

QUARTERLY RESULTS - DECEMBER '08

TABLE OF CONTENTS

		Page No.
1	Financial Highlights	2
2	Performance in Brief	5
3	Future Plans	7

WORKING RESULTS – QUARTER ENDED DECEMBER 2008

Major Highlights

(Rs. in crore)

Q3 FY09	Q2 FY09	Q3 FY08	Growth YoY%	(Rs in Crores)	9M FY09	9M FY08	Growth YoY%
854	700	636	34.28	Operating Profit	2170	1690	28.40
671	362	365	83.84	Net Profit	1261	866	45.61
1128	975	752	50.00	Net Interest Income	2913	2143	35.93
3.22%	3.01%	2.70%	-	NIM	2.97%	2.75%	-

Union Bank of India today reported its financial performance for the quarter (Q3) ended 31st December 2008. Highlights of the unaudited results as compared to the previous period are as under:-

- The operating profit registered growth of 34.28% to Rs.854 crore for the quarter ended 31st December, 2008 from Rs. 636 crore for the corresponding period of previous year.
- The net profit registered growth of 83.84% to Rs. 671 crore for the quarter ended 31st December,2008 from Rs. 365 crore for the corresponding period of previous year.
- Net Interest Income registered growth of 50.00% to Rs. 1128 crore for the quarter ended 31st December, 2008 from Rs. 752 crore for the corresponding period of previous year.

Financial Highlights

Business Growth

- ✓ Business mix of the Bank has registered growth of 28.33% (y-o-y) to Rs. 222625 Crores as on 31.12.2008 from Rs 1,73,478 Crores as on 31.12.2007.

Key Financials

- ✓ Union Bank of India recorded a quarterly Operating profit of Rs. 854 crs for Dec'08 as against Rs. 636 crs for the quarter ended Dec'07 registering growth of 34.28%.
- ✓ Net Profit for the quarter has increased from Rs. 365 crore to Rs 671 crore registering a growth of 83.84%.
- ✓ Despite a scenario of rising cost of raising resources, Net Interest Margin (NIM) for nine months ended Dec'08 has been increased to 2.97%.
- ✓ **Capital Adequacy stood at 12.32% as of Dec'08 as against 13.03% in Dec'07. CAR as per Basel II was at 13.41% as of Dec'08 mainly due to improved risk weights on account of ECRA facility ratings of majority of Corporate borrowers.**
- ✓ Net Worth of the Bank posted a smart rise to Rs. 6864 crs as of Dec'08 from Rs. 5592 crs as of Dec'07 due to plough back of profits.
- ✓ Return on Average Assets improved from 1.31% in Dec'07 to 1.92% in Dec' 08 (QoQ) indicating more efficient utilization of assets.

Asset Quality:

- ✓ The asset quality recorded a significant improvement, with a steep reduction in Net NPAs from 0.35% in Dec'07 to 0.14% in Dec'08 and the Gross NPAs from 2.10% to 1.68%.
- ✓ Loan Loss provision coverage increased from 83.57% in Dec'07 to 91.85 % in Dec'08.

Working Results Overview - Quarter ended December, 2008
(Rs. in crore)

		Q3 to Q3 change		
		Dec'07	Dec'08	% change
1.0	Total Income	2806	3654	30.22
1.1	Interest Income	2422	3262	34.68
1.1.1	-on advances	1756	2465	40.38
1.1.2	-on investments	635	727	14.49
1.1.3	-on others	31	70	125.81
1.2	Non-Interest Income	384	392	2.08
2.0	Total Expenses	2170	2800	29.03
2.1	Interest Expenses	1670	2134	27.78
2.1.1.	-Deposits	1524	1927	26.44
2.1.2	-Others	146	207	41.78
2.2	Other Expenses	500	666	33.20
2.2.1	-Establishment	279	323	15.77
2.2.2	-Others	221	343	55.20
3.0	Interest Spread	752	1128	50.00
4.0	Operating Profit	636	854	34.28
5.0	Provisions	271	183	-32.47
6.0	Net Profit	365	671	83.84

Other Highlights

1. The Bank was ranked 4th by Business Today - KPMG survey of "The Best Banks 2008", in the large banks category. This was a very significant and defining moment for the Bank, as the Bank moved up 4 places from rank 8th last year (up from 18th place in previous year) to the present position in an independent survey conducted by a prominent rating agency. Bank was ranked FIRST in the parameters of "Productivity" and "Efficiency" in the large banks category.
2. In the Business India survey of the Best Banks 2008, Union Bank was amongst the 4 banks shortlisted and ranked 2nd in the overall rankings.
3. The Institute of Chartered Accountants of India (ICAI) has adjudged the Bank's Annual Report and Accounts for the year ended 31st March, 2008 as a commendable entry under the category "Banking and Financial Institutions" of the "ICAI Awards for Excellence in Financial Reporting".
4. The Bank has received regulatory approval from Australian Prudential Regulatory Authority (APRA) for setting up its representative office at Sydney. The Bank also received regulatory approval from China Banking Authority to open its 2nd Representative office at Beijing.

