

December 05, 2025

Union Bank of India: Ratings reaffirmed and amount enhanced for certificates of deposit programme

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II bonds	5,200.00	5,200.00	[ICRA]AAA (Stable); reaffirmed
Certificates of deposit	15,000.00	35,000.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Total	20,200.00	40,200.00	

*Instrument details are provided in Annexure I

Rationale

Union Bank of India's (Union Bank) ratings continue to be supported by its strong position in the Indian financial system as it is the fifth largest public sector bank with a market share of 5.0% and 5.3% in net advances and total deposits, respectively, as on September 30, 2025. The ratings also factor in the bank's healthy earnings profile, driven by the moderation in credit costs with the reduction in fresh non-performing asset (NPA) additions, healthy recoveries/upgrades as well as the high provision coverage on legacy NPAs. The ratings remain supported by Union Bank's well-developed deposit franchise, resulting in a high share of retail deposits and a strong liquidity profile.

Union Bank's capital cushions remain comfortably above the regulatory level, led by internal accruals and the previous capital raise via a qualified institutional placement (QIP) of Rs. 8,000 crore in FY2024. While the bank has demonstrated its ability to raise capital, the ratings continue to factor in its sovereign ownership and the track record of capital support from the Government of India (GoI) in the past, which is expected to be forthcoming if required. Although Union Bank witnessed a sustained improvement in its profitability in the past 2-3 years, the same is likely to moderate slightly amid the expected decline in the net interest margin (NIM). Additionally, the impact of transitioning to provisioning, based on the expected credit loss (ECL) framework, on its capital and profitability levels will remain monitorable.

The ratings also take note of the vulnerable book (SMA-1¹, SMA-2 and standard restructured book), which has moderated meaningfully from the much higher levels in the past, although it remains monitorable. Additionally, the bank's ability to control fresh slippages, amid the likely impact of persisting geopolitical uncertainties, would remain monitorable for the asset quality. Nevertheless, Union Bank is expected to remain well placed to absorb these shocks through its operating profitability. ICRA also expects the bank to remain sufficiently capitalised with no regulatory or growth capital requirements in the near-to-medium term.

The Stable outlook on the rating reflects ICRA's expectation that the bank will be able to maintain a steady credit profile, with stable asset quality and healthy profitability and capitalisation profile.

¹ SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days

Key rating drivers and their description

Credit strengths

Sovereign ownership with demonstrated capital support from Gol – The Gol remains the bank's largest shareholder, accounting for a 74.76% equity stake as on September 30, 2025. Union Bank and other amalgamating banks had received sizeable equity capital support from the Gol, amounting to Rs. 41,597 crore during FY2018-FY2021, which supported a meaningful reduction in its net NPAs (NNPAs) over the last few years.

Following merger of Corporation Bank and Andhra Bank with Union Bank, its overall market share increased and stood at 5.0% of net advances and 5.3% of total deposits as on September 30, 2025, signifying its systemic importance in the Indian banking system. Resultantly, ICRA expects the bank to continue receiving support from the Gol if required.

Strong capitalisation and solvency profile – The bank's core equity capital (CET I) and Tier I continued to improve and stood at 14.37%² and 17.07%², respectively, as on September 30, 2025 vis-à-vis 13.88%² and 17.13%², respectively, as on September 30, 2024. The capital profile was supported by healthy internal accruals with the bank reporting an annualised return on net worth of 14.99% in H1 FY2026 (16.73% in FY2025). Additionally, the capitalisation profile was supported by the capital raise of Rs. 8,000 crore in FY2024 via a QIP. As a result, the capital cushions above the regulatory requirement have continued to improve. Notwithstanding the sufficient internal accruals and capital position for growth, the Reserve Bank of India's (RBI) implementation of the ECL framework for credit exposures remains monitorable for the capital position.

Given the better capital position as well as the lower NNPAs, the solvency³ level improved to 4.99% as on September 30, 2025 (9.85% as on September 30, 2024). Going forward, despite the expected increase in NNPAs, ICRA expects the solvency profile to remain strong. Besides this, the subsidiaries largely remain self-sufficient in meeting their capital requirements although a few may need capital support, which is likely to remain manageable in relation to the bank's existing capital levels.

