

Sub-par growth; lower provisions drive PAT beat

BFSI - Banks ▶ Result Update ▶ January 15, 2026

CMP (Rs): 179 | TP (Rs): 160

Overall credit growth remains sub-par for Union Bank (UNBK) at 8% YoY, but the bank managed to report a ~11% PAT beat at Rs50bn (RoA of 1.3%), mainly due to lower provisions as banks paused to build provisions towards ECL in Q3. Going forward, the mgmt guides to accelerate credit growth, led by the RAM segment. UNBK strategically shed bulk deposits, leading to lower CoF and thus 9bps QoQ margin improvement, but we believe core deposit growth remains a challenge for the bank (up ~0.5% YoY) and thus could keep margins in check amid another repo rate cut expected in 4Q. Overall NPA ratios are trending down, given contained fresh slippages and continued recovery in the corporate pool, but we believe the bank needs to accelerate ECL provisions. Factoring in Q3 earnings beat and better growth guidance, we raise our FY26-28E earnings by ~1-8%. We also lift our TP by 14% to Rs160 (from Rs140) on factoring in earnings upgrade and rolling forward to 0.9x Dec-27E ABV. After the recent rally, the stock is trading at ~1x FY27E/0.9x FY28E ABV for a relatively sub-par growth, CASA, and RoA profile vs large peers, and thus, retain REDUCE.

Sub-par growth in Q3; but management guided for growth acceleration

In Q3, UNBK reported modest credit growth of 8% YoY versus system and also most of its peers growing at 12-14% YoY. Deposit growth too remains sub-par at ~0.5% YoY, leading to a sharp jump in LDR to 81%, which looks unsustainable. This coupled with shedding of high-cost bulk deposits and CRR cut led to a 9bps QoQ improvement in NIM to 2.8%. The management has guided to match or surpass system loan growth, which looks to be a tall task and could hurt margins in the process. Core deposit growth too remains a challenge, and thus, the bank needs to address the same at the earliest.

Lower slippages/w-offs and pause on ECL buffering led to contained provisions

Gross slippage moderated to a low of Rs18.5bn/0.8% of loans, while healthy recoveries led to a 23bps QoQ improvement in the GNPA ratio to 3.1%. This coupled with pause on standard asset provisioning as a build-up toward ensuing ECL implementation by 1-Apr-27 led to lower provisions and thus earnings beat. While SMA-1 and SMA-2 levels >Rs50mn remained steady at 0.3% of loans, SMA-0 declined to Rs14.7bn/0.15% of loans. However, the SMA pool below Rs50mn is high at Rs240-250bn/2.4-2.5% of loans. As a part of the RBI relief scheme for MSMEs, the bank has extended loan moratorium to 78 borrowers with exposure to the tune of Rs5bn/0.05% of loans

We retain REDUCE

We raise our TP by 14% to Rs160 (from Rs140) on factoring in earnings upgrade and rolling forward to 0.9x Dec-27E ABV. After the recent rally, the stock is trading at 1x FY27E/0.9x FY28E ABV for a relatively sub-par growth, CASA, and RoA profile vs large peers and thus retain REDUCE. **Key risks:** Emerging asset-quality risk in the MSME space.

Target Price – 12M	Sep-26
Change in TP (%)	14.3
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(10.6)

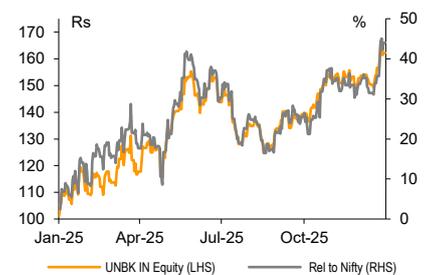
Stock Data	UNBK IN
52-week High (Rs)	181
52-week Low (Rs)	102
Shares outstanding (mn)	7,633.6
Market-cap (Rs bn)	1,368
Market-cap (USD mn)	15,155
Net-debt, FY26E (Rs mn)	NA
ADTV-3M (mn shares)	12.2
ADTV-3M (Rs mn)	2,068.0
ADTV-3M (USD mn)	22.9
Free float (%)	25.2
Nifty-50	25,665.6
INR/USD	90.3