5. The Bank formally signed the Shareholder agreement with Belgian KBC group for setting up an joint venture AMC in India. The Bank will have majority stake of 51% in the venture. The agreement was signed in presence of His Royal Highness King Albert II of Belgium and Belgian Minister of Foreign Affairs, Mr Karel De Gucht.
6. The Bank announced 100 specialised Business Banking branches across the country to focus exclusively on MSME sector with assured turnaround time of 2 weeks for sanction of proposals.
7. The Bank launched mobile banking facility called “Umobile” which facilitates limited transactions and other services through mobile phones.
8. The Bank inked a MOU with National Small Industries Corporation Ltd.(NSIC) for training and setting up of Incubation cum training centres to promote various skills for the first generation entrepreneurs in the MSME segment. 250 such centres, financed by the Bank, will be set up across the country.
9. The Bank inked a MoU for Collateral Management services with National Collateral Management Services Ltd. (NCMSL) on pan India basis. The MoU envisages financing against warehouse receipts for agri commodities kept at NCMSL Warehouses.

Performance in Brief

Business:

- o The Bank achieved a new landmark with the total business - mix of the Bank improving by 28.33% from Rs.173478 crore as on 31st Dec'07 to Rs. 222625 crore as on 31st Dec'08
- o The Bank's total deposits as on 31st Dec'08 reached a level of Rs. 129647 crore from Rs. 99227 crore as on 31st Dec'07, an increase of 30.66 %. Demand deposits grew by Rs. 6535 crore (19.90%) to Rs. 39378 crore as on 31st Dec'08 from Rs. 32843 crore as on 31st Dec'07.
- o Gross advances of the Bank reached a level of Rs. 92978 crore as on 31st Dec'08, registering an increase of 25.22% over Dec'07.
- o MSME advances grew by 31.62% YoY from Rs. 11102 crore as of Dec'07 to Rs. 14612 crore as of 31st Dec'08. Priority sector lendings grew 17.04% from Rs. 29912 crs as of Dec'07 to Rs. 35008 crore as of Dec'08. Bank's Retail advances (personal segment) grew by 32.15 % YoY to 9783 Rs. crore from Rs. 7403 crore in the previous year. Educational loans portfolio of the Bank grew by 47.99% YoY to Rs 919 crs as of Dec'08.

Capital & Net Worth:

- o The Bank's Capital Adequacy Ratio (CRAR) (BASEL I) is at 12.32% & BASEL II at 13.41% as on 31st December 2008.
- o The Bank's Net Worth increased by 22.75% and stood at Rs. 6864 crore as on 31st Dec'08 in comparison to Rs. 5592 crore as on 31st Dec'07.

Financial Performance (Nine Months):

- o The Net Interest Margin of the Bank increased to 2.97% for the nine months ended 31st Dec'08 as compared to 2.75% as of 31st December ' 2007.
- o The Bank's Net Interest Income increased from Rs. 2143 crore to Rs. 2913 crore, a growth of 35.93% YoY.
- o Operating expenses increased to Rs. 1640 crore for the nine months ended Dec'08 as against Rs.1339 crore in the previous year due to increase in Business and provision for wage revision. Union Bank has one of the best Cost to Income ratio at 43.04% amongst Public Sector banks.

Asset Quality:

- o Gross NPAs is almost at the same level of last year, Rs. 1564 crore as on 31st Dec. 08.

- o The ratio of the Bank's gross NPAs to Gross Advances has improved to 1.68 % as on 31st Dec'08 in comparison to 2.10% as on 31st Dec'07.
- o Net NPAs reduced to Rs. 127 crore as on Dec'08 from Rs. 257 crore as on Dec'07.
- o The ratio of Net NPAs to Net Advances improved to 0.14% as on 31st Dec'08 from 0.35% as on 31st Dec'07.
- o The provision cover for NPAs as on 31st Dec'08, has improved to 91.85% as compared to 83.57% as on 31st Dec'07.

Ratio Analysis (Quarterly):

- o Net Interest Margin(NIM) was at 3.22% as of 31st Dec'08 as against 2.70% in the corresponding period of the previous year. Increase in yield in advances to 11.53% and yield on funds to 9.32% mainly contributed to the increase in NIM.
- o Return on Average Assets jumped from 1.31% in Dec'07 to 1.92% in Dec'08.
- o Return on Equity improved from 26.11% in Dec'07 to 39.15% in Dec'08.
- o EPS and Book value showed improvement to Rs. 53.20 and Rs. 135.89 in Dec'08 from Rs. 28.91 and Rs. 110.71 respectively in Dec'07.
- o Cost to Income Ratio improved from 44.01% in Dec'07 to 43.81% in Dec'08.

EMPLOYEE PRODUCTIVITY

- o Terminal Business per Employee increased to Rs. 821 lacs as of Dec'08 from Rs. 672 lacs as on Dec'07.
- o Net Profit per Employee for the quarter has increased to Rs. 9.91 lacs as of Dec'08 from Rs 5.66 lacs as on Dec'07.

FUTURE PLANS

- The Bank which gave a guidance on growth of reaching business mix of Rs 220000 crore by the end of March 2009 has achieved business mix of Rs 222625 crore as of 31st December, 2008.
- The Bank had also given a guidance on asset quality that gross NPAs will be under 2% by March 2009 and delinquency ratio below 1.25%. As of 31st December, 2008 Gross NPAs of the Bank are at 1.68% and delinquency ratio at 1.10%.
- Bank will continue to focus on a four-pronged strategy for growth. Retail, Agri business, MSME and Corporate will continue to be the four growth engines.
- Containing of Cost of funds will be central to the strategy of the Bank during the year.
- Bank had given guidance of maintaining NIM at 2.80%. We will improve the guidance to reach NIM of 3% or better by end March 2009.