

March 23, 2012

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Union Bank of India (UBI) provides a full range of banking services throughout India. The Company's activities include retail banking, commercial and personal banking, investment management, treasury and NRI services, cash management and assorted ATM facilities. Union Bank has an online telephone-banking facility for all its core banking customers.

### Investor's Rationale

#### Net fell by 66.0%YoY

Union bank of India(UBI) has reported faded performance for the quarter ended December 2011 with sharp 66.0% dip in the Net Profit at ₹2.0 billion despite moderate 10.2% increase in NII at ₹17.8 billion. Sharp increase in the cost to income ratio by 570 bps coupled with 143% spike in provisions and contingencies at ₹9.7 billion have dented the profitability of the bank.

#### Net interest margin (NIMs) improved on QoQ basis

The Net interest income (NII) growth was aided by 17%YoY (8% QoQ) growth in loan portfolio. However, despite steady 19.8% YoY growth in non-interest income, net profit was down due to substantially higher NPA along with other provisioning. Non-interest income grew by 19.8% to ₹5.9 billion on YoY basis. NIMs improved by 11 bps to 3.3% on sequential basis, but have fallen on YoY basis by 13 bps due to higher costs. UBI expects NIM to be at 3.20% by March 2012

#### Asset quality advanced on QoQ basis

On the asset quality front, bank surprised positively on sequential basis as the Gross NPA ratio decreased by 19bps QoQ While on YoY basis, the asset quality remains stressed by 62bps at 3.3%. The gross slippages during the quarter were ₹5.7 billion. Out of the total slippages during the quarter, one account worth ₹2.0 billion slipped from the Media sector. Currently UBI's exposure to SEBs is ₹65 billion, Gujarat SEB being the largest among others. Bank faces no challenges at this front. During the quarter, the bank restructured assets worth ₹20.4 billion, 75% of which pertains to Telecom sector.

#### Material improvement in loan book

The bank's domestic advances grew 14.5% to ₹1,472.6 billion while that of global advances grew 16.8% to ₹1,562.0 billion at end of December 2011, where as domestic deposits increased by 9.8% to ₹2,044.9 billion while that of global deposits grew 10.0% to ₹2,053.2 billion, owed to 7.6%YoY rise in CASA deposits at ₹668.1 billion, taking the CASA ratio stands to 32.54% in Q3FY'12. The Bank aims for Advances growth of 16-18% for 2011- 12. Deposits growth will be calibrated accordingly.

### Market Data

CMP (₹)	218.5
Target Price	251
Stop Loss	207
Duration	Mid-term
52-week High-Low (₹)	359.4/155.5
Rise from 52WL (%)	39.2
Correction from 52WH (%)	40.5
Beta	1.59
1 year Average Volume (mn)	0.12
Stock Return (%)	3M- 24.8 6M- -6.9 9M- -25.9
Market Cap (₹bn)	114.6
Enterprise Value (₹bn)	42.6

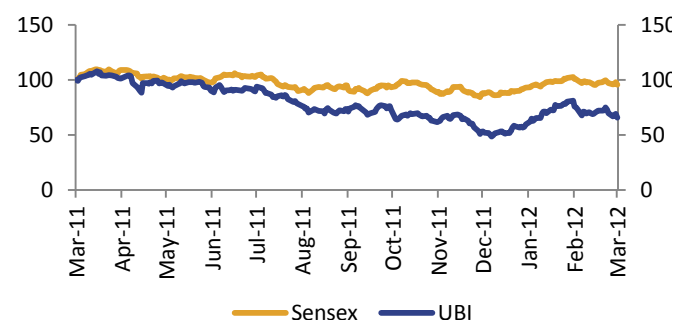
### Shareholding Pattern

	Dec'11	Sep'11	Chg
Promoters (%)	57.1	57.1	-
FII (%)	11.0	11.9	(0.9)
DII (%)	14.5	14.7	(0.2)
Public & Others (%)	17.4	16.3	1.1

### Quarterly Performance

(₹ bn)	Q3 FY'12	Q3 FY'11	Q2 FY'12	%Y-o-Y Change	%Q-o-Q Change
Total Inc	59.7	46.9	56.1	27.1	6.3
Op. exp	10.9	8.5	9.6	28.4	13.8
Net Profit	2.0	5.8	3.5	(66.0)	(44.1)
NII	17.8	16.2	16.6	10.2	7.2
NIM (%)	3.3	3.4	3.2	(13bps)	11bps
GNPA (%)	3.3	2.7	3.5	62bps	(19bps)
EPS	3.8	11.5	6.7	(67.2)	(44.0)

### One Year Price Chart





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