

QUARTERLY RESULTS - JUNE' 08

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WORKING RESULTS – QUARTER ENDED JUNE 2008

Major Highlights

- ✓ Operating profit for the quarter Q1-09 grew by 17.33% to Rs 616 crs as against Rs 525 crs in the corresponding quarter of the previous year. The Bank registered a Net Profit of Rs 228 crs for Q1-09 as against Rs 225 crs in the previous year despite a MTM depreciation provision of Rs 339 crs on its bond portfolio.
- ✓ Focus on asset quality, stringent credit review and monitoring mechanism and robust recoveries has brought about a significant reduction in both Gross and Net NPAs of the Bank to 2.08% and 0.15% as of June 2008 from 2.78% and 0.78% in the previous year. The Net NPA % for June'08 is among the best in the Industry.
- ✓ The Cost to Income ratio which reflects the operating efficiency of the bank reduced to 40.31% as of June'08 from 44.68% in the previous year. Cost to Income ratio of the Bank is one of the lowest among peer banks.

FINANCIAL HIGHLIGHTS

Business Growth

- Business mix of the Bank has registered growth of 21.48% (y-o-y) to Rs. 183058 Crore as on 30.06.2008 from Rs150692 Crore as on 30.06.2007.

Key Financials

- Union Bank of India recorded a quarterly Operating profit of Rs 616 crs for June,'08 as against Rs 525 crs for the quarter ended June,2007 registering growth of 17.33%.
- Net Profit has increased by 1.33% to Rs.228 crs from Rs.225 crs due to higher provisioning requirement necessitated on investment portfolio on account of adverse market movements.
- Net interest margin stood at 2.63%, despite reduction of BPLR by 50 bps during the entire quarter. NIM was retained at 2.63% from the same level in Q4-08 mainly due to improvement in CASA by 150 bps during the year.
- Capital Adequacy at 12.22% is much above the minimum required level of 9%.
- Net Worth of the Bank rose to Rs.5844 crs from Rs 4954 crs in June,2007 due to plough back of profits.
- Cost to Income ratio improved to 40.31% from 44.68% in June, 2007. Bank has one of the lowest cost to income ration in the industry.

Asset Quality:

- The asset quality recorded a significant improvement, with a steep reduction in Net NPAs from 0.78% in June,2007 to 0.15% in June,2008 and the Gross NPAs from 2.78% to 2.08%. The net NPA % of the Bank is one of the best among peer banks.
- Gross NPA level reduced from Rs.1769 crs in June,2007 to Rs.1575 crs in June,2008.
- Net NPAs also reduced in absolute terms from Rs. 486 crs in June 07 to Rs. 109 crs in June 08.
- Loan Loss provision coverage increased from 72.55% in June,2007 to 93.05% in June 08.

Working Results Overview - Quarter ended June, 2008

		Q1 to Q1 change		
		June'07	June'08	% change
1.0	Total Income	2289	2755	20.36
1.1	Interest Income	2074	2533	22.13
1.1.1	-on advances	1535	1841	19.93
1.1.2	-on investments	518	682	31.66
1.1.3	-on others	21	10	-52.38
1.2	Non-Interest Income	215	222	3.26
2.0	Total Expenses	1764	2139	21.26
2.1	Interest Expenses	1340	1723	28.58
2.1.1.	-Deposits	1195	1560	30.54
2.1.2	-Others	145	163	12.41
2.2	Other Expenses	424	416	-1.89
2.2.1	-Establishment	254	225	-11.42
2.2.2	-Others	170	191	12.35
3.0	Interest Spread	734	810	10.35
4.0	Operating Profit	525	616	17.33
5.0	Provisions	300	388	29.33
6.0	Net Profit	225	228	1.33

Performance in Brief

Business :

