

20 October 2026

Union Bank of India

Core momentum strengthens; maintain BUY

Union Bank of India delivered a strong performance in Q2FY27, with RoA/RoE coming in at 1.4/16.2%, ahead of our estimates. Credit growth remained healthy at 19.4% y/y, led by Corporate and MSME segments, while CASA and retail TD grew by 11.4% y/y. The management has guided for credit growth in line with the system (~18-19%) in FY27e. Core operating profit grew faster than the balance sheet, supported by margin expansion and moderate opex growth. The bank has built a prudent Rs10bn ECL transition buffer against an estimated total impact of ~Rs55bn. Asset quality improved, with gross/net slippages declining to 71/14bps in Q2FY27 from 82/37bps in Q1FY27. Looking ahead, we expect credit growth to remain in line with the system, while profitability is expected remain steady. We maintain BUY rating on the stock with a 12-month TP of Rs221, valuing it at 1x FY29e P/ABV.

Credit growth accelerates; deposit growth picks up: Net advances grew by 19.4% y/y (vs. 13.3% in Q1FY27), with domestic advances increased by 17.4% y/y. Growth was led by Corporate (up 23.6% y/y) and MSME (up 22.4% y/y), while Retail and Agriculture grew by 11.2% and 12.7% y/y, respectively. Overseas advances surged 52.2% y/y, as ~70% of US\$2.25bn FCNR (B) mobilisation was deployed overseas. Deposits grew by 6.9% y/y and 2.8% q/q, led by CASA (up 14.7% y/y) and retail TD (up 9.7% y/y), while bulk deposits declined by 9.3% y/y. Notably, the bank's CASA ratio stood at 34.9% in Q2FY27.

Margins expand; core profitability strengthens: NIM improved by 6bps q/q to 2.86%, as a 10bps q/q improvement in yields and higher LDR more than offset a 2bps increase in CoF. With ~53-55% of loan book repo-linked, margins are expected to improve further. Non-interest income declined by 7% y/y, owing to lower treasury income and recoveries from the written-off (TWO) pool. Opex growth remained modest at 1.9% y/y, well below balance-sheet growth. Consequently, core operating profit grew by 29% y/y, while core RoA (excluding treasury income and TWO recoveries) improved to 1.03% (up 3bps q/q). Looking ahead, we expect improving margins, contained opex and moderate credit cost should support sustained profitability, with RoE expected to remain in the excess of 15% through FY27-29e.

Slippages continue to moderate: Asset quality improved, with gross slippages declining to 71bps from 82bps in Q1FY27 and 91bps in Q2FY26. Net slippages stood at 14bps vs. 37bps in Q1FY27 and -1bps in Q2FY26. NPA trends improved broadly across portfolios. The bank estimates an ECL transition impact of ~Rs55bn and has built an additional buffer of Rs10bn (including Rs2bn in Q2FY27), which is excluded from PCR.

Valuation: We maintain BUY rating on the stock with a 12-month two-stage DDM model-based TP of Rs221, valuing it at 1x FY29e P/ABV.

Key Risks: (a) Lumpy slippages in corporate book; and (b) higher-than-expected credit cost under ECL.

India | Equities

Financials

Result Update

Change in Estimates ☒ Target ☒ Reco ☐Rating: **BUY**

Target Price (12-mth): Rs.221

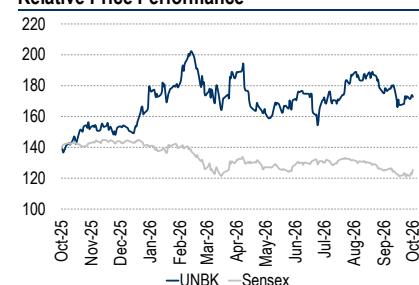
Share Price: Rs.180

Key Data	UNBK IN / UNBK.BO
52-week high / low	Rs205 / 136
Sensex / Nifty	73853 / 22889
Market cap	Rs1311bn
Shares outstanding	7634m

Shareholding Pattern (%)	Jun'26	Mar'26	Dec'25
Promoters	74.8	74.8	74.8
- of which, Pledged			
Free float	25.2	25.2	25.2
- Foreign institutions	8.6	9.4	8.1
- Domestic institutions	12.0	11.5	11.9
- Public	4.6	4.4	5.2

