

संदर्भ Ref.: नि. से. वि. ISD/378/2025-26

दिनांक Date : January 17, 2026

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| बीएसई लिमिटेड BSE Ltd. बीएसई लिस्टिंग सेंटर BSE Listing Centre स्क्रिप कोड Scrip Code - 532 477 | नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड National Stock Exchange of India Ltd. निप्स NEAPS स्क्रिप कोड Scrip Symbol-UNIONBANK-EQ सिक्योरिटी Security - UBI-AT/BB |
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महोदया Madam/महोदय Sir,

Subject: Reporting under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In terms of Regulation 30 read with point 3 of Para A of Part A of Schedule III and Regulation 55 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and SEBI Master circular no. EBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/0000000103 dated July 11,2025, we wish to inform that on January 16, 2026, India Ratings and Research Private Limited has reaffirmed the ratings of the following instruments:

| S. No. | ISIN | Name of the Credit Rating Agency | Credit Rating assigned | Outlook (Stable/Positive/Negative/No outlook) | Rating Action (New/Upgrade/Downgrade/Reaffirm/Other) | Specify other rating action | Date of Credit Rating | Verification status of Credit Rating Agencies | Date of Verification |
|--------|---------------------------------------|--|------------------------|---|--|-----------------------------|-----------------------|---|----------------------|
| 1 | Issuer Rating | India Ratings and Research Private Limited | AAA | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 2 | INE692A08029 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 3 | INE692A08110 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | WD* | - | Withdraw | NA | 16.01.2026 | Verified | 16.01.2026 |
| 4 | INE692A08128 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | WD* | - | Withdraw | NA | 16.01.2026 | Verified | 16.01.2026 |
| 5 | INE692A08136 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 6 | INE692A08169 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 7 | INE692A08177 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 8 | INE692A08185 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 9 | INE692A08193 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 10 | INE692A08227 (Additional Tier-1 Bond) | India Ratings and Research Private Limited | AA+ | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 11 | INE112A08051 (Tier-2 Bond) | India Ratings and Research Private Limited | AAA | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |

| | | | | | | | | | |
|----|-------------------------------|--|-----|--------|------------|----|------------|----------|------------|
| 12 | INE112A08094 (Tier-2 Bond) | India Ratings and Research Private Limited | WD* | - | Withdraw | NA | 16.01.2026 | Verified | 16.01.2026 |
| 13 | INE692A08102 (Tier-2 Bond) | India Ratings and Research Private Limited | AAA | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 14 | INE692A08144 (Tier-2 Bond) | India Ratings and Research Private Limited | AAA | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 15 | INE692A08151 (Tier-2 Bond) | India Ratings and Research Private Limited | AAA | Stable | Reaffirmed | NA | 16.01.2026 | Verified | 16.01.2026 |
| 16 | Certificate of Deposits | India Ratings and Research Private Limited | A1+ | - | Affirmed | NA | 16.01.2026 | Verified | 16.01.2026 |

*WD-Rating Withdraw as Call Option exercised by bank

Date of Occurrence of event: 16.01.2026

Thanking you.

भवदीय Yours faithfully,

(Mangesh Mandrekar)
कंपनी सचिव Company Secretary

Cc to: IDBI Trusteeship Services Ltd.

India Ratings Affirms Union Bank of India & its Debt Instruments at 'IND AAA'; Outlook Stable

Jan 16, 2026 | Public Sector Bank

India Ratings and Research (Ind-Ra) has affirmed Union Bank of India (UBI) and its debt instruments as follows:

Details of Instruments

| Instrument Type | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (billion) | Rating Assigned along with Outlook/Watch | Rating Action |
|--------------------------------|------------------|-------------|---------------|--------------------------------|--|---------------|
| Issuer rating | - | - | - | - | IND AAA/Stable | Affirmed |
| Certificate of deposit | - | - | Up to 1 year | INR400 | IND A1+ | Affirmed |
| Basel III Tier 2 bonds* | - | - | - | INR40 (reduced from INR50) | IND AAA/Stable | Affirmed |
| Basel III AT1 perpetual bonds* | - | - | - | INR83.5 (reduced from INR98.5) | IND AA+/Stable | Affirmed |

*Details in Annexure

Analytical Approach

Ind-Ra continues to fully consolidate UBI's [subsidiaries](#) while arriving at the ratings, due to a similar line of business.