- The Bank achieved a new land-mark with the **total business – mix** of the Bank improving by 21.48% from Rs.1,50,692 crore as on 30th June 2007 to Rs.1,83,058 crore as on 30th June,2008.
- The **Bank's total deposits** as on 30th June 2008 reached a level of **Rs.1,07,248 crore** from Rs.86984 crore as on 30th June 2007, an increase of 23.30%. Demand deposits grew by Rs.8353 crore to Rs. 37,280 crore as on 30th June 2008 from Rs.28,927 crore as on 30th June 2007.
- **Core deposits** grew by Rs 22876 crs at a growth rate of 33.69%.
- The share of **demand deposits to total deposits** as at 30th June, 2008 improved by 150 bps from 33.26% to 34.76%.
- **Gross advances** of the Bank reached a level of **Rs.75810 crore** as on 30th June, 2008, registering an increase of 19.00% over June,2007.

Capital & Net Worth :

- The Bank's **Capital Adequacy Ratio (CRAR)** stood`at **12.22%** as on 30th June 2008 which was at 12.66% as on 30th June 2007.
- The Bank's **Net Worth** increased by **17.97%** and stood at **Rs 5844 crore** as on 30th June 2008 in comparison to Rs. 4954 crore as on 30th June 2007.

Financial Performance:

- The **Net Interest Margin** of the Bank **stood at 2.63%** for the quarter ended 30th June 2008.
- The Bank's **Net Interest Income** increased from Rs.734 crore to Rs.810 crore, a growth of 10.35 %.

- Non-interest income improved from Rs 215 crores in June 2007 to Rs 222 crores in June 2008, a growth of 3.26%.
- Operating expenses has declined to Rs.416 crore in June 08 against Rs.424 crore in June 07, Operating expenses ratio at 40.31% is one of the best in the industry.

Asset Quality:

- Gross NPAs reduced to Rs 1575 crore as on 30th June, 2008 from Rs.1769 crore as on 30th June, 2007.
- The ratio of the Bank's gross NPAs to Gross Advances has improved to 2.08% as on 30th June 2008 in comparison to 2.78% as on 30th June 2007.
- Net NPAs reduced to Rs.109 crore as on June 08 from Rs.486 crore as on June 07.
- The ratio of Net NPAs to Net Advances has improved to 0.15% as on 30th June 2008 from 0.78% as on 30th June 2007 and is one of the best among peer banks.
- The provision cover for NPAs as on 30th June 2008, has improved to 93.05% as compared to 72.55% as on 30th June 2007.

Ratio Analysis:

- The Cost of Funds increased to 5.60% from 5.41% in the previous year. and Cost of deposits also increased to 6.06% from 5.72% in the previous year. While the yield on advances increased to 10.13% from 10.03% in the previous year, yield on funds decreased to 8.23% from 8.37% .
- The EPS increased to Rs.18.08 in comparison to Rs.17.83 in the previous year. The Book value increased to Rs.115.70 from Rs.98.07 In June 07.
- Cost to Income Ratio improved from 44.68 in June 07 to 40.31 in June 08.

Major Highlights – Q1 - 09

- As part of Business process change “Nav Nirman” initiated by the Bank, a Centralised back office hub has been opened at Darukhana on 12th April, 2008. This hub caters to Inward / Outward clearing of cheques, Issuance of Statement of Accounts, Cheque books of Mumbai zone. This is also in line with the cost containment strategy of the Bank.
- The Bank formalised the Jt.Venture with KBC Asset Management NV, Belgium for setting up a Asset Management Company by signing MoU on 14th July, 2008. The Bank will hold the majority stake of 51% in the venture.
- The Bank successfully implemented the Agriculture Debt Waiver scheme of the Govt. of India within the stipulated period – by 30th June, 2008. A total of 428408 farmers were given relief under the scheme amounting to Rs 1032 crs.
- Due to adoption of technology, transactions through electronic mode moved up from 6% to 12% of the total transactions of the bank in the last 3 months and is expected to touch 25% by March 2009. This will significantly bring down the transaction costs.

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.
- Containment of cost of funds will form central strategy of the Bank.
- Gross NPA level is targeted below 2%.

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