

## Union Bank of India

September 16, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Perpetual Bonds	1,000.00	CARE AA+; Stable	Reaffirmed
Tier II Bonds	2,200.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

&Tier-II Bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger due to which the investor may suffer a loss of principal. The PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I (CET I) capital of the bank should be considered the most appropriate way to prevent the bank from turning non-viable.

### Rationale and key rating drivers

Reaffirmation of the rating to debt instruments of Union Bank of India (UBI) factor in the bank's comfortable capitalisation levels supported by internal accruals and equity capital raise in FY24. The rating also favourably factors in improvement in asset quality and earnings profile over the years. The rating continues to factor in the majority ownership and continued and expected support from the Government of India (GOI), the bank's market position in the Indian banking sector as the fifth-largest public sector bank (PSB) in total business (advances and deposits). The rating also considers UBI's strong and established franchise through its PAN-India branch network and diversified advances profile.

The bank's resource profile remains moderate compared to peers with proportion of current account savings account (CASA) deposits remaining lower compared to larger PSBs. Although asset quality parameters have seen improvement in the last three years, they continue to remain moderate compared to peer PSBs.

CARE Ratings Limited (CareEdge Ratings) expects the bank's asset quality parameters to remain stable in the near term but its net interest margin (NIM) is expected to witness some pressure due to faster transmission of the recent repo rate cuts in yield on advances than in cost of funds.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors - Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable

#### Negative factors - Factors that could individually or collectively lead to negative rating action/downgrade:

- Dilution in GOI support and ownership below 51%.
- Deterioration in asset quality parameters with net non-performing assets (NNPA) ratio remaining above 3% on a sustained basis.
- Decline in profitability on a sustained basis leading to a weakening in capitalisation levels.

#### Analytical approach: Standalone

Ratings are based on the standalone profile of the bank and factor in the strong and continued support from the GOI, which holds the majority shareholding in the bank.

#### Outlook: Stable

The 'stable' outlook reflects CareEdge Ratings' expectation that UBI will register a steady growth in advances and deposits while maintaining healthy profitability and stable asset quality.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Detailed description of key rating drivers:

### Key strengths

#### Majority ownership and expected continued support from GOI

GOI continues to be the majority shareholder holding 74.76% in UBI as on June 30, 2025. GOI has been supporting PSBs with regular capital infusions and steps to improve capitalisation, operational efficiency, and asset quality. Given the majority ownership of GOI and its systemic importance being one of the largest PSBs in the domestic banking system, CareEdge Ratings expects the bank to receive timely and need-based capital and operational support from GOI and the same remains a key rating sensitivity.

The bank raised equity capital of ~₹8,000 crore in FY24 through two rounds of qualified institutional placement (QIP) which resulted in GOI's shareholding reducing below 75% aligned with the regulatory requirement of having public shareholding of over 25%.

#### Long track record of operations with an established franchise and balanced advances growth

UBI has a long and established operational track record of over a century and is the fifth-largest nationalised bank in terms of total assets and business (advances + deposits). With effect from April 01, 2020, erstwhile Corporation Bank and Andhra Bank were amalgamated with UBI which increased the bank's geographical presence. The bank's franchise included 8,647 domestic branches and 8,976 ATMs in India, two overseas branches (Dubai and Sydney), a banking subsidiary in London (United Kingdom) and a joint venture in Malaysia (India International Bank) as on June 30, 2025. The bank had advances (gross) of ₹974,489 crore as on June 30, 2025. The bank has been focusing on retail, agriculture and micro, small and medium enterprises (MSME), that is RAM segment which together constituted 54.09% of total advances and the overseas advances constituted 3.76% as on March 31, 2025.

The bank would continue to focus on RAM segment and its proportion in the loan book is unlikely to change materially from current levels in the medium term.