Shareholding, Sep-25

Promoters (%)	74.8
FPIs/MFs (%)	7.9/11.7

Price Performance

(%)	1M	3M	12M
Absolute	17.4	30.9	72.2
Rel. to Nifty	19.1	28.2	55.5

1-Year share price trend (Rs)**Union Bank of India: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net profit	136,484	179,871	179,168	170,303	176,627
Loan growth (%)	14.3	9.5	8.8	11.4	14.3
NII growth (%)	11.6	1.8	(0.7)	9.4	14.9
NIM (%)	2.9	2.7	2.5	2.5	2.6
PPOP growth (%)	10.8	10.2	(9.7)	1.4	8.9
Adj. EPS (Rs)	18.9	23.6	23.5	22.3	23.1
Adj. EPS growth (%)	52.9	24.9	(0.4)	(4.9)	3.7
Adj. BV (INR)	112.1	136.0	154.8	171.8	189.1
Adj. BVPS growth (%)	20.3	21.3	13.8	11.0	10.0
RoA (%)	1.0	1.2	1.2	1.0	0.9
RoE (%)	16.7	18.1	15.6	13.2	12.4
P/E (x)	9.5	7.6	7.6	8.0	7.8
P/ABV (x)	1.6	1.3	1.2	1.0	0.9

Source: Company, Emkay Research

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Key concall takeaways

Outlook on loans, deposits, and NIMs

- The bank streamlined its balance sheet by running down Rs380-400bn of high-cost deposits, reducing treasury exposure by Rs150bn with redeployment into credit, fully unwinding the ~Rs200bn IBPC book, and reallocating ~Rs100bn from low-yielding investments to higher-yielding long-term loans.
- The bank has churned corporate portfolio of ~Rs300bn. Furthermore, it has a strong disbursement and sanction pipeline of Rs240-260bn while expecting better growth in Q4.
- Gold loans stood at Rs840bn – stable over the past two quarters. Of these, agricultural loans totaled Rs480bn, with LTVs of 75% for non-agriculture and 85% for agriculture.
- The bank's domestic CD ratio was below 81%, well within a comfortable range. Globally, including GIFT City, ratios were slightly higher at 82–83%. The bank does not anticipate any issues and intends to maintain the ratio within this range.
- The bank expects NIM to improve further as deposit costs are repriced over the coming quarters, while most of the lending book is linked to external benchmarks (MCLR: 32%; rest: EBLR, Treasury-linked book), allowing rate cuts to flow through quickly, supporting margin expansion.

Asset quality

- The bank has reviewed and considered existing provisions under ECL. The net requirement stands at ~Rs42-43bn.
- Over the past 2–3 years, as provisions reached 95%, the gap between existing and ECL-required provisions has narrowed, and the bank is well-capitalized with sufficient profits to meet ECL requirements in the first year itself.
- On a run-rate basis, credit cost has generally been at 20–40bps. The bank does not expect significant changes from the current levels.
- SMA 2 below Rs50mn stands at Rs240-250bn.
- Regarding trade relief measures, the RBI's export moratorium led to ~78 proposals worth Rs5bn for the bank, of which 61 proposals totaling Rs2.17bn have already been disbursed, with additional proposals currently in the pipeline.

