

संदर्भ Ref.: नि.से.वि. ISD/71/2024-25

दिनांक Date : 27th June 2023

बीएसई लिमिटेड BSE Ltd. बीएसई लिस्टिंग सेंटर BSE Listing Centre स्क्रिप कोड Scrip Code - 532 477	नेशनल स्टॉक एक्स्चेंज 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: Revision in Ratings -Upgradation of Ratings by S & P Global

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 and SEBI Master circular no. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11,2023; we wish to inform that on **June 20,2024** the rating agency has upgraded the Bank's Issuer credit Ratings as per following details:

S. No	ISIN	Name of the Credit Rating Agency	Parameter	Credit Rating assigned	Outlook	Rating Action	Specify other rating action	Date of Credit Rating	Verification status of Credit Rating Agencies	Date of Verification
1	INE692 A01016	S & P Global Ratings	Issuer Credit Ratings	BBB- /Positive/ A-3	Positive	Upgraded from Stable	NA	20.06.2024	Verified	20.06.2024
			SACP	bb+			NA			
			Anchor	bbb-			NA			

Thanking you.

भवदीय Yours faithfully,

SANTANU KUMAR DASH

Digitally signed by
SANTANU KUMAR
DASH
Date: 2024.06.21
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(सीएस एस. के. दाश CS S. K. Dash)
कंपनी सचिव Company Secretary
एफसीएस FCS - 4085

Cc to: IDBI Trusteeship Services Ltd.

Research Update:

Union Bank of India Outlook Revised To Positive On Proposed Capital Raising; Ratings Affirmed

June 20, 2024

Overview

- Union Bank of India has announced a plan to raise capital of up to Indian rupee (INR) 100 billion, of which up to INR60 billion is likely to be in form of common equity.
- The strengthened capitalization would bolster the India-based bank's financial resilience and support growth.
- We revised our outlook on the long-term issuer credit rating on Union Bank to positive from stable. We affirmed our 'BBB-/A-3' ratings on the bank.
- The positive outlook reflects our view that we could upgrade Union Bank over the next 12-24 months if we raise the sovereign rating on India and the bank's RAC ratio improves to stay above 7%.

Rating Action

On June 20, 2024, S&P Global Ratings revised its rating outlook on Union Bank of India to positive from stable. At the same time, we affirmed our 'BBB-' long-term and 'A-3' short-term issuer credit ratings on the public sector bank.

Rationale

The outlook revision reflects our view of a one-in-three possibility of an upgrade of the bank over the next 12-24 months. This could happen if Union Bank's risk-adjusted capital (RAC) ratio improves to sustainably above 7% and we raise the sovereign credit rating on India (BBB-/Positive/A-3).

In our view, Union Bank's announcement on June 12, 2024, that it will raise INR60 billion common equity, together with lower risk weights in the event of an upgrade of India, could keep the bank's RAC ratio at about 7%, our threshold for an adequate assessment for capital and earnings. The fund raising is in addition to the bank's INR80 billion qualified institutional placement in fiscal 2024 (ended March 31, 2024).

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In our view, Union Bank's latest fundraising also provides growth capital for the bank. We expect loan growth of 12%-13% for Union Bank over the next two fiscal years, primarily driven by retail, agriculture, and micro, small and midsize enterprises. The bank's likely growth is in line with our expectation for the banking sector in India.

Outlook

The positive outlook on Union Bank reflects the bank's improving capitalization and the outlook on India. We expect the likelihood of government support for the bank to remain very high over the next 24 months.

We believe Union Bank's financial profile will continue to improve, aided by better operating conditions, and the bank's stabilizing earnings and improving asset quality. In our view, the public sector bank will maintain its solid funding and liquidity profile over the next two years supported by high customer confidence in the Indian banking system.

Downside scenario

We could revise the outlook on Union Bank to stable if we take a similar action on the sovereign rating, or if the bank's RAC ratio is unlikely to improve above 7% on a sustainable basis, limiting the upside to the stand-alone credit profile.

Upside scenario

We could upgrade Union Bank if we raise the sovereign credit rating on India and the bank's RAC ratio sustainably improves to more than 7%.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3
SACP	bb+	bb+
Anchor	bbb-	bbb-
Business position	Adequate (0)	Adequate (0)
Capital and earnings	Moderate (-1)	Moderate (-1)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Strong and Strong (+1)	Strong and Strong (+1)
Comparable ratings analysis	0	0
Support	+1	+1
ALAC support	0	0
GRE support	+1	+1
Group support	0	0
Sovereign support	0	0

	To	From
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3
Additional factors	0	0

SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- India Outlook Revised To Positive On Robust Growth And Rising Quality Of Government Spend; 'BBB-/A-3' Ratings Affirmed, May 29, 2024

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Union Bank of India		
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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