Estimates Revision (%)	FY27e	FY28e
NII	5.3	6.0
PPoP	(0.04)	0.8
PAT	8.2	8.5

Relative Price Performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income Statement (Rs bn)

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
Net interest income	372	367	429	500	574
<i>NII growth (%)</i>	1.8	-1.5	16.9	16.7	14.6
Non-interest income	198	194	179	202	222
Income	570	561	608	702	795
<i>Income growth (%)</i>	8.3	-1.6	8.3	15.5	13.3
Operating expenses	259	275	286	320	368
PPoP	311	286	322	382	427
<i>PPoP growth (%)</i>	10.2	-7.9	12.5	18.7	11.8
Provisions	76	44	46	79	91
PBT	235	242	276	303	337
Tax	55	55	70	76	85
PAT	180	187	207	227	252
<i>PAT growth (%)</i>	31.8	3.9	10.6	9.7	11.0
EPS (Rs)	23.6	24.5	27.1	29.7	33.0
DPS (Rs)	4.8	5.0	6.0	6.5	7.3

Source: Company, Anand Rathi Research

Fig 2 – Balance Sheet (Rs bn)

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
Share capital	76	76	76	76	76
Reserves & surplus	1,053	1,209	1,371	1,503	1,699
Deposits	13,097	13,069	14,114	15,949	18,023
Borrowings	273	772	1,081	1,297	1,504
Other Liabilities & Prov.	498	567	555	626	716
Total liabilities	14,999	15,694	17,197	19,451	22,018
Advances	9,535	10,533	12,218	14,051	16,158
Investments	3,544	3,302	3,534	3,852	4,198
Cash & bank balance	1,313	957	581	645	716
Fixed & other assets	606	901	864	904	946
Total assets	14,999	15,694	17,197	19,451	22,018
No. of shares (m)	7,634	7,634	7,634	7,634	7,634
<i>Deposits growth (%)</i>	7.2	(0.2)	8.0	13.0	13.0
<i>Advances growth (%)</i>	9.5	10.5	16.0	15.0	15.0

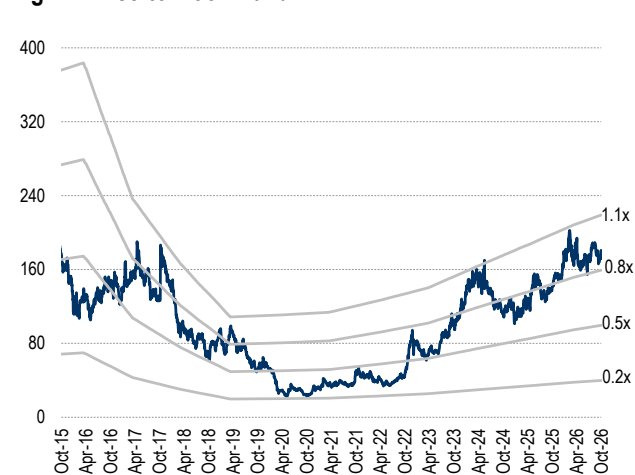
Source: Company, Anand Rathi Research

Fig 3 – Ratio Analysis

Y/E Mar	FY25	FY26	FY27e	FY28e	FY29e
NIM	2.8	2.7	2.9	3.0	3.0
Cost-income	45.5	49.0	47.0	45.6	46.3
RoA	1.2	1.2	1.3	1.2	1.2
RoE	17.1	15.5	15.1	15.0	15.0
DPS (')	4.8	5.0	6.0	6.5	7.3
LDR	72.8	80.6	86.6	88.1	89.7
Gross NPA	3.6	2.8	2.4	2.3	2.2
Net NPA	0.6	0.5	0.4	0.4	0.4
Provision coverage	83.1	83.3	82.0	81.0	81.0
BV (')	148.0	168.4	189.6	206.8	232.6
CRAR (%)	18.0	18.1	18.3	17.6	17.4
- Tier 1	16.2	16.6	16.9	16.5	16.4
P / E (x)	7.7	7.4	6.7	6.1	5.5
P / BV (x)	1.2	1.1	1.0	0.9	0.8
P / ABV (x)	1.3	1.1	1.0	0.9	0.8

