Rs.1390 crs in the previous year, a growth of 28.42%. Growth in NIM to 2.83% as of 30th Sept'08 from 2.75% in the previous year resulted in improvement in NII.

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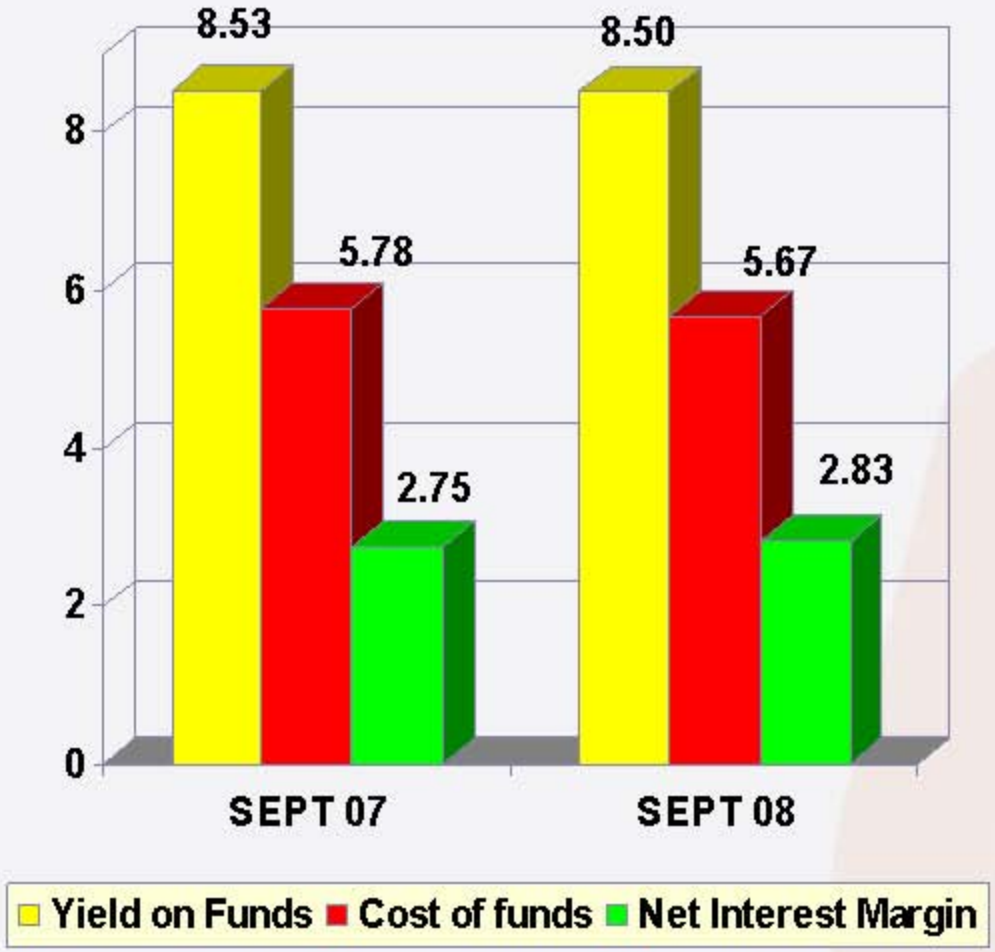
Net Interest Margin- (HY)



- Yield on funds stood at 8.50% compared to 8.53% as on Sept.'07.
- Cost of Funds stood at 5.67% compared to 5.78% as on Sept'07.
- Net Interest Margin is 2.83% as against 2.75% on Sept'07.

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Non-Interest Income- (HY)

(Rs.in crore)

	Sept'07 (H1)	Sept'08 (H1)	Growth %
Recovery in Write off Accounts	73	87	19.18
Profit on Sale of Investments	93	-30	-ve
Other Non - Interest Income	337	448	32.94
Total	503	505	0.40

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Deposits

- Total deposits grew by 22.29% to Rs 115939 as of Sept'08.
- Retail deposits of the Bank grew by Rs. 20024 crs at a growth rate of 26.12% YoY.

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CASA Deposits

(Rs.in crore)

	Sept '07	Sept'08	% Growth
Current Deposits	9126	11905	30.45
Savings Deposits	21690	26467	22.02
Demand Deposits (CASA)	30816	38372	24.52
% to total deposits	32.50	33.10	
Cost of Deposits(%)	6.06%	6.16%	

- CASA deposits have shown growth of 24.52% YoY .
- CASA share to total deposits improved by 60 bps to 33.10% from 32.50% in the previous year.

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Advances

- Bank registered growth of 26.17% YoY in advances. Emphasis was on qualitative shift in credit portfolio resulting in impressive improvement in yield on advances by 51 bps to 10.66%.

