

QUARTERLY RESULTS - SEPTEMBER '08

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WORKING RESULTS – QUARTER ENDED SEPT 2008

FINANCIAL HIGHLIGHTS

- The Bank has crossed landmark business mix of **Rs. 2 lac crore** as of September 2008

Key Financials

- Union Bank of India recorded a quarterly Operating profit of **Rs. 700 crs** for Sept'08 as against Rs.529 crs for the quarter ended Sept'07 registering **growth of 32.33%**.
- Net Profit has increased from **Rs.276 crs** to **Rs. 362 crs** registering a **growth of 31.16%**.
- Despite a scenario of rising cost of raising resources, Net Interest Margin(NIM) for quarter ended Sept'08 has increased to 3.01% as against 2.49% in Sept'07.
- Capital Adequacy under BASEL I shored up to 12.53% in Sept'08 from 11.55% in Sept'07. Capital Adequacy under BASEL II is at 11.77% in Sept'08.
- Net Worth of the Bank posted a smart rise to Rs. 6203 crs as of Sept'08 from Rs. 5231 crs as of Sept'07 due to plough back of profits.
- Return on Average Assets improved from 1.05% in Sept'07 to 1.12% in Sept' 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 0.65% in Sept'07 to **0.14% in Sept'08** and the **Gross NPAs** from 2.42% to 1.93%.
- Gross NPA level has marginally increased from Rs.1659 crs in Sept'07 to Rs. 1675 crs in Sept'08. Net NPAs reduced from Rs.437 crs in Sept'07 to Rs. 116 crs in Sept'08.
- Loan Loss provision coverage increased from 73.69% in Sept'07 to 93.06% in Sept'08.

Working Results Overview - Quarter ended September, 2008

(Rs. in crs)

		Q2 to Q2 change		
		Sept'07	Sept'08	% change
1.0	Total Income	2526	3114	23.28
1.1	Interest Income	2238	2831	26.50
1.1.1	-on advances	1626	2141	31.67
1.1.2	-on investments	569	673	18.28
1.1.3	-on others	43	17	-60.47
1.2	Non-Interest Income	288	283	-1.74
2.0	Total Expenses	1997	2414	20.88
2.1	Interest Expenses	1582	1856	17.32
2.1.1.	-Deposits	1441	1686	17.00
2.1.2	-Others	141	170	20.57
2.2	Other Expenses	415	558	34.46
2.2.1	-Establishment	255	291	14.12
2.2.2	-Others	160	267	66.88
3.0	Interest Spread	656	975	48.63
4.0	Operating Profit	529	700	32.33
5.0	Provisions	253	338	33.60
6.0	Net Profit	276	362	31.16

Performance in Brief

Business:

- o The Bank achieved a new landmark with the **total business–mix** of the Bank crossing Rs 2,00,000 crs to reach level of Rs 202488 crs, a growth of 23.92% over previous year's level of Rs.163399 crs as on 30th Sept'07.
- o The **Bank's total deposits** as on 30th Sept'08 reached a level of **Rs.115939 crs** from Rs.94804 crs as on 30th Sept'07, an increase of 22.29%. Demand deposits grew by Rs.7556 crs to Rs. 38372 crs as on 30th Sept'08 from Rs.30816 crore as on 30th Sept'07.
- o Retail deposits of the Bank **grew by Rs. 20024 crs to Rs 96687 crs**, giving a **YoY growth of 26.12%**.
- o **Gross advances** of the Bank reached a level of **Rs.86549 crs** as on 30th Sept'08, registering an increase of 26.17% over Sept'07.
- o MSME advances grew by 31.44% YoY from Rs 10563 crs as of Sept'07 to Rs 13884 crs as of 30th Sept'08. Agri advances grew 11.63% from Rs 11378 crs as of Sept'07 to Rs 12701 crs as of Sept'08. Retail advances (personal segment) grew by 30.17% YoY to Rs. 9324 crs from Rs.7163 crs in the previous year. Educational loans portfolio of the Bank grew by 39.02 % YoY to Rs 791 crs as of Sept'08.

Capital & Net Worth:

- o The Bank's **Capital Adequacy Ratio (CRAR)** – BASEL I has improved to 12.53% as on 30th Sept'08 from 11.55% as on 30th Sept'07.
- o The Bank's **Net Worth increased by 18.58%** and stood at **Rs. 6203 crs** as on 30th Sept'08 in comparison to Rs.5231 crs as on 30th Sept'07.

Financial Performance (Quarterly):

- o The **Net Interest Margin** of the Bank **increased to 3.01%** for the quarter ended 30th Sept'08 as against 2.49% for the quarter ended 30th Sept'07.
- o The Bank's Net Interest Income increased from Rs.656 crs to Rs.975 crs, a growth of 48.63% over the corresponding quarter of previous year.
- **Non-interest income** marginally declined to Rs 283 crs from **Rs.288 crs** in quarter ended Sept'07 mainly due to loss of Rs 38 crs in investments portfolio. However, Core Non-Interest Income for the quarter Q2-09 improved to Rs 322 crs as against Rs 227 crs in the corresponding period of the previous quarter, a growth of 41.85%.

- o Operating expenses increased to Rs. 558 crs in Sept'08 as against Rs. 415 crore in Sept'07 on account of provision for wage arrears and brand building expenses.

Asset Quality:

- o Gross NPAs marginally increased to Rs.1675 crs as on 30th Sept'08 from Rs.1659 crore as on 30th Sept'07.
- o The ratio of the Bank's gross NPAs to Gross Advances has improved to 1.93% as on 30th Sept'08 in comparison to 2.42% as on 30th Sept'07.
- o Net NPAs reduced to Rs.116 crs as on Sept'08 from Rs.437 crs as on Sept'07.
- o The ratio of Net NPAs to Net Advances has improved to 0.14% as on 30th Sept' 08 from 0.65% as on 30th Sept'07.
- o The coverage of provisions for NPAs as on 30th Sept'08, has improved to 93.06% as compared to 73.69% as on 30th Sept'07.

Ratio Analysis (Quarterly):

- o Increase in Yield on advances to 11.16% and Yield on funds to 8.75%, decrease in Cost of Funds to 5.74% and Cost of deposits to 6.25% for the quarter ended 30th Sept'08 resulted in Net Interest Margin(NIM) increasing from 2.49% in Sept'07 to 3.01% in Sept' 08.
- o Return on Average Assets improved from 1.05% in Sept'07 to 1.12% in Sept'08.
- o Return on Equity improved from 21.09% in Sept'07 to 23.31% in Sept'08.
- o EPS and Book value showed improvement to Rs.28.62 and Rs.122.80 in Sept'08 from Rs.21.84 and Rs. 103.56 respectively in Sept'07.
- o Cost to Income Ratio marginally increased from 43.96% in Sept'07 to 44.40% in Sept'08 due to provision for wage arrears as also for brand building expenses.

Future Plans

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.
- Increasing of Non Interest Income of the Bank to be the thrust area of the Bank
- Containment of cost of funds will form central strategy of the Bank.

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