Source: Company, Anand Rathi Research

Fig 4 – Price-to-Book Band



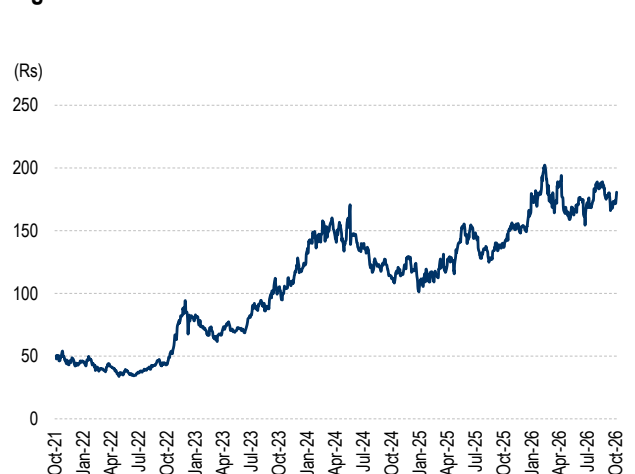
Source: Bloomberg

Fig 5 – 1-Year Fwd. Price-to-BV



Source: Company, Anand Rathi Research

Fig 6 – Price Movement



Source: Bloomberg

Key Highlights

Quarterly Snapshot

Fig 7 – Income Statement

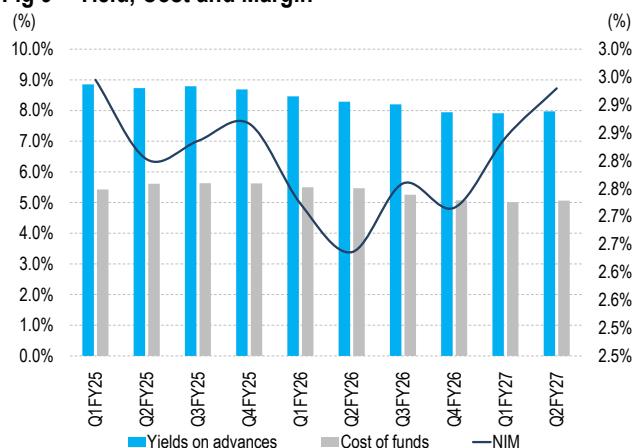
Y/E Mar (Rs bn)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27
Interest income	273	267	264	264	272	282
Interest expense	182	178	171	170	172	176
NII	91	88	93	94	100	106
<i>y/y growth (%)</i>	-3.2	-2.6	0.9	-1.1	10.1	20.1
Non-interest income	45	50	45	54	46	47
Total income	136	138	139	148	146	152
<i>y/y growth (%)</i>	-2.3	-3.9	1.6	-1.7	7.7	10.3
Operating expenses	67	70	69	69	66	71
Of which, staff cost	39	39	40	34	38	39
PPoP	69	68	69	80	80	81
<i>y/y growth (%)</i>	-11.3	-16.0	-7.3	3.3	15.8	19.0
Total provisioning	17	14	3	11	10	7
PBT	52	54	66	69	70	74
Tax	11	12	16	16	17	19
PAT	41	42	50	53	53	55
<i>y/y growth (%)</i>	11.9	-10.0	9.0	6.6	29.6	30.3

