

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 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 SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, SEBI Master Circular no. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11,2023 and SEBI Circular no. CIR/CFD/CMD/4/2015 dated September 9, 2015, we wish to inform that Fitch Ratings on March 11, 2025 affirms Union Bank of India at 'BBB-/Stable'; Upgrades VR to 'bb-' as under:

S.No.	Parameter	Existing Rating	Revised Rating	Remarks
1	Long Term Issuer Default Rating	BBB-	BBB-	Affirmed
2	Short Term Issuer Default Rating	F3	F3	Affirmed
3	Viability	b+	bb-	Upgraded
4	Government Support	bbb-	bbb-	Affirmed
5	Long-Term Issuer Default Ratings (xgs)	B+(xgs)	BB-(xgs)	Upgraded
6	Short-Term Issuer Default Ratings (xgs)	B(xgs)	B(xgs)	Affirmed

xgs - Ex-Government Support

Thanking you.

भवदीय Yours faithfully,

(Mangesh Mandrekar)
Company Secretary

Cc to: IDBI Trusteeship Services Ltd.

RATING ACTION COMMENTARY

Fitch Affirms Union Bank of India at 'BBB-/Stable'; Upgrades VR to 'bb-'

Tue 11 Mar, 2025 - 5:27 AM ET

Fitch Ratings - Singapore/Mumbai - 11 Mar 2025: Fitch Ratings has affirmed the Long-Term Issuer Default Rating (IDR) of Union Bank of India at 'BBB-'. The Outlook is Stable. Fitch has also upgraded Union's Viability Rating (VR) to 'bb-' from 'b+', and affirmed its Government Support Rating (GSR) of 'bbb-'.

A full list of rating actions is below.

KEY RATING DRIVERS

Government Support Underpins IDR: Union's Long-Term IDR and GSR are equalised with the Indian sovereign's IDR (BBB-/Stable), reflecting our view of a high probability of extraordinary state support for Union, if needed. This takes into consideration the state's 75% ownership, the bank's size and its pan-India franchise, and our assessment that the state has a strong propensity to support the banking system in general. The Stable Outlook on the IDR mirrors the Outlook on the sovereign's IDR.

The VR upgrade to 'bb-' is supported by ongoing improvements in Union's risk profile, which are also reflected in its financial performance in recent years. The latter remains a key consideration in our assessment due to its volatile past and vulnerability due to moderate buffers.

Supportive Operating Environment: India's strong medium-term growth potential and its large, diversified economy are reflected in Fitch's operating environment (OE) score of 'bb+', which is above the agency's implied 'b' category score. Fitch projects GDP growth of over 6% in the financial year ending March 2025 (FY25) and FY26, driven by domestic demand, government capex and improving capacity utilisation. The growth will support Indian banks' ability to sustain profitable business in the medium term, if risks are effectively managed.

Nationwide Franchise: Union's business profile score reflects its large franchise as India's fifth-largest state bank. However, its risk appetite has weighed on its traditional business model, partly due to government influence, similar to other state banks, and led to high earnings volatility in the previous cycle although this has eased in recent years.

Improved Risk Profile: Fitch has revised Union's risk profile score to 'b+', from 'b'. This reflects positive developments such as greater loan diversification, reduced corporate loan risk, and limited exposure to unsecured retail loans, as well as its improving financial metrics. However, Union's history of cyclical growth and risk appetite, and worsening financial metrics in challenging times remains a risk for the VR. Further improvements in financial metrics are unlikely to result in a higher VR without Fitch also assessing that there have been additional enhancements in Union's risk management practices.

Improving Asset Quality: We have revised the outlook on Union's asset-quality score to positive from stable, as we expect the impaired-loan ratio to fall further, driving the core-metric towards a higher category score. The ratio fell by 90bp to 3.9% in 9MFY25, broadly in line with Fitch's expectations. Credit costs were steady at 0.8% of loans, with specific loan-loss cover rising by 100bp to 79% (four-year average: 76%).

Profitability Has Peaked: The operating profit/risk-weighted asset (OP/RWA) ratio rose to 3.4% in 9MFY25, from 3.2% in FY24. It was driven by higher non-interest income and lower risk density than we expected, despite an 18bp fall in the net interest margin to 2.9%. We expect further reductions in the OP/RWA to be limited, as margins will most likely only fall slightly in the medium term, and the core metric should remain at around 3%.

Improved Capital Buffers: Union's common equity Tier 1 (CET1) ratio rose by 190bp to 15.5% (including profit) in 9MFY25, due to higher internal accruals and lower loan growth than Fitch expected. We believe it will settle at a lower level by FYE25 due to dividend payouts. The loss-absorption buffer also improved in 9MFY25, with the net impaired loan/CET1 ratio reaching a single digit for the first time in a decade.

Stable Funding and Liquidity: Customer deposits comprised about 97% of total non-equity funding in 9MFY25, with a liquidity coverage ratio of 131%. The loans/customer deposits ratio rose by about 400bp to 74.8% in 9MFY25 as loan growth exceeded deposit growth. However, we expect the bank to actively manage this metric.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

IDRs and GSR

The IDR and GSR are most sensitive to Fitch's assessment of the government's propensity and ability to support Union, based on its size, systemic importance and linkages to the state. Weakening of the government's ability to provide extraordinary support - reflected in negative action on India's sovereign ratings - would lead to negative action on the Long-Term IDR.