Healthy earnings profile – Union Bank's core operating profitability remained healthy, supported by relatively steady non-interest income and operating expenses. However, with the compression in NIMs, the operating profit moderated to 1.70% of average total assets (ATA) in H1 FY2026 from 2.13% in H1 FY2025 (1.93% in FY2025). Nevertheless, the bank reported strong trading gains of Rs. 1,153 crore in H1 FY2026 and Rs. 2,103 crore in FY2025 (Rs. 1,638 crore in FY2024). As a result, the return on assets (RoA) was healthy at 1.13% in H1 FY2026 and 1.25% in FY2025 (1.03% in FY2024). Going forward, the profitability margins may remain under pressure amid the compressed interest spreads and NIMs due to policy rate cuts. Nonetheless, the credit provisions are expected to remain benign and will support earnings.

Well-developed deposit franchise – Union Bank's deposit franchise remains strong and draws support from its extensive network of 8,655 branches as on September 30, 2025. Given the comfortable credit-deposit ratio (77% as on September 30, 2025), the overall deposit base remained stable at Rs. 12.35 lakh crore as on September 30, 2025. Union Bank's retail LCR deposit base stood at ~61% as on September 30, 2025, largely comparable to that of some large public sector banks (PSBs), while its term deposit base was also mostly in line. However, its low-cost current and savings account (CASA) deposits stood at ~33% and remained below the PSB average (~36%) as on September 30, 2025. As a result, the bank's overall cost of funds was higher at 5.46%⁴ compared to the PSB average of 5.11% in H1 FY2026. Nonetheless, given its widespread network, steady core deposit base and robust retail franchise, ICRA expects Union Bank to maintain its strong liabilities profile.

² Excludes interim period profits

³ Solvency defined as (NNPAs + Net security receipts + Net non-performing investments)/Core capital)

⁴ As per ICRA's calculations

Credit challenges

Asset quality, although improving, remains monitorable – The annualised gross fresh NPA generation rate moderated to 0.92% in H1 FY2026 from 2.40% in H1 FY2025 (1.40% in FY2025) and remained materially lower than the elevated levels seen in the past (5-10% over FY2017-FY2020). Resultantly, the bank's gross credit cost, as a percentage of ATA, too declined to 0.23% in H1 FY2026 (0.51% in FY2025) and was lower than the levels seen in the past (1.5-3.7% over FY2017-FY2020). The provision coverage ratio (excluding technical write-off) also improved and stood at 84% as on September 30, 2025 (78% as on September 30, 2024), leading to a moderation in the NNPA's. Thus, the bank's headline asset quality metrics improved with the gross NPA (GNPA) and NNPA moderating to 3.29% and 0.55%, respectively, as on September 30, 2025 (4.36% and 0.98%, respectively, as on September 30, 2024) on the back of meaningfully high recoveries, upgrades and write-offs.

Though the vulnerable book has moderated from the past, the bank's ability to limit slippages from this book will remain a near-to-medium-term monitorable. Additionally, geopolitical issues, the impact of macroeconomic shocks on borrowers {especially micro, small and medium enterprises (MSMEs)} and its second order impact on the retail segment could affect the asset quality metrics.

Environmental and social risks

While banks like Union Bank do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risks are not material for Union Bank as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. Union Bank has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. Union Bank has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segment, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

The liquidity profile remains strong, reflected by the positive cumulative mismatches of the total outflows in the near-term maturity bucket, as per the structural liquidity statement for June 2025. This is supported by the high share of core deposits and the excess statutory liquidity ratio (SLR) investments. Moreover, the LCR remained strong at 127% in Q2 FY2026 while the net stable funding ratio (NSFR) stood at 117%, with both remaining well above the minimum regulatory requirement. The excess SLR holding above the regulatory level can be utilised to avail liquidity support from the RBI (through repo) apart from the marginal standing facility of the RBI in case of urgent liquidity requirement.

Rating sensitivities

Positive factors – Not applicable as all the ratings are at the highest level for the respective instruments

Negative factors – The ratings will be reassessed in case of a change in the sovereign ownership. Further, an RoA of less than 0.3% and/or a decline in the capital cushions over the regulatory levels to less than 100 basis points (bps) on a sustained basis will remain negative triggers.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions
Parent/Group support	The ratings factor in Union Bank's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions, if required.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Union Bank. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiaries.

About the company

Incorporated in 1919, Union Bank of India became the eighth largest bank in the Indian banking system after Andhra Bank and Corporation Bank merged with it on April 1, 2020. The GoI held a majority stake of 74.76% in the bank as on September 30, 2025. It had a network of 8,655 branches and 9,064 ATMs as on September 30, 2025.