Detailed Rationale of the Rating Action

The ratings reflect the bank's comfortable capital position and operating buffers in 1HFY26, indicating its continued ability to maintain or increase its market share and absorb the impact of expected and unexpected credit costs. The ratings also reflect an improvement in UBI's asset quality parameters in FY21-1HFY26, with a decline in net non-performing asset (NNPA) ratio and an overall improvement in the lending environment, especially for banks. These factors, in the agency's opinion, have boosted UBI's profitability, which is likely to sustain over the medium term. The ratings continue to reflect UBI's systemically important position and Ind-Ra's expectations that the bank will continue to receive support from the government of India (GoI; holds 74.8% stake).

For AT1 instruments, the agency considers the discretionary component, coupon omission risk and the write-down/conversion risk as key parameters to affirm the rating. The agency recognises the unique going-concern loss absorption features that these bonds carry and differentiates them from the bank's senior debt, factoring in a higher probability of an ultimate loss for investors in these bonds. Ind-Ra envisages the coupon deferrals and principal write-down risks as remote possibilities, in view of the bank's adequate distributable reserve buffers.

List of Key Rating Drivers

Strengths

- High systemic importance - large pan-India franchise
- Capital buffers adequately placed; internal accruals improving

- Comfortable asset quality metrics
- Improved profitability

Weaknesses

- Moderate funding profile compared to peers

Detailed Description of Key Rating Drivers

High Systemic Importance - Large Pan-India Franchise: UBI's systemic importance is reflected in its high market share in deposits and net advances of around 5.3% and 5.0%, respectively, at 1HFY26 (FY25: 5.8% and 5.2%, respectively), thereby making it the fifth-largest public sector bank. At end-September 2024, the bank had 8,655 branches (including foreign branches) and over 9,064 automated teller machines, making it a significantly larger franchise in the banking parlance. UBI had last received a capital infusion of INR117.7 billion from the GoI in FY20 and the agency continues to expect the bank to receive government support, as and when required. The bank was able to raise INR80 billion of equity in FY24 (FY23: nil; FY22: INR14 billion).

Capital Buffers Adequately Placed; Internal Accruals Improving: UBI's capital buffers improved over FY23-1HFY26, and the bank is now better placed than its similar-rated peers, as reflected in the common equity tier I (CET-I) ratio and tier-I capital adequacy ratio of 14.37% in 1HFY26 (FY25: 14.98%, FY24: 13.7%) and 15.58% (16.24%, 14.99%), respectively. This also needs to be viewed in context of the bank's NNPA reducing to about 0.55% at 1HFY25 (FY24: 1.03%). Even after factoring in elevated provisioning requirements in the near term, Ind-Ra believes the capital buffers would remain significantly higher than the regulatory requirements, due to its increasing internal accruals. The improvement in capital ratios was supported by improved profitability and successful qualified institutional placement of INR80 billion in FY24. Ind-Ra believes the manageable asset quality would enable the bank to maintain material profitability during FY26 compared to its previous performance, with a return on assets of 1% or higher. Ind-Ra believes the existing capital buffers are adequately placed to also absorb asset quality shocks. While the capital base is adequate for now, Ind-Ra believes there is a need to continuously grow advances and build buffers ahead of the implementation of expected credit loss (ECL) norms. This will continue to be a key monitorable.

Comfortable Asset Quality Metrics: UBI increased its provision coverage ratio to 83.8% in 2QFY26 (excluding technical write-offs; FY25: 83.1%, FY24: 79.1%), in line with peer banks. The bank also carried almost 100% provisions against its exposures to the National Company Law Tribunal (NCLT)-1 and NCLT -2 lists. Its gross NPA and net NPA continued to decline and stood at 3.29% and 0.55%, respectively, in 2QFY26 (FY25: 3.60% and 0.63%, FY24: 4.76% and 1.03%). However, Ind-Ra opines the bank needs to increase provisions under the ECL framework to further strengthen the balance sheet. The special mention account-2 pool with a ticket size of above INR50 million stood at negligible levels (0.27% of net advances). However, its COVID-19 restructuring pool of INR80.5 billion (0.85% of net advances) under one-time restructuring 1 and 2, along with Mudra exposure among micro, small, and medium enterprises (MSMEs), constitutes a potential pool for slippages over the near to medium term.