#### Comfortable capitalisation levels with adequate cushion over the regulatory requirement

The bank has seen steady improvement in its capitalisation levels and reported capital adequacy ratio (CAR) of 18.30% with tier I CAR of 16.58% and common equity tier I (CET-I) ratio of 15.30% as on June 30, 2025, which was higher than the industry median. The bank raised equity capital through the QIP (non-government) route of ₹1,447 crore in May 2021 and ₹8,000 crore in FY24, which along with internal accruals has helped the bank to improve its capitalisation levels. In addition, the bank has been raising additional tier I (AT-I) capital and tier II capital through bonds issuances. CareEdge Ratings expects UBI to maintain comfortable capitalisation with sufficient cushion over the minimum regulatory requirement to support its advances growth and the bank has a board approved plan of raising capital of ₹6,000 crore through equity, AT-I and tier II bonds in FY26.

#### Improvement in profitability

In FY25, the bank saw moderate growth in advances at ~9.5%, which was lower than the industry growth of ~11% and deposits growth also remains moderated at ~7.2% against industry growth of ~10.7% resulting in net interest income growth of 1.76%. The growth in advances remained moderated as the bank witnessed pressure on yield on advances and was selective in credit growth to maintain margins. The bank's net interest margin (NIM) for FY25 stood at 2.59% against 2.76% in FY24. The cost of deposits increased due to relatively lower proportion of CASA deposits and higher growth in term deposits compared to CASA deposits resulting in cost of deposits increasing from 5.00% to 5.23%. The non-interest income increased by ~23.2% in FY25 majorly due to increase in fee-based income and treasury income. The bank managed to maintain its cost to income ratio at 45.48% in FY25 with marginal decline from 46.42% in FY24, which helped the bank's pre provision operating profit (PPOP) to increase from ₹28,211 crore in FY24 to ₹31,090 crore in FY25. The credit cost (as percentage of average total assets) increased marginally from 0.51% in FY24 to 0.53% in FY25. The bank reported increase in profit after tax (PAT) from ₹13,648 crore in FY24 to ₹17,987 crore in FY25 and thus return on total assets (ROTA) increased from 1.03% in FY24 to 1.25% in FY25.

### Key weaknesses

#### Moderate but improving asset quality

While the bank has seen improvement in its asset quality parameters with reduction in gross NPAs (gross non-performing assets [GNPA]) over the last three years with lower incremental slippages, write-offs, and recoveries, asset quality metrics remain moderate compared to other peer PSBs. The bank has been focusing on recoveries from NPA and has taken measures to improve its underwriting processes and standards which have helped the bank to reduce incremental slippages. In FY25, the bank's

slippage ratio declined to 1.40% and further to 0.99% (annualised) for Q1FY26 compared to 1.59% for FY24. The bank's GNPA ratio stood at 3.60% and NNPA ratio stood at 0.63% as on March 31, 2025, against GNPA of 4.76% and NNPA of 1.03% as on March 31, 2024. The bank's GNPA and NNPA ratios improved to 3.52% and 0.62%, respectively, as on June 30, 2025. The bank's NNPA to net worth ratio stood at 5.72% as on March 31, 2025, against 10.29% as on March 31, 2024. The bank has been making higher provisions resulting in reduction in NNPA, which is also visible from its sufficient provision coverage ratio (PCR) excluding technically written-off (TWO) accounts of 83.11% (PCR including TWO at 94.65%) as on June 30, 2025. The bank's net stressed assets (NNPA + Net Standard Restructured Advances + Net Security Receipts) stood at 14.83% of net worth as on March 31, 2025 (PY: 25.05%). CareEdge Ratings notes that the bank has been able to improve its asset quality parameters and maintaining them aligned with peer banks remains a key rating monitorable.

### **Moderate resource profile compared to peer banks, with lower CASA proportion**

Although the bank has an established franchise, its proportion of CASA deposits to total deposits is lower compared to peer public sector banks. In FY25, UBI's total deposit grew at ~7.3%, whereas its CASA deposits grew at ~4% due to shift of depositors to term deposits and other investment avenues in a rising interest rate scenario. The bank's CASA deposit constituted 32.55% as on March 31, 2025, compared to 33.58% as on March 31, 2024. The proportion of bulk deposits increased from 58.16% in FY24 to 58.93% in FY25 leading to increase in the cost of deposits. The cost of deposits is expected to reduce in FY26 as the effect of rate cuts will be visible in the later part of the year.