Union Bank reported a net profit of Rs. 8,365 crore in H1 FY2026 on a total asset base of Rs. 14.68 lakh crore⁵. Its GNPA and NNPAs stood at 3.29% and 0.55%, respectively, as on September 30, 2025, while the regulatory capital adequacy ratio (excluding interim period profits) was 17.07% (CET I: 14.37%; Tier I: 15.58%).

Key financial indicators (standalone)

Union Bank of India	FY2024	FY2025	H1 FY2026
Total income	51,013	54,923	26,254
Profit after tax	13,648	17,987	8,365
Total assets (Rs. lakh crore)	13.86	14.94	14.68
CET I	13.65%	14.98%	14.37%*
CRAR	16.97%	18.02%	17.07%*
PAT/ATA	1.03%	1.25%	1.13%^
Gross NPAs	4.76%	3.60%	3.29%
Net NPAs	1.03%	0.63%	0.55%

Source: Union Bank of India, ICRA Research; Amount in Rs. crore unless mentioned otherwise; Total assets exclude revaluation reserves
All ratios as per ICRA's calculations; Total income = Net interest income + Non-interest income (excluding trading gains)

* Excludes interim period profits; ^ Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

⁵ Excludes revaluation reserves

Rating history for past three years

Instrument	Current (FY2026)				Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	Dec 05, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Certificates of deposit programme	Short term	35,000.00	[ICRA]A1+	Oct-06-2025	[ICRA]A1+	Nov-14-2024	[ICRA]A1+	Nov-23-2023	[ICRA]A1+	Sep-20-2022	[ICRA]A1+
				-	-	-	-	Aug-10-2023	[ICRA]A1+	-	-
Basel III Tier II bonds	Long term	3,000.00	[ICRA]AAA (Stable)	Oct-06-2025	[ICRA]AAA (Stable)	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				Oct-06-2025	-	-	-	Aug-10-2023	[ICRA]AA+ (Positive)	-	-
Basel III Tier II bonds	Long term	-	-	Oct-06-2025	[ICRA]AAA (Stable); withdrawn	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				Oct-06-2025	-	-	-	Aug-10-2023	[ICRA]AA+ (Positive)	-	-
Basel III Tier II bonds	Long term	2,200.00	[ICRA]AAA (Stable)	Oct-06-2025	[ICRA]AAA (Stable)	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				-	-	-	-	Aug-10-2023	[ICRA]AA+ (Positive)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Certificates of deposit programme	Very Simple
Basel III Tier II bonds	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE692A08102	Basel III Tier II bonds	Nov-26-2020	7.18%	Nov-26-2035 [#]	1,000.00	[ICRA]AAA (Stable)
INE692A08144	Basel III Tier II bonds	Jun-24-2021	7.19%	Jun-24-2031 [*]	850.00	[ICRA]AAA (Stable)
INE692A08151	Basel III Tier II bonds	Jul-09-2021	7.25%	Jul-09-2036 [#]	1,150.00	[ICRA]AAA (Stable)
INE692A08201	Basel III Tier II bonds	Nov-29-2022	7.80%	Nov-29-2032 [*]	700.00	[ICRA]AAA (Stable)
INE692A08219	Basel III Tier II bonds	Nov-29-2022	7.85%	Nov-29-2037 [#]	1,500.00	[ICRA]AAA (Stable)
Unplaced	Certificates of deposit	NA	NA	NA	25,475.00	[ICRA]A1+
INE692A16IC3	Certificates of deposit	Dec-04-2024	7.53%	Dec-04-2025	1,100.00	[ICRA]A1+
INE692A16IL4	Certificates of deposit	Jan-24-2025	7.69%	Jan-23-2026	600.00	[ICRA]A1+
INE692A16IM2	Certificates of deposit	Jan-27-2025	7.69%	Jan-27-2026	1,675.00	[ICRA]A1+
INE692A16IN0	Certificates of deposit	Jan-29-2025	7.65%	Jan-29-2026	1,550.00	[ICRA]A1+
INE692A16IP5	Certificates of deposit	Feb-03-2025	7.65%	Feb-03-2026	1,450.00	[ICRA]A1+
INE692A16IY7	Certificates of deposit	Mar-05-2025	7.60%	Mar-05-2026	125.00	[ICRA]A1+
INE692A16KG0	Certificates of deposit	Nov-27-2025	6.23%	May-26-2026	3,025.00	[ICRA]A1+

^{*} The instruments have a first call option after five years from issuance; [#] The instruments have a first call option after 10 years from issuance

Certificates of deposit outstanding as on November 27, 2025

Source: Union Bank of India

Key features of the rated instruments

The servicing of the Basel III Tier II bonds and certificates of deposit is not subject to any capital ratios and profitability. The Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These bonds have equity-like loss-absorption features, which may translate into higher loss severity vis-à-vis conventional debt instruments.