Improved Profitability: UBI's profit increased significantly to about INR179.9 billion in FY25 (FY24: INR136.5 billion, FY23: INR84.3 billion), and stood at INR 83.65 billion in 1HFY26, mainly backed by the decline in its credit costs over 1HFY26. However, growth in advances has remained muted and net interest margins have decreased 23bp yoy in 2QFY26 factoring in repo rate cuts. The bank's cost-to-income ratio improved slightly to 45.5% in FY25 (FY24: 46.4%, FY23: 46.3%) but increased to 49.9% in 1HFY26, largely due to higher employee and technological expenses. In 1HFY26, the bank's credit cost (provision for non-performing asset/average net advances) remained better than FY22-FY25 levels, and stood at 0.54% (FY25: 0.80%, FY24: 0.8%; FY23: 1.87%; FY22: 2.12%). Ind-Ra expects the bank to witness credit cost of less than 1.0% over the near-to-medium term. The agency expects the bank to maintain adequate profitability, with the return on assets of around 1%, amid low credit costs and a slight decline in net interest margins over the near-to-medium term.

Moderate Funding Profile Compared to Peers: UBI's domestic low-cost current account and savings account (CASA) deposits declined to 32.5% in 1HFY26 (FY25: 33.52%, FY24: 33.6%) in line with the broader banking industry. However, the CASA ratio is weaker than that of peer public sector banks, and the bank has been ceding CASA market share. During

1HFY26, UBI's CASA grew by about 1.4% yoy; the overall deposits, including fixed deposits, increased 1.9% yoy, while advances grew 4.99% yoy. The bank has been looking to shed away higher cost of deposits and increase share of granular retail deposits, which has largely led to decline in deposit growth. In 1HFY26, the bank has seen a 10bp decline in the cost of funds to 4.87% which was not commensurate with a 31bp yoy decline in bank's yield on funds, factoring in repo rate cuts, thereby leading to a 26bp yoy in net interest margin to 2.71% in 1HFY26. Given the lower share of the low-cost deposits, UBI's cost of deposits could be marginally higher than peer banks' over the near term.

Liquidity

Adequate: UBI's short-term (one-year) asset-liability surplus (surplus of short-term assets over short-term liabilities to total inflows) was about 12.2% of total assets as of 1QFY26. The average liquidity coverage ratio was 127.33% in 2QFY26 (FY25: 130.67%, FYE24: 131.90%), well above the regulatory requirement of 100%. UBI's excess statutory liquidity qualifying securities of about INR485 billion provide substantial liquidity comfort in addition to its assets in balances with the Reserve Bank of India and in government securities, indicating that it will be able to meet its short-term funding requirements under severe stress. The agency believes the bank's funding gap might not widen in the near term, unless it changes its liability structure drastically.

Rating Sensitivities

Positive: Not applicable

Negative: UBI's Basel III Tier 2 bond ratings have been equated to its Long-Term Issuer Rating, which could change if there is any unfavourable change in the GoI's support stance that restricts the bank's ability to maintain its systemic importance, or if the equity buffers of the bank consistently operate at close to the minimum regulatory levels.

The notching of the AT1 bonds could be widened from its anchor ratings if Ind-Ra believes there is a dilution in the government's support stance towards hybrid instruments of public sector banks (PSBs) or if there is any delay in the timeliness of extending this support. This could lead to, among other things, capital buffers continuing to be close to the regulatory levels. In addition, Ind-Ra expects that the capital buffers would be higher for banks with weaker unsupported profiles; if not, then the notching from the Long-Term Issuer Rating could be wider/higher. These capital buffers could be important as the banks' ability to service the instrument could be impaired if it is incurring losses and/or if the capital levels are lower than the regulatory minimum levels.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on UBI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

UBI is a public sector bank with operations across India. At end-September 2024, the GoI held an 74.76% stake in UBI.