Negative action on the IDRs is also likely should Fitch perceive any reduction in the government's propensity to extend timely support, in which case the agency would reassess the GSR, and in turn, the bank's IDRs, although that is not our base case.

The Short-Term IDR is mapped to the bank's Long-Term IDR, in line with Fitch's criteria, leading to negative action if the Long-Term IDR is downgraded.

VR

We expect Union's VR to be stable in the near term. A downgrade is unlikely in our base scenario but is possible if there is significant deterioration in the OE and/or key financial parameters that would point at a weaker risk profile, such as the following:

- The four-year average impaired-loan ratio significantly worsening from the current level (9MFY25: 6.8%);
- The four-year average of the operating profit/RWA ratio being sustained below 1.25% (9MFY25: 1.5%);
- A significant drop in Union's CET1 ratio towards the regulatory minimum of 8%, without a credible plan to restore it to above Fitch's 'bb' category minimum threshold of 10%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

IDRs and GSR

Positive sovereign rating action could lead to a corresponding change to Union's Long-Term IDR, if Fitch believes that the sovereign's propensity to support the bank remains unchanged. However, an upgrade of the sovereign rating appears less likely in the near term.

The bank's Short-Term IDR may also be upgraded in the event that the sovereign's Short-Term IDR is upgraded. If the bank's Long-Term IDR is upgraded based on a strengthening of its VR, any upgrade of the bank's Short-Term IDR would be contingent on our assessment of the funding and liquidity score being at least 'bbb+', which is two notches above our current assessment. We do not foresee this possibility in the medium term.

VR

A VR upgrade is less likely in the near term, as it has just been upgraded, but is possible if we assess that the bank's risk profile has further improved meaningfully and sustainably. This could manifest in stronger key financial metrics, such as any two of the three factors mentioned below, assuming no changes to our assessment of the OE:

- The CET1 ratio being sustained around 15% or higher;
- The four-year average impaired-loan ratio being sustained below 3%;
- The four-year average OP/RWA ratio being sustained at or above 3%.

Union's risk profile will remain an important consideration in determining whether the improvements to its financial metrics can be sustained.

The VR could also be upgraded if the OE score is raised to 'bbb-', while also positively influencing the bank's risk profile.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Ex-Government Support Rating

Fitch has upgraded Union's Long-Term IDR (xgs) rating to 'BB-(xgs)' from 'B+(xgs)', in line with the bank's VR upgrade. The bank's Short-Term IDR (xgs) is in accordance with its Long-Term IDR (xgs) and the short-term rating mapping outlined in Fitch's criteria.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The bank's Long-Term IDR (xgs) will move in tandem with its VR. Its Short-Term IDR (xgs) is sensitive to changes in its Long-Term IDR (xgs) and is mapped in line with Fitch's criteria.

VR ADJUSTMENTS

The OE score of 'bb+' has been assigned above the implied category of 'b' for the following adjustment reasons: economic performance, and size and structure of the economy (positive).

The business profile score of 'bb+' has been assigned below the implied category of 'bbb' for the following adjustment reason: management and governance (negative).

The funding and liquidity score of 'bbb-' has been assigned above the implied category of 'bb' for the following reason: deposit structure (positive).

Sources of Information

The principal sources of information used in the analysis are described in the applicable criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Union's IDRs are driven by India's sovereign rating. A change in the sovereign's IDRs would be reflected in Union's IDRs.

ESG CONSIDERATIONS

Union has an ESG Relevance Score of '4' for Governance Structure, in line with similarly rated state banks. This reflects our assessment that key governance aspects, particularly board independence and effectiveness, ownership concentration and protection of creditor or stakeholder rights, are of moderate influence, yet negative for Union's credit profile, and relevant to the ratings in conjunction with other factors.

Fitch views Union's governance as less developed, similar to other Indian state banks, evident from significant lending to higher-risk borrowers and segments that has led to high levels of poorly performing loans and credit losses. The board is dominated by government appointees, and business models often focus on supporting government strategy, with lending directed towards promoting socioeconomic and macroeconomic policies. This may include lending to central state-owned companies. These factors also drive our view on the bank's state linkages. This affects the support prospects that drive the long-term ratings.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating

decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
<input type="text"/>	<input type="text"/>			<input type="text"/>
Union Bank of India	LT IDR	BBB-	Affirmed	BBB-
	ST IDR	F3	Affirmed	F3
	Viability	bb-	Upgrade	b+
	Government Support	bbb-	Affirmed	bbb-
	LT IDR (xgs)	BB-(xgs)	Upgrade	B+(xgs)
	ST IDR (xgs)	B(xgs)	Affirmed	B(xgs)

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

ADDITIONAL DISCLOSURES

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[Solicitation Status](#)

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ENDORSEMENT STATUS

Union Bank of India

EU Endorsed, UK Endorsed

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