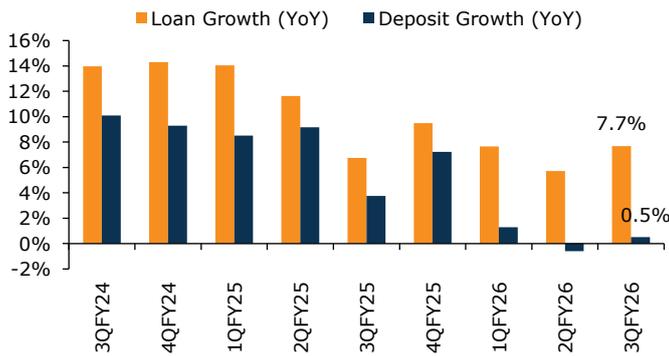
Others

- Other interest income included Rs1.98bn recovery from RIDF.
- Regarding the labor code, the welfare benefits under banking bipartite agreements are already superior, so there is no impact there. For leave encashment, gratuity, and similar provisions, given the bank's long history, the impact is limited and the bank expects a maximum effect of ~Rs100-150mn.
- Regarding PSLCs, limited opportunities in H1 led to a modest profit of ~Rs1.08bn in Q3, but the bank expects to generate higher PSLC profit in the coming qtrs and the next year.
- The new project finance guidelines will not impact the existing portfolio, as COD has either been achieved or extended. Only new projects requiring COD extensions will have incremental provisioning impact.
- The bank plans to open 75 branches this year and another 200 branches going ahead.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

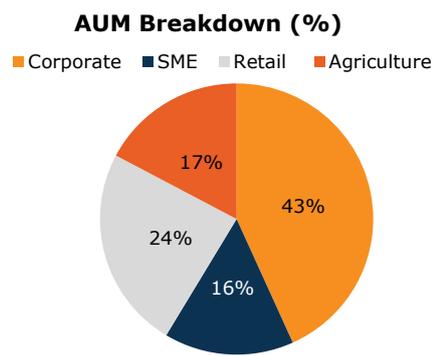
Story in Charts

Exhibit 1: Credit growth remains sub-par, while deposits were flat



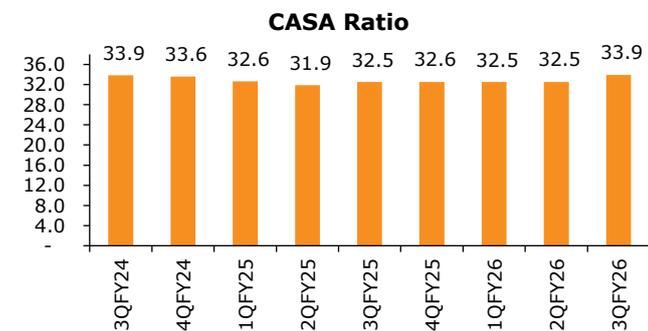
Source: Company, Emkay Research

Exhibit 2: RAM book constitutes 57% of the total loan portfolio



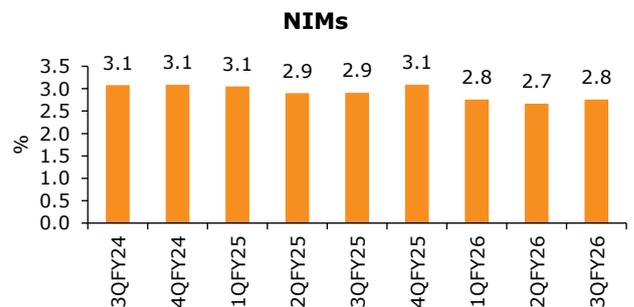
Source: Company, Emkay Research

Exhibit 3: Better CASA growth led to 140bps rise CASA ratio QoQ



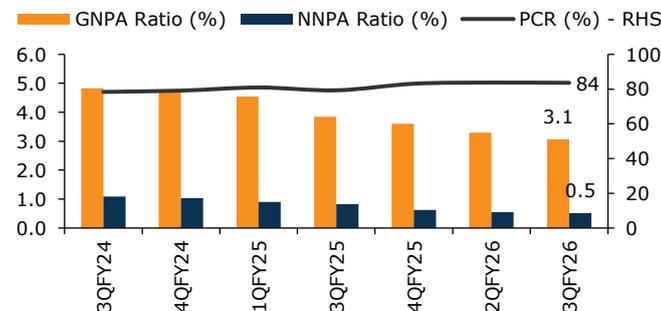
Source: Company, Emkay Research

Exhibit 4: NIM improved 9bps QoQ, driven by higher LDR, reduction in high-cost bulk deposits, and CRR cuts