Key Financial Indicators

| Particulars (INR billion) | FY25 | FY24 |
|---------------------------|----------|----------|
| Net advances | 9,535.1 | 8,707.8 |
| Total deposits | 13,097.5 | 12,215.3 |

| | | |
|----------------------------|--------|--------|
| Net income/loss | 179.87 | 136.48 |
| CET I (%) | 14.98 | 13.65 |
| Capital adequacy ratio (%) | 18.02 | 16.94 |
| Source: UBI, Ind-Ra | | |

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

| Instrument | | Current Rating/Outlook | | | Historical Rating/Rating Watch/Outlook | | | |
|-----------------------------------|-------------|------------------------|----------------|-----------------|--|------------------|-----------------|----------------|
| Type | Rating Type | Rated Limits (billion) | Rating | 17 January 2025 | 2 July 2024 | 26 October 2023 | 1 November 2022 | 15 July 2022 |
| Issuer rating | Long-term | - | IND AAA/Stable | IND AAA/Stable | IND AAA/Stable | IND AA+/Positive | IND AA+/Stable | IND AA+/Stable |
| Basel III AT1 bonds | Long-term | INR83.5 | IND AA+/Stable | IND AA+/Stable | IND AA+/Stable | IND AA/Positive | IND AA/Stable | IND AA/Stable |
| Basel III-complaint Tier II bonds | Long-term | INR40 | IND AAA/Stable | IND AAA/Stable | IND AAA/Stable | IND AA+/Positive | IND AA+/Stable | IND AA+/Stable |
| Certificates of deposit | Short-term | INR400 | IND A1+ | IND A1+ | IND A1+ | IND A1+ | IND A1+ | - |

Complexity Level of the Instruments

| Instrument Type | Complexity Indicator |
|-------------------------------|----------------------|
| Basel III AT1 Perpetual bonds | High |
| Basel III Tier 2 bonds | Moderate |
| Certificate of deposit | Low |

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

| Instrument Type | ISIN | Date of Allotment | Tenor (years) | Maturity Date | Amount Mobilised (billion) | Coupon Rate (% p.a.) | Put/Call Option | Rating/Outlook |
|--|--------------|-------------------|---------------|-------------------|----------------------------|----------------------|--------------------------|----------------|
| Basel III Compliant Tier II Bonds | | | | | | | | |
| Basel III-compliant Tier II bonds | INE112A08051 | 8 November 2019 | 10 | 8 November 2029 | INR10 | 8.93 | Nil | IND AAA/Stable |
| Basel III-compliant Tier II bonds* | INE692A08094 | 16 September 2020 | 10 | 16 September 2030 | INR10 | 7.42 | Call – 16 September 2025 | WD |
| Basel III-compliant Tier II bonds | INE692A08102 | 26 November 2020 | 15 | 26 November 2035 | INR10 | 7.18 | Call – 26 November 2030 | IND AAA/Stable |
| Basel III-compliant Tier II bonds | INE692A08144 | 24 June 2021 | 10 | 24 June 2031 | INR8.5 | 7.19 | Call – 24 June 2026 | IND AAA/Stable |

| | | | | | | | | |
|--|--------------|-------------------|-----------|-------------|-----------------|------|--------------------------|----------------|
| Basel III-compliant Tier II bonds | INE692A08151 | 9 July 2021 | 15 | 9 July 2036 | INR11.50 | 7.25 | Call – 9 July 2031 | IND AAA/Stable |
| Total utilised | | | | | INR40 | | | |
| Total# | | | | | INR40 | | | |
| Basel III Compliant AT1 Bond | | | | | | | | |
| Basel III AT1 bonds | INE692A08029 | 15 September 2016 | Perpetual | Perpetual | INR10 | 9.5 | Call - 15 September 2026 | IND AA+/Stable |
| Basel III AT1 bonds* | INE692A08110 | 15 December 2020 | Perpetual | Perpetual | INR5 | 8.73 | Call -15 December 2025 | WD |
| Basel III AT1 bonds* | INE692A08128 | 11 January 2021 | Perpetual | Perpetual | INR10 | 8.64 | Call – 11 January 2026 | WD |
| Basel III AT1 bonds | INE692A08136 | 29 January 2021 | Perpetual | Perpetual | INR2.05 | 8.73 | Call – 29 January 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08169 | 22 November 2021 | Perpetual | Perpetual | INR20 | 8.70 | Call-22 November 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08177 | 20 December 2021 | Perpetual | Perpetual | INR15 | 8.4 | Call-20 December 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08185 | 2 March 2022 | Perpetual | Perpetual | INR15 | 8.5 | Call-2 March 2027 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08193 | 25 July 2022 | Perpetual | Perpetual | INR13.20 | 8.69 | Call-25 July 2027 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08227 | 23 Dec 2022 | Perpetual | Perpetual | INR6.63 | 8.4 | Call December 2027 | IND AA+/Stable |
| Total utilised | | | | | INR81.88 | | | |
| Total unutilised | | | | | INR1.62 | | | |
| Total | | | | | INR83.5 | | | |
| Source: UBI | | | | | | | | |
| WD - Rating Withdrawn | | | | | | | | |
| * Ind-Ra has withdrawn the rating as the instrument has been paid in full. | | | | | | | | |
| # Does not include the bonds where the rating has been withdrawn. | | | | | | | | |

