

May 12, 2010

CARE ASSIGNS 'AAA' RATING TO THE UPPER TIER II BONDS ISSUE OF UNION BANK OF INDIA

CARE has assigned '**CARE AAA**' rating to the Upper Tier II bonds of Union Bank of India (UBI) of Rs.500 crore. Instruments with 'CARE AAA' rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.

Instrument	Amount (Rs. Cr)	Rating
Upper Tier II bonds	500.00	'CARE AAA'
Total	500.00	

Rating Rationale

The rating factors in UBI's majority ownership by Government of India (GoI), its long standing track record, comfortable capital adequacy and improving and healthy profitability indicators. The rating factors in consistent improvement in the asset quality of the bank as well as the expected support from GoI, in terms of financial support or otherwise, in case the need arises in future. UBI's ability to maintain its spreads in the wake of increasing competition and contain fresh slippages while maintaining the credit quality in a scenario of overall economic slowdown would be the key rating sensitivities.

Company Profile

Union Bank of India (UBI), incorporated in 1919 is one of the largest banks in India in terms of asset size and had a nationwide presence with 2558 branches and 1790 ATMs as on Mar.31, 2009. GoI holds 55.43% shareholding in the bank.

The bank recorded healthy y-o-y growth of about 30% in advances during FY09, taking the bank's advances to Rs.98265 crore as of Mar. 31, 2009. The deposits of the bank stood at Rs.138,703 crore as of that date. PAT recorded 25% y-o-y growth to Rs 1727 crore for FY09 as against Rs 1387 crore for FY08. Gross NPA ratio was lower at 1.96% as of Mar. 31, 2009.

Total income for the half year ended Sep. 30, 2009 stood at Rs.7465 crore on which the bank earned a PAT of Rs.947 crore.

Analyst Contact

DISCLAIMER

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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