Source: Company, Anand Rath Research

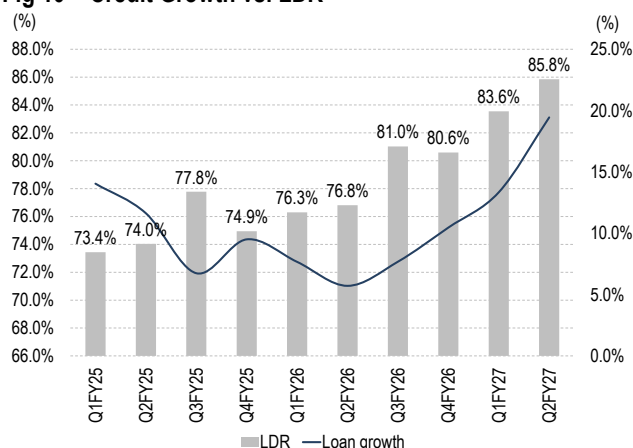
Fig 8 – Balance Sheet

Y/E Mar (Rs bn)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27
Equity capital	76	76	76	76	76	76
Reserves & Surplus	1,095	1,136	1,184	1,209	1,267	1,310
Deposits	12,399	12,346	12,229	13,069	12,834	13,195
Borrowings	677	686	784	772	725	1,017
Other liabilities	572	494	551	567	533	466
Liabilities	14,819	14,738	14,825	15,694	15,435	16,064
<i>Deposits growth (y/y)</i>	3.6	1.9	3.4	2.7	3.5	6.9
<i>Deposits growth (q/q)</i>	-2.5	-0.4	-1.0	6.9	-1.8	2.8
Cash and cash balances	1,393	1,130	793	957	516	539
Advances	9,461	9,483	9,909	10,533	10,723	11,327
Investments	3,406	3,457	3,312	3,302	3,327	3,349
Other assets	560	668	811	901	869	850
Assets	14,819	14,738	14,825	15,694	15,435	16,064
<i>Advances growth (y/y)</i>	7.7	5.7	7.7	10.5	13.3	19.4
<i>Advances growth (q/q)</i>	-0.8	0.2	4.5	6.3	1.8	5.6