Contact

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About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

DISCLAIMER

All credit ratings assigned by India Ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India Ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.

India Ratings Affirms Union Bank of India & its Debt Instruments at 'IND AAA'; Outlook Stable

Jan 16, 2026 | Public Sector Bank

India Ratings and Research (Ind-Ra) has affirmed Union Bank of India (UBI) and its debt instruments as follows:

Details of Instruments

| Instrument Type | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (billion) | Rating Assigned along with Outlook/Watch | Rating Action |
|--------------------------------|------------------|-------------|---------------|--------------------------------|--|---------------|
| Issuer rating | - | - | - | - | IND AAA/Stable | Affirmed |
| Certificate of deposit | - | - | Up to 1 year | INR400 | IND A1+ | Affirmed |
| Basel III Tier 2 bonds* | - | - | - | INR40 (reduced from INR50) | IND AAA/Stable | Affirmed |
| Basel III AT1 perpetual bonds* | - | - | - | INR83.5 (reduced from INR98.5) | IND AA+/Stable | Affirmed |

*Details in Annexure

Analytical Approach

Ind-Ra continues to fully consolidate UBI's [subsidiaries](#) while arriving at the ratings, due to a similar line of business.

Detailed Rationale of the Rating Action

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List of Key Rating Drivers

Strengths

- High systemic importance - large pan-India franchise
- Capital buffers adequately placed; internal accruals improving

- Comfortable asset quality metrics
- Improved profitability

Weaknesses

- Moderate funding profile compared to peers

Detailed Description of Key Rating Drivers

High Systemic Importance - Large Pan-India Franchise: UBI's systemic importance is reflected in its high market share in deposits and net advances of around 5.3% and 5.0%, respectively, at 1HFY26 (FY25: 5.8% and 5.2%, respectively), thereby making it the fifth-largest public sector bank. At end-September 2024, the bank had 8,655 branches (including foreign branches) and over 9,064 automated teller machines, making it a significantly larger franchise in the banking parlance. UBI had last received a capital infusion of INR117.7 billion from the GoI in FY20 and the agency continues to expect the bank to receive government support, as and when required. The bank was able to raise INR80 billion of equity in FY24 (FY23: nil; FY22: INR14 billion).

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Improved Profitability: UBI's profit increased significantly to about INR179.9 billion in FY25 (FY24: INR136.5 billion, FY23: INR84.3 billion), and stood at INR 83.65 billion in 1HFY26, mainly backed by the decline in its credit costs over 1HFY26. However, growth in advances has remained muted and net interest margins have decreased 23bp yoy in 2QFY26 factoring in repo rate cuts. The bank's cost-to-income ratio improved slightly to 45.5% in FY25 (FY24: 46.4%, FY23: 46.3%) but increased to 49.9% in 1HFY26, largely due to higher employee and technological expenses. In 1HFY26, the bank's credit cost (provision for non-performing asset/average net advances) remained better than FY22-FY25 levels, and stood at 0.54% (FY25: 0.80%, FY24: 0.8%; FY23: 1.87%; FY22: 2.12%). Ind-Ra expects the bank to witness credit cost of less than 1.0% over the near-to-medium term. The agency expects the bank to maintain adequate profitability, with the return on assets of around 1%, amid low credit costs and a slight decline in net interest margins over the near-to-medium term.