(Rs. in Crore)

	Sept'07	Sept'08	YoY Growth%
AGRICULTURE	11378	12701	11.63
Retail Advances (Personal Segment)	7163	9324	30.17
MSME	10563	13884	31.44

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Investments

- Growth in investments and yield on investments were in line with market trends.

(Rs. In crore)

	Sept-07	%	Sept-08	%
Held to Maturity	20917	66.23	23113	66.66
Held for Trading	95	0.30	61	0.18
Available for Sale	10572	33.47	11500	33.16
Total	31584	100.00	34674	100.00

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Investment Duration

	Sept-07	Sept-08
HTM	4.10	4.16
AFS	2.68	2.16
HFT	4.26	6.25
Total	3.69	3.51

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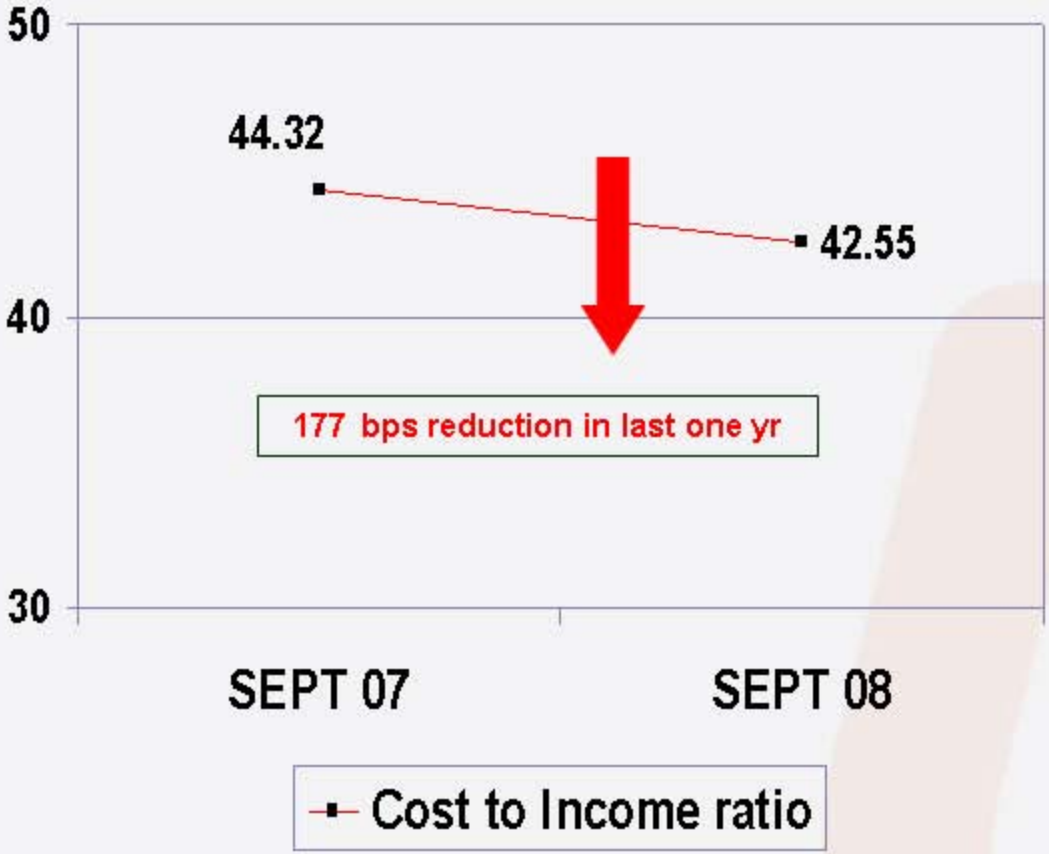
Cost to Income ratio



- The Cost to Income ratio which reflects the operating efficiency of the bank was at 42.55% and is one of the lowest among peer banks.

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NPA Management

GROSS NPAs

NET NPAs

- Net NPA% of the Bank, one of the best in the industry among PSBs, has further improved to 0.14% from 0.65% as of Sept'07.
- Loan loss coverage of NPA increased to 93.06% as of Sept'08 from 73.69% in the previous year.