Annexure II: List of entities considered for consolidated analysis

Company name	Union Bank ownership [*]	Consolidation approach
Union Asset Management Company Pvt. Ltd.	100.00%	Full consolidation
Union Trustee Company Pvt. Ltd.	100.00%	Full consolidation
Union Bank of India (UK) Ltd.	100.00%	Full consolidation
Andhra Bank Financial Services	100.00%	Full consolidation
UBI Services Ltd.	100.00%	Full consolidation
Andhra Pradesh Grameena Bank	35.00%	Limited consolidation
ASREC India (P)	26.02%	Limited consolidation
Star Union Dai-ichi Life Insurance Company Ltd.	25.10%	Limited consolidation
India International Bank (Malaysia) BHD	25.00%	Limited consolidation

Source: Union Bank of India; ^{*} As on September 30, 2025

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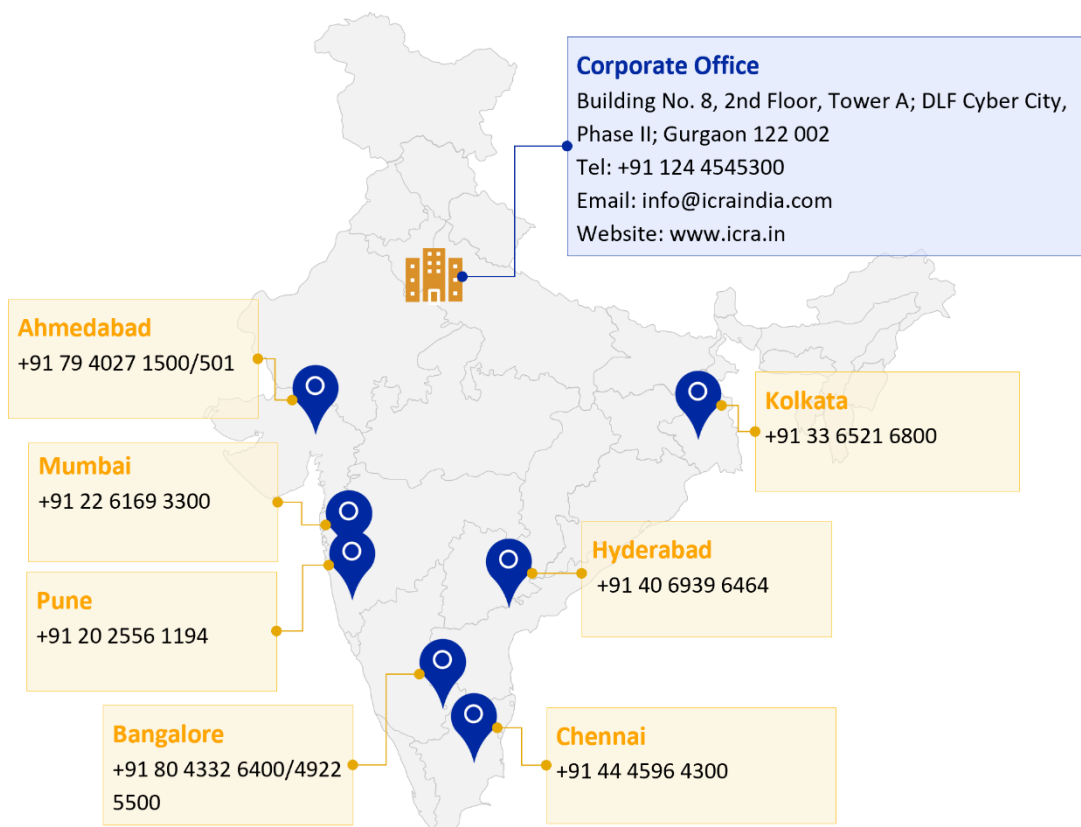
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