Moderate Funding Profile Compared to Peers: UBI's domestic low-cost current account and savings account (CASA) deposits declined to 32.5% in 1HFY26 (FY25: 33.52%, FY24: 33.6%) in line with the broader banking industry. However, the CASA ratio is weaker than that of peer public sector banks, and the bank has been ceding CASA market share. During

1HFY26, UBI's CASA grew by about 1.4% yoy; the overall deposits, including fixed deposits, increased 1.9% yoy, while advances grew 4.99% yoy. The bank has been looking to shed away higher cost of deposits and increase share of granular retail deposits, which has largely led to decline in deposit growth. In 1HFY26, the bank has seen a 10bp decline in the cost of funds to 4.87% which was not commensurate with a 31bp yoy decline in bank's yield on funds, factoring in repo rate cuts, thereby leading to a 26bp yoy in net interest margin to 2.71% in 1HFY26. Given the lower share of the low-cost deposits, UBI's cost of deposits could be marginally higher than peer banks' over the near term.

Liquidity

Adequate: UBI's short-term (one-year) asset-liability surplus (surplus of short-term assets over short-term liabilities to total inflows) was about 12.2% of total assets as of 1QFY26. The average liquidity coverage ratio was 127.33% in 2QFY26 (FY25: 130.67%, FYE24: 131.90%), well above the regulatory requirement of 100%. UBI's excess statutory liquidity qualifying securities of about INR485 billion provide substantial liquidity comfort in addition to its assets in balances with the Reserve Bank of India and in government securities, indicating that it will be able to meet its short-term funding requirements under severe stress. The agency believes the bank's funding gap might not widen in the near term, unless it changes its liability structure drastically.

Rating Sensitivities

Positive: Not applicable

Negative: UBI's Basel III Tier 2 bond ratings have been equated to its Long-Term Issuer Rating, which could change if there is any unfavourable change in the GoI's support stance that restricts the bank's ability to maintain its systemic importance, or if the equity buffers of the bank consistently operate at close to the minimum regulatory levels.

The notching of the AT1 bonds could be widened from its anchor ratings if Ind-Ra believes there is a dilution in the government's support stance towards hybrid instruments of public sector banks (PSBs) or if there is any delay in the timeliness of extending this support. This could lead to, among other things, capital buffers continuing to be close to the regulatory levels. In addition, Ind-Ra expects that the capital buffers would be higher for banks with weaker unsupported profiles; if not, then the notching from the Long-Term Issuer Rating could be wider/higher. These capital buffers could be important as the banks' ability to service the instrument could be impaired if it is incurring losses and/or if the capital levels are lower than the regulatory minimum levels.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on UBI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

UBI is a public sector bank with operations across India. At end-September 2024, the GoI held an 74.76% stake in UBI.

Key Financial Indicators

| Particulars (INR billion) | FY25 | FY24 |
|---------------------------|----------|----------|
| Net advances | 9,535.1 | 8,707.8 |
| Total deposits | 13,097.5 | 12,215.3 |

| | | |
|----------------------------|--------|--------|
| Net income/loss | 179.87 | 136.48 |
| CET I (%) | 14.98 | 13.65 |
| Capital adequacy ratio (%) | 18.02 | 16.94 |
| Source: UBI, Ind-Ra | | |

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

| Instrument | | Current Rating/Outlook | | | Historical Rating/Rating Watch/Outlook | | | |
|-----------------------------------|-------------|------------------------|----------------|-----------------|--|------------------|-----------------|----------------|
| Type | Rating Type | Rated Limits (billion) | Rating | 17 January 2025 | 2 July 2024 | 26 October 2023 | 1 November 2022 | 15 July 2022 |
| Issuer rating | Long-term | - | IND AAA/Stable | IND AAA/Stable | IND AAA/Stable | IND AA+/Positive | IND AA+/Stable | IND AA+/Stable |
| Basel III AT1 bonds | Long-term | INR83.5 | IND AA+/Stable | IND AA+/Stable | IND AA+/Stable | IND AA/Positive | IND AA/Stable | IND AA/Stable |
| Basel III-complaint Tier II bonds | Long-term | INR40 | IND AAA/Stable | IND AAA/Stable | IND AAA/Stable | IND AA+/Positive | IND AA+/Stable | IND AA+/Stable |
| Certificates of deposit | Short-term | INR400 | IND A1+ | IND A1+ | IND A1+ | IND A1+ | IND A1+ | - |