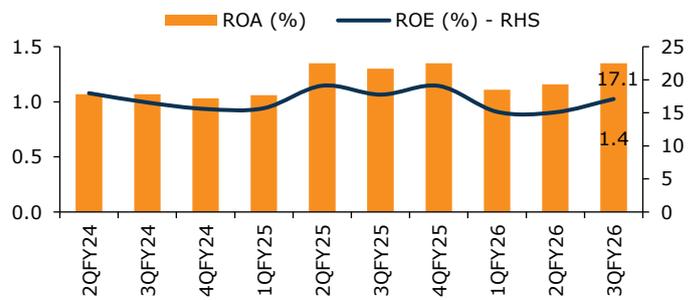
Source: Company, Emkay Research

Exhibit 5: Headline asset quality continues to improve



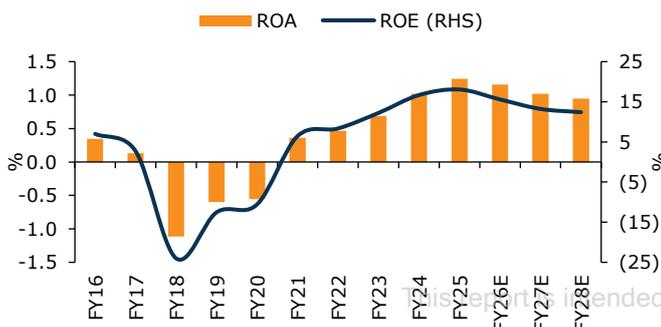
Source: Company, Emkay Research

Exhibit 6: Improved NII, controlled opex, and lower provisions drove an increase in RoA



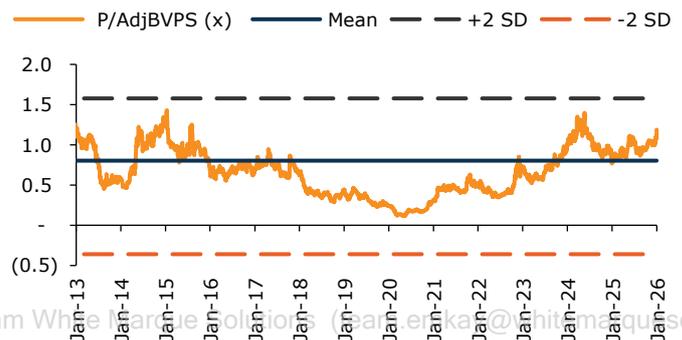
Source: Company, Emkay Research

Exhibit 7: We expect the bank to deliver RoA/RoE of 0.9-1.2%/12-16% over FY26-28E, aided by better treasury gains, NPA recovery, and lower LLP



Source: Emkay Research

Exhibit 8: The stock is currently trading near its mean valuation



Source: Bloomberg, Emkay Research

Exhibit 9: Actuals vs estimates (Q3FY26)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Net income	138,690	142,507	133,878	-3%	4%	Lower other income led to a miss.
PPOP	69,416	72,419	66,195	-4%	5%	Lower net income partly offset by contained opex led to a miss.
PAT	50,168	45,367	36,706	11%	37%	Sharp decline in LLPs led to a PAT beat.