As on June 30, 2025, the bank's CASA deposit proportion stood at 32.51%. Though garnering low-cost deposits remains a challenge for banks in general, improvement in the deposit profile with growth in the CASA ratio would help UBI reduce its cost of deposits and improve profitability.

### **Liquidity: Strong**

According to the structural liquidity statement as on June 30, 2025, there were no negative cumulative mismatches in the time buckets up to 12 months. The liquidity coverage ratio (average) and net stable funding ratio (NSFR) as on June 30, 2025, stood at 131.72% and 120.65%, against the minimum regulatory requirement of 100%.

The bank also had an excess statutory liquidity ratio (SLR) of ~₹63,613 crore (5.07% of net demand and time liabilities (NDTL) as on June 30, 2025, which provides a liquidity buffer, and the bank can borrow against it in case of liquidity requirements.

The bank also manages its deposit maturities in a particular time bucket by appropriately modifying deposit rates. The bank has access to systemic liquidity such as RBI's Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) and access to refinancing from Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB), and National Bank For Agriculture And Rural Development (NABARD), among others, and access to call money markets.

### **Assumptions/Covenants: Not applicable**

### **Environment, social, and governance (ESG) risks**

While UBI's business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect the bank's regulatory compliance and reputation and hence remains a key monitorable.

UBI board comprises nine directors, with four independent directors and also includes one female director. The board is headed by part time non-official director and non-executive chairman. The position of the managing director and chief executive officer (MD and CEO) remains vacant post completion of the term of previous MD and CEO in July 2025.

### **Applicable criteria**

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Rating Outlook and Rating Watch](#)

[Bank](#)

[Financial Ratio – Financial Sector](#)

[Rating Basel III – Hybrid Capital Instruments issued by Banks](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Public sector bank

Established in 1919, UBI is the fifth-largest PSBs in India in total business and total assets after amalgamation of Andhra Bank and Corporation Bank effective from April 01, 2020. UBI has PAN-India network of 8,651 branches (including two foreign) and 8,976 ATMs as on June 30, 2025.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	115,858	127,539	31,782
PAT	13,648	17,987	4,116
Total Assets	1,382,378	1,491,186	1,481,924*
Net NPA (%)	1.03	0.63	0.62
ROTA (%)	1.03	1.25	1.14^

A: Audited UA: Unaudited; Note: these are latest available financial results, \*reported and ^annualised Calculations per CareEdge Ratings.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Perpetual Bonds	INE692A08029	15-09-2016	9.50	Perpetual (call option after 10 years)	1000.00	CARE AA+; Stable
Bonds-Tier II Bonds	INE692A08219	29-11-2022	7.85	29-11-2037	1500.00	CARE AAA; Stable
Bonds-Tier II Bonds	INE692A08201	29-11-2022	7.80	29-11-2032	700.00	CARE AAA; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds-Lower Tier II	LT	-	-	-	-	1)Withdrawn (17-Apr-23)	1)CARE AA+; Positive (22-Sep-22)
2	Bonds-Perpetual Bonds	LT	1000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (19-Sep-24)	1)CARE AA+; Stable (20-Sep-23)	1)CARE AA; Positive (22-Sep-22)
3	Bonds-Tier I Bonds	LT	-	-	-	-	1)Withdrawn (17-Apr-23)	1)CARE AA; Positive (22-Sep-22)
4	Bonds-Tier II Bonds	LT	-	-	-	-	1)Withdrawn (17-Apr-23)	1)CARE AA+; Positive (22-Sep-22)
5	Bonds-Tier II Bonds	LT	2200.00	CARE AAA; Stable	-	1)CARE AAA; Stable (19-Sep-24)	1)CARE AAA; Stable (20-Sep-23)	1)CARE AA+; Positive (22-Sep-22)

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Perpetual Bonds	Highly Complex
2	Bonds-Tier II Bonds	Complex

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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