Complexity Level of the Instruments

| Instrument Type | Complexity Indicator |
|-------------------------------|----------------------|
| Basel III AT1 Perpetual bonds | High |
| Basel III Tier 2 bonds | Moderate |
| Certificate of deposit | Low |

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

| Instrument Type | ISIN | Date of Allotment | Tenor (years) | Maturity Date | Amount Mobilised (billion) | Coupon Rate (% p.a.) | Put/Call Option | Rating/Outlook |
|--|--------------|-------------------|---------------|-------------------|----------------------------|----------------------|--------------------------|----------------|
| Basel III Compliant Tier II Bonds | | | | | | | | |
| Basel III-compliant Tier II bonds | INE112A08051 | 8 November 2019 | 10 | 8 November 2029 | INR10 | 8.93 | Nil | IND AAA/Stable |
| Basel III-compliant Tier II bonds* | INE692A08094 | 16 September 2020 | 10 | 16 September 2030 | INR10 | 7.42 | Call – 16 September 2025 | WD |
| Basel III-compliant Tier II bonds | INE692A08102 | 26 November 2020 | 15 | 26 November 2035 | INR10 | 7.18 | Call – 26 November 2030 | IND AAA/Stable |
| Basel III-compliant Tier II bonds | INE692A08144 | 24 June 2021 | 10 | 24 June 2031 | INR8.5 | 7.19 | Call – 24 June 2026 | IND AAA/Stable |

| | | | | | | | | |
|--|--------------|-------------------|-----------|-------------|-----------------|------|--------------------------|----------------|
| Basel III-compliant Tier II bonds | INE692A08151 | 9 July 2021 | 15 | 9 July 2036 | INR11.50 | 7.25 | Call – 9 July 2031 | IND AAA/Stable |
| Total utilised | | | | | INR40 | | | |
| Total# | | | | | INR40 | | | |
| Basel III Compliant AT1 Bond | | | | | | | | |
| Basel III AT1 bonds | INE692A08029 | 15 September 2016 | Perpetual | Perpetual | INR10 | 9.5 | Call - 15 September 2026 | IND AA+/Stable |
| Basel III AT1 bonds* | INE692A08110 | 15 December 2020 | Perpetual | Perpetual | INR5 | 8.73 | Call -15 December 2025 | WD |
| Basel III AT1 bonds* | INE692A08128 | 11 January 2021 | Perpetual | Perpetual | INR10 | 8.64 | Call – 11 January 2026 | WD |
| Basel III AT1 bonds | INE692A08136 | 29 January 2021 | Perpetual | Perpetual | INR2.05 | 8.73 | Call – 29 January 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08169 | 22 November 2021 | Perpetual | Perpetual | INR20 | 8.70 | Call-22 November 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08177 | 20 December 2021 | Perpetual | Perpetual | INR15 | 8.4 | Call-20 December 2026 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08185 | 2 March 2022 | Perpetual | Perpetual | INR15 | 8.5 | Call-2 March 2027 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08193 | 25 July 2022 | Perpetual | Perpetual | INR13.20 | 8.69 | Call-25 July 2027 | IND AA+/Stable |
| Basel III AT1 bonds | INE692A08227 | 23 Dec 2022 | Perpetual | Perpetual | INR6.63 | 8.4 | Call December 2027 | IND AA+/Stable |
| Total utilised | | | | | INR81.88 | | | |
| Total unutilised | | | | | INR1.62 | | | |
| Total | | | | | INR83.5 | | | |
| Source: UBI | | | | | | | | |
| WD - Rating Withdrawn | | | | | | | | |
| * Ind-Ra has withdrawn the rating as the instrument has been paid in full. | | | | | | | | |
| # Does not include the bonds where the rating has been withdrawn. | | | | | | | | |

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