

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

दिनांक Date : January 17, 2026

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
-------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 1HFYE26 (FYE25: 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 Govt 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 1HFYE26 (FYE25: 14.98%, FYE24: 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 1HFYE25 (FYE24: 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 Gol'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 Gol 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				
	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

Primary Analyst

Ankit Jain

Associate Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 4035 6160

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Karan Gupta

Director

+91 22 40001744

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

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

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 1HFYE26 (FYE25: 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 1HFYE26 (FYE25: 14.98%, FYE24: 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 1HFYE25 (FYE24: 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 Gol'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 Gol 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				
	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

Primary Analyst

Ankit Jain

Associate Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 4035 6160

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Karan Gupta

Director

+91 22 40001744

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121