

FINANCIAL RESULTS - MARCH '08

Interface with Press

TABLE OF CONTENTS

		Page No.
1	Highlights	
	----- Major	1
	----- Others	3
2	Working Results Overview	5
3	Future Plans	7

May 07, 2008

WORKING RESULTS – YEAR ENDED 31st MARCH, 2008

Major Highlights

Q4 FY08	Q3 FY08	Q4 FY07	Growth YoY%	(Rs in Crores)	12M FY08	12M FY07	Growth YoY%
890	636	758	17.41	Operating Profit	2580	2001	28.94
521	365	228	128.51	Net Profit	1387	845	64.14
1.72	1.31	0.95		Return on Avg Assets	1.26	0.92	
0.17	0.35	0.96		Net NPA%	0.17	0.96	
22.20	44.01	30.08		Cost to Income Ratio	38.17	42.45	
311	347	242	28.51	Non Interest Income	1087	687	58.22
2.75	2.83	3.52		NIM	2.80	3.05	

Union Bank of India today reported its financial performance for the year ended 31st March 2008. Highlights of the audited results as compared to the previous period are as under:-

- The Bank's Net profit surged to record growth of 64.14% YoY to Rs 1387 crs in FY 2008. Operating profit grew by 28.94% YoY to Rs 2580 crs in FY 2008. On a quarterly basis, the Bank's net profit for Q4 08 grew by 128.51% to Rs 521 crs from Rs 228 crs in the previous year. The growth in Q4 08 net profits is the one of the highest in the industry.
- 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 2.18% and 0.17% as of March 2008 from 2.94% and 0.96% in the previous year. The Net NPA % for Mar'08 is among the best in the Industry.
- The Cost to Income ratio which reflects the operating efficiency of the bank further reduced to 38.17% as of Mar'08 from 42.45% 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 20.76% (y-o-y) to Rs. 179737 Crore as on 31.03.2008 from Rs148838 crore as on 31.03.2007.

Key Financials

- ✓ Union Bank of India recorded a quarterly Operating profit of Rs. 890 crs for March 08 as against Rs. 758 crs for the quarter ended March 07 registering growth of 17.41%.
- ✓ Net Profit has increased from Rs.228 crore to Rs 521 crore registering a growth of 128.51% QoQ.
- ✓ Despite a scenario of rising cost of raising resources, Net Interest Margin (NIM) for year ended March 08 has been maintained at 2.80%.
- ✓ Capital Adequacy stood at 12.51% in March 08 as against 12.80% in March 07. As per Basel II, the Capital Adequacy works out to 11.70% as of March 08.
- ✓ The Bank is Basel II Compliant as of 31st March, 2008.
- ✓ Net Worth of the Bank posted a smart rise to Rs.5616 crs as of March 08 from Rs. 4728 crs as of March 07 due to plough back of profits.
- ✓ Return on Average Assets improved from 0.92% in March 07 to 1.26% in March 08 indicating more efficient utilization of assets. On a quarterly basis, Return on Average Assets improved to 1.72 for Mar'08 quarter as against 0.95 in the corresponding period of the previous year.

Asset Quality:

- ✓ The asset quality recorded a significant improvement, with a steep reduction in Net NPAs from 0.96% in March 07 to 0.17% in March 08 and the Gross NPAs from 2.94% to 2.18%.
- ✓ Gross NPA level reduced from Rs.1873 crore in March 07 to Rs.1657 crore in March 08. Net NPAs also reduced in absolute terms from Rs. 601 crore in March 07 to Rs. 126 crore as of March 08.

- ✓ NPA provision coverage substantially increased from 67.89% in March 07 to 92.27% as of March 08.

Other Highlights

1. The Bank has successfully migrated all its 2514 outlets to the CBS network and is the first large public sector bank to achieve this feat. The network integration of 100% of its outlets follows the setting up of its new "Technology Centre" at Powai incorporating the State-of-the-art Data centre with capabilities to scale upto 6 million transactions per day.
2. Union Bank of India, Staff College, Bangalore, was adjudged winner of the "Golden Peacock National training Award" for 2007. This is the 3rd occasion this award has been conferred on the Bank.
3. The Bank has been awarded the "Best IT user award 2006" in the BFSI category instituted by NASSCOM.
4. Union Bank of India has been included as a member of World Economic Forum's community of global growth companies at the inaugural meeting of New Champions held at Dalian, PRC in September 2007.
5. The Bank has been awarded the prestigious "Asian Banker IT implementation award 2007" by the Asian Banker, a Singapore based research and intelligence organization. The award was given away at the Asian Banker Summit 2008 held in Hanoi, Vietnam in April, 2008.
6. Bank moved up from 18th place to 8th place for 2007 in the Best Bank's survey carried out by Business Today-KPMG announced in Feb'08.
7. Bank moved up from 18th place to 8th place for 2006-07 in Best Visibility index survey carried out by BT-Cirrus media announced in Feb'08.
8. The Bank opened its 2nd overseas representative Office at Abu Dhabi in the United Arab Emirates(UAE) on 1st December, 2007. The Bank already has a representative office at Shanghai, PRC which will complete its first year of operations on 18th May, 2008. Bank will open its first overseas branch at Hong Kong in May'08.
9. The Bank opened 155 new branches in 2007-08 which includes 63 branches opened on a single day.