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NPA Management

(Rs.in crore)

-	Sept'07	Sept'08
Gross NPAs - Opening	1873	1657
Add : Additions	404	431
Less : Deductions	618	413
1. Due to Write Off	267	47
2. Due to upgradation	70	95
3. Due to Recoveries	281	271
Gross NPAs	1659	1675
Gross Credit	68595	86549
Gross NPA as a % age of GBC	2.42	1.93
Net NPA	437	116
Net Advances	67372	84991
Net NPA as a % age of Net Advances	0.65	0.14

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Key Ratios – Profitability

Ratios	Sept'07 (Q2)	Sept'08 (Q2)
Earning Ratios*		
Return on Avg. Assets (%)	1.05	1.12
Return on Equity (NP/NW %)	21.09	23.31
Earning Per Share (Rs.)	21.84	28.62
Book Value Per Share (Rs.)	103. 56	122.80

* Annualised

ROA improved to 1.12% from 1.05% indicating more efficient utilization of assets

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Key Ratios –Earnings

Ratios (in %age)	Sept'07 (Q2)	Sept'08 (Q2)
Cost of Deposits	6.41	6.25
Yield on Advances	10.26	11.16
Yield on Investments	7.08	7.52
Non-interest Income to Total Income	11.37	9.09
Cost of Funds	6.02	5.74
Yield on Funds	8.51	8.75
Net Interest Margin	2.49	3.01

Increase in cost has been offset by increase in yield

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Key Ratios – Efficiency

Ratios (in %age)	Sept'07 (Q2)	Sept'08 (Q2)
Efficiency Ratios		
• Cost to Income Ratio	43.96	44.40
• Operating Exp. To AWF	1.58	1.73

Cost to Income ratio increased marginally due to provision for wage arrears and brand building expenses

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Key Ratios - Productivity

Ratios	Sept'07 (H1)	Sept'08 (H1)
Productivity Ratios (Rs. In lacs)		
Avg. Business per Employee	570	669
Avg. Business per Branch	6490	7294
Net Profit per Employee	3.87	4.45
Net Profit per Branch	44.07	48.52
Gross Profit per Employee	8.14	9.93
Gross Profit per Branch	92.70	108.25

Business and profit per employee increased

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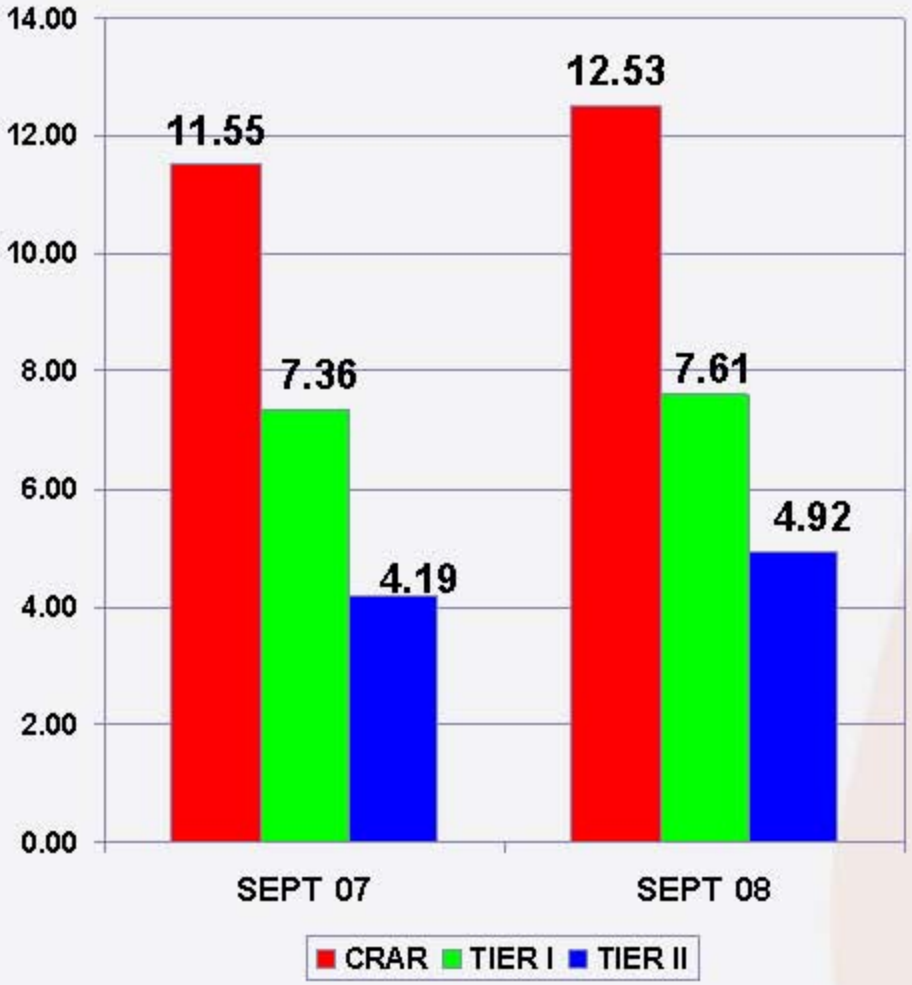
Capital Adequacy



- Capital Adequacy Ratio increased from 11.55% as on 30th Sept, 2007 to 12.53% as on 30th Sept, 2008.
- Tier-I capital funds have increased by 24.81% from Rs.5531 crore as on Sept, 2007 to Rs. 6903 crore as on Sept, 2008 mainly due to plough back of profits and issue of Rs. 400 crore Perpetual Bonds.
- Hence Tier I CAR has improved from 7.36% as on Sept'07 to 7.61% as on Sept'08.
- CRAR at 11.77% as per BASEL II.