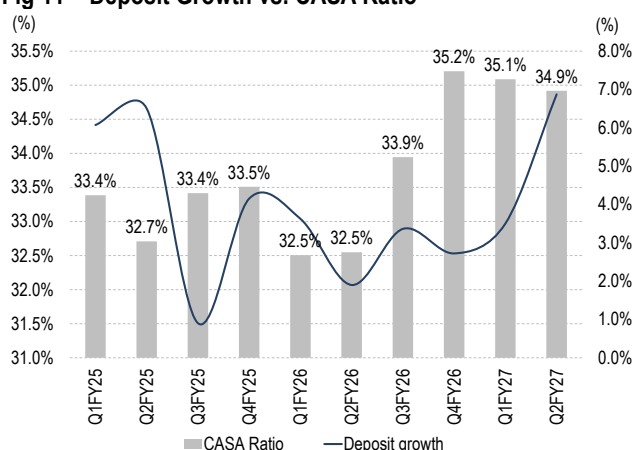
Source: Company, Anand Rath Research

Fig 9 – Yield, Cost and Margin

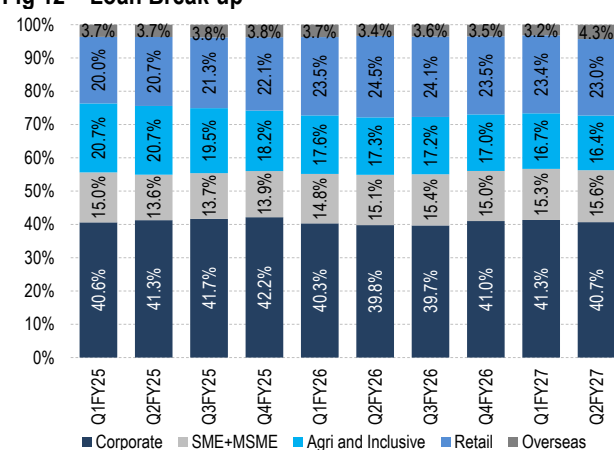
Source: Company, Anand Rathi Research

Fig 10 – Credit Growth vs. LDR

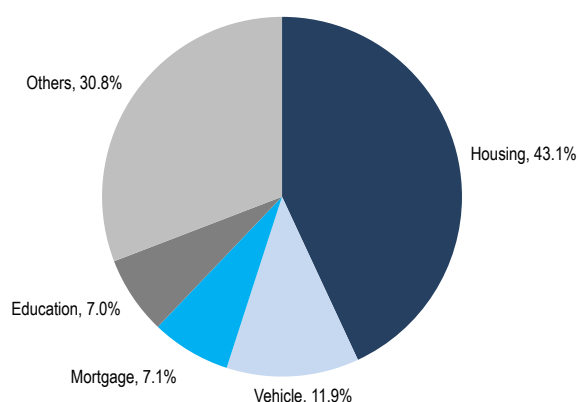
Source: Company, Anand Rathi Research

Fig 11 – Deposit Growth vs. CASA Ratio

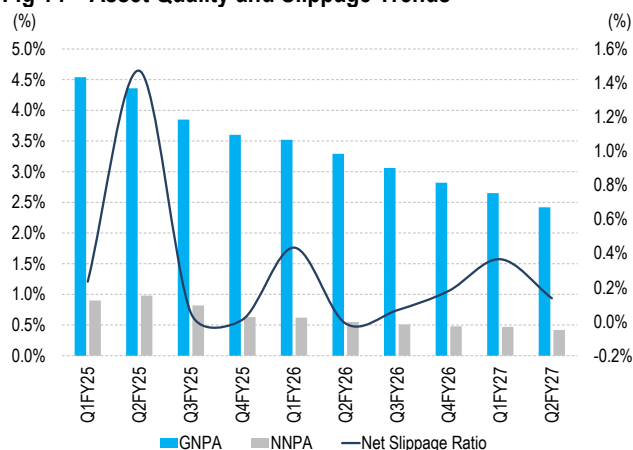
Source: Company, Anand Rathi Research

Fig 12 – Loan Break-up

Source: Company, Anand Rathi Research

Fig 13 – Break-up of Retail Loans

Source: Company, Anand Rathi Research

Fig 14 – Asset Quality and Slippage Trends

Source: Company, Anand Rathi Research

Valuation

We maintain BUY rating on the stock with a 12-month two-stage DDM model-based TP of Rs221, valuing it at 1x FY29e P/ABV.

Fig 15 – Change in Estimates

Particulars (Rs bn)	FY27e			FY28e		
	New Estimates	Old Estimates	Change (%)	New Estimates	Old Estimates	Change (%)
NII	429	407	5.3	500	472	6.0
PPoP	322	322	(0.04)	382	379	0.8
PAT	207	191	8.2	227	209	8.5

Source: Anand Rathi Research

Fig 16 – DuPont Analysis

(%)	FY25	FY26	FY27e	FY28e	FY29e
Interest Income / Assets	7.5	6.9	7.1	7.3	7.3
Interest Expense / Assets	4.9	4.5	4.5	4.5	4.5
Net interest income / Assets	2.6	2.4	2.6	2.7	2.8
Non-interest income / Assets	1.4	1.3	1.1	1.1	1.1
Net revenues / Assets	3.9	3.7	3.7	3.8	3.8
Operating expense / Assets	1.8	1.8	1.7	1.7	1.8
PPoP / Assets	2.2	1.9	2.0	2.1	2.1
Provision / Assets	0.5	0.3	0.3	0.4	0.4
Taxes / Assets	0.4	0.4	0.4	0.4	0.4
RoA	1.2	1.2	1.3	1.2	1.2
RoAE	17.1	15.5	15.1	15.0	15.0

Source: Company, Anand Rathi Research

Key Risks

- Lumpy slippages in corporate book;
- Higher-than-expected credit cost under ECL.

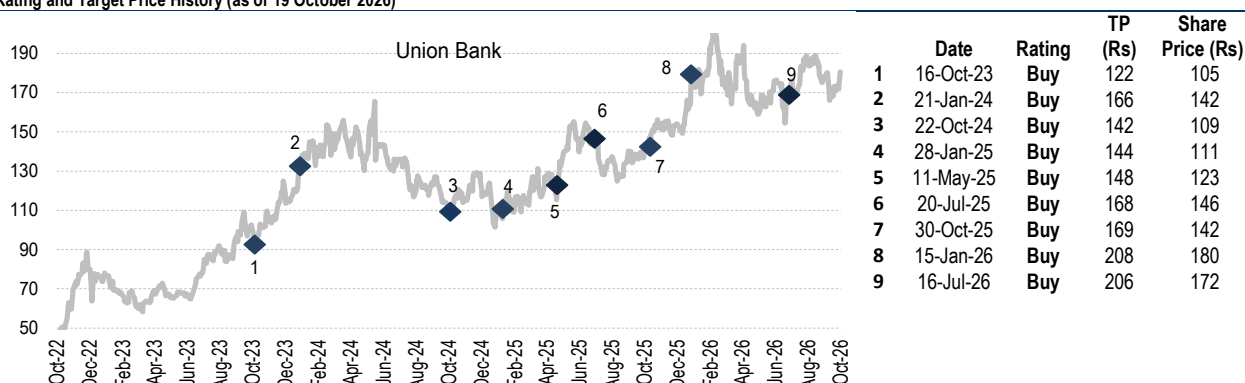
Appendix

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