10. The Bank signed the joint venture agreement for its foray into life insurance business alongwith its partners i.e Bank of India and Dai-ichi Life Insurance Co. of Japan.

Working Results Overview – Q4 ended March, 2008

		Q4 to Q4 change		
		March 07	March 08	% change
1.0	Total Income	2337	2913	24.65
1.1	Interest Income	2095	2602	24.20
1.1.1	-on advances	1431	1814	26.76
1.1.2	-on investments	538	683	26.95
1.1.3	-on others	126	105	-16.67
1.2	Non-Interest Income	242	311	28.51
2.0	Total Expenses	1579	2023	28.12
2.1	Interest Expenses	1253	1769	41.18
2.1.1.	-Deposits	1100	1593	44.82
2.1.2	-Others	153	176	15.03
2.2	Other Expenses	326	254	-22.09
2.2.1	-Establishment	149	57	-61.75
2.2.2	-Others	177	197	11.30
3.0	Interest Spread	842	833	-1.07
4.0	Operating Profit	758	890	17.41
5.0	Provisions	530	369	-30.37
6.0	Net Profit	228	521	128.51

Working Results Overview

Business:

- o The Bank achieved a new landmark with the **total business—mix** of the Bank improving by 20.76% from Rs.148838 crs as on 31st March 07 to Rs.179737 crs as on 31st March 08.
- The Bank's total deposits as on 31st March 08 reached a **level of Rs. 103859 crs** from Rs. 85180 crs as on 31st March 07, an increase of 21.93%. In sync with its strategic focus, the Bank's Core deposits comprising CASA and retail deposits grew by a **robust 28.59% to Rs 85739 crs** in FY 2008. Demand deposits grew by **Rs. 6818 crs (23.20%) to Rs. 36204 crs** as on 31st March 08 from Rs. 29386 crs as on 31st March 07. CASA ratio to total deposits improved to 34.86% from 34.50% in the previous year.
- o **Gross advances** of the Bank reached a level of **Rs.75878 crs** as on 31st March 08, registering an increase of 19.20% over March 07.
- o SME advances grew by 38.59% YoY from **Rs.8833 crs as of March 07 to Rs 12242 crs** as of 31st March 08, a growth of 38.59% YoY. Bank's Retail advances (Personal Segment) grew by 17.50% YoY to Rs. 7956 crs from Rs.6771 crs in the previous year. Educational loans portfolio of the Bank grew by 46.55% YoY to Rs 677 crs as of 'March 08.

Capital & Net Worth:

- o The Bank's **Capital Adequacy Ratio (CRAR)** is at 12.51%. as on 31st March 2008.
- o The Bank's **Net Worth** increased by 18.78% and stood at **Rs.5616 crore** as on 31st March 08 as compared to Rs.4728 crore as on 31st March 07.

Financial Performance (12 Months):

- o The **Net Interest Margin** of the Bank **stood at 2.80%** for the year ended 31st March 08.
- o The Bank's Net Interest Income increased from Rs.2790 crs to Rs. 3089 crs, a growth of 10.61% YoY.
- Sustained efforts in marketing of third party products, gains in treasury income and robust recovery in written-of accounts have helped the bank in registering an overall 58.22% growth in Non-Interest income to Rs 1087 crs in FY 2008 from Rs 687 crs in the previous year.

- o Operating expenses have been contained at Rs. 1593 crs in March 08 as against Rs.1476 crs in the previous year despite increase in Business. Union Bank has one of the best Cost to Income ratios amongst Public Sector banks in India.

Asset Quality:

- o Gross NPAs reduced to Rs.1657 crs as on 31st March 08 from Rs.1873 crs as on 31st March 07.
- o The ratio of the Bank's gross NPAs to Gross Advances improved to 2.18% as on 31st March 08 as compared to 2.94% as on 31st March 07.
- o Net NPAs reduced to Rs. 126 crs as on March 08 from Rs.601 crs as on March 07.
- o The ratio of Net NPAs to Net Advances has improved to 0.17% as on 31st March 08 from 0.96% as on 31st March 07.
- o The provision cover for NPAs as on 31st March 08, has improved to 92.27% as compared to 67.89% as on 31st March 07.

Ratio Analysis (Yearly):

- o Despite increase in Yield on advances to 10.12% and Yield on funds to 8.56%, increase in Cost of Funds to 5.76% and Cost of deposits to 6.19% for the period ended 31st March 08. Net Interest Margin(NIM) was at 2.80% for March 2008.
- o Return on Average Assets(ROA) improved from 0.92% in March 07 to 1.26% in March 08.
- o Return on Equity improved from 17.88% in March 07 to 24.70% in March 08.
- o EPS and Book value showed improvement to Rs. 27.46 and Rs.111.19 in March 08 from Rs.16.74 and Rs.93.60 respectively in March 07.
- o Cost to Income Ratio improved from 42.45% in March 07 to 38.17% in March 08. The Bank has one of the lowest Cost to Income ratio among peers.

EMPLOYEE PRODUCTIVITY

- o Business per Employee increased to Rs.699 lacs as of March 2008 from Rs.573 lacs as on March 2007
- o Net Profit per Employee increased to Rs. 5.39 lacs as of March 2008 from Rs 3.25 lacs as on March 2007

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%.