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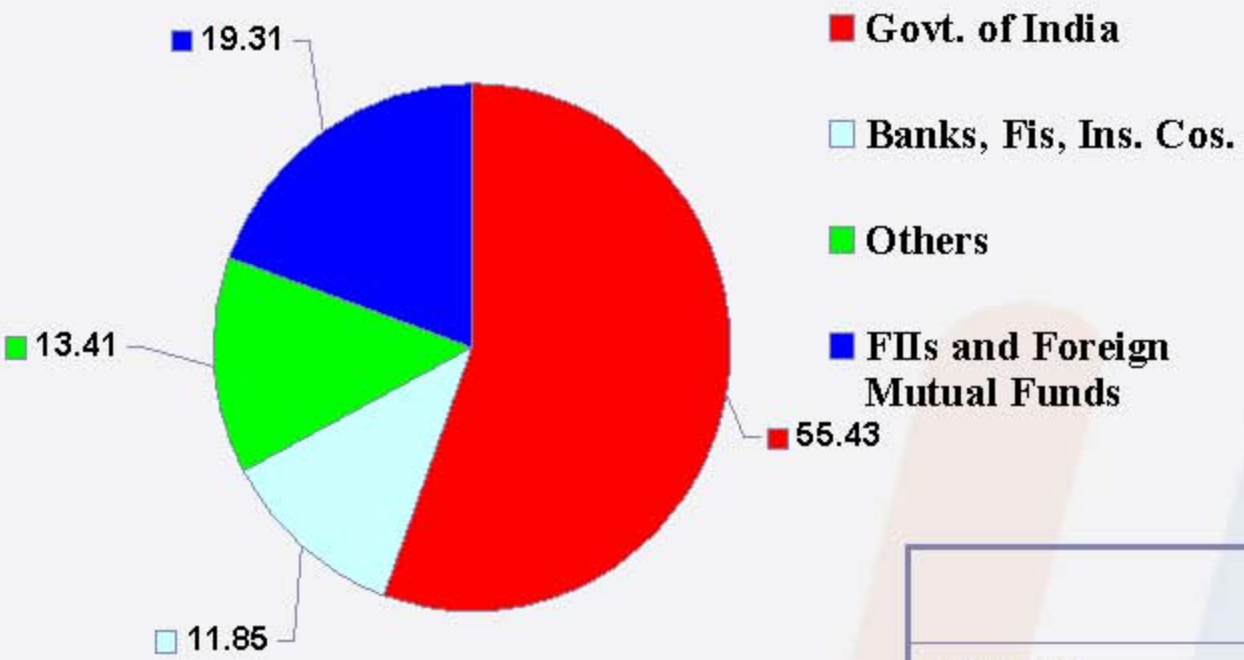
Shareholding Pattern (30th Sept, 2008)



	SEPT-07	SEPT-08
GOVT.	55.43%	55.43%
FIIs & FMFs	19.64%	19.31%
BANKS, INST./ MUTUAL FUNDS	11.46%	11.85%
OTHERS	13.47%	13.41%

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Major highlights of last quarter

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Major Highlights Q2-09

- The Bank unveiled its new blue and red logo on 1st September, 2008. The rebranding initiative has been undertaken with one objective in mind: to maximise customer convenience and satisfaction.

- The Bank launched "Wealth Management" services to its HNI clients under tie-up with M/s Wealth Advisors (North & South India) and M/s Edelweiss Securities Ltd.(East and West India) in select cities of Bangalore, Chennai, Hyderabad, Delhi and Mumbai.

Major Highlights Q2-09

- Due to adoption of technology, transactions through electronic mode moved up from 6% to 13.6% of the total transactions of the bank in the last 6 months and is expected to touch 25% by March 2009. This is expected to significantly bring down the transaction costs.
- Bank formally opened its first full fledged overseas branch at Hong Kong on 1st August, 2008. The inauguration was made by Hon'ble Minister of State for Finance, Mr Pawan Kumar Bansal.

ROAD AHEAD

Union Bank of India

ROAD AHEAD

- 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).

- 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.

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

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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.

You moved to another city.
She understood.
You were too busy to call everyday.
She didn't mind.
When she cried, she cried alone.
Whenever you cried, she cried with you.
When you said 'Ma, this is important',
she prayed for you.
Your dreams are not yours alone
Union Bank
of India

DREAM BIG