Source: Emkay Research

Exhibit 10: Quarterly summary

(Rs mn)	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	YoY (%)	QoQ (%)	FY25	FY26E	YoY (%)
Interest Earned	269,579	276,952	272,956	266,502	264,434	-1.9	-0.8	1,077,260	1,073,934	-0.3
Interest Exp	177,177	181,812	181,830	178,379	171,155	-3.4	-4.0	705,123	704,404	-0.1
Net Interest Income	92,403	95,140	91,126	88,124	93,279	0.9	5.9	372,137	369,530	-0.7
Global NIMs (reported)	2.91	3.09	2.76	2.67	2.76	-15bps	9bps	2.70	2.50	-20bps
Non-interest Income	44,166	55,591	44,860	49,958	45,411	2.8	-9.1	198,129	192,098	-3.0
Operating Expenses	61,650	73,730	66,897	69,942	69,274	12.4	-1.0	259,365	280,980	8.3
Pre Provisioning Profit	74,918	77,001	69,089	68,140	69,416	-7.3	1.9	310,900	280,648	-9.7
Provision & Contingencies	15,991	15,439	16,645	13,967	3,222	-79.8	-76.9	76,110	47,962	-37.0
PBT	58,928	61,562	52,444	54,172	66,194	12.3	22.2	234,791	232,686	-0.9
Income Tax Expense (Gain)	12,891	11,713	11,286	11,681	16,026	24.3	37.2	54,919	53,518	-2.6
Net Profit/(Loss)	46,036	49,849	41,158	42,491	50,168	9.0	18.1	179,871	179,168	-0.4
Gross NPA (%)	3.85	3.60	3.52	3.29	3.06	-79bps	-23bps	3.60	2.89	-71bps
Net NPA (%)	0.82	0.63	0.62	0.55	0.51	-31bps	-4bps	0.63	0.59	-4bps
Deposits (Rs bn)	12,166	13,097	12,399	12,346	12,229	0.5	-1.0	13,097	13,358	2.0
Net Advances (Rs bn)	9,202	9,535	9,461	9,483	9,909	7.7	4.5	9,535	10,370	8.8

Source: Company, Emkay Research

Exhibit 11: Revision in estimates

Y/E Mar (Rs mn)	FY26E			FY27E			FY28E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Net income	561,436	561,628	0.0%	588,942	591,098	0.4%	636,037	647,723	1.8%
PPOP	281,681	280,648	-0.4%	289,248	284,538	-1.6%	311,347	309,751	-0.5%
PAT	173,480	179,168	3.3%	168,021	170,303	1.4%	164,113	176,627	7.6%
EPS (Rs)	22.7	23.5	3.3%	22.0	22.3	1.4%	21.5	23.1	7.6%
BV (Rs)	159.3	160.1	0.5%	176.8	177.6	0.4%	193.9	195.7	0.9%

Source: Emkay Research

Exhibit 12: Key assumptions

(%)	FY25A	FY26E	FY27E	FY28E
Loan Growth	9.5	8.8	11.4	14.3
Deposit Growth	7.2	2.0	10.7	13.5
NIM	2.7	2.5	2.5	2.6
GNPA	3.6	2.9	2.6	2.3
Credit Cost	0.8	0.5	0.5	0.6

Source: Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 13: Key ratios and trends

	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Gross loans (Rs bn)	8,960	9,049	9,122	9,288	9,492	9,829	9,725	9,752	10,169
<i>growth (YoY)</i>	11.4	11.7	11.5	9.6	5.9	8.6	6.6	5.0	7.1
<i>growth (QoQ)</i>	5.8	1.0	0.8	1.8	2.2	3.6	-1.1	0.3	4.3
Liability Profile/CAR									
Deposits (Rs bn)	11,725	12,215	12,242	12,419	12,166	13,097	12,399	12,346	12,229
<i>growth (YoY %)</i>	10.1	9.3	8.5	9.2	3.8	7.2	1.3	(0.6)	0.5
<i>growth (QoQ %)</i>	3.1	4.2	0.2	1.5	(2.0)	7.7	(5.3)	(0.4)	(1.0)
CASA (%)	33.9	33.6	32.6	31.9	32.5	32.6	32.5	32.5	33.9
CA (%)	6.0	6.0	5.5	5.5	5.5	6.6	5.5	5.1	5.5
SA (%)	27.8	27.5	27.2	26.4	27.0	26.0	27.0	27.4	28.4
Global NIM (%)	3.1	3.1	3.1	2.9	2.9	3.1	2.8	2.7	2.8
CAR (%)	15.0	17.0	17.0	17.1	16.7	18.0	18.3	17.1	16.5
Tier I (%)	13.1	15.0	15.2	15.2	14.9	16.2	16.6	15.6	15.4
Branches (no of)	8,479	8,466	8,473	8,555	8,574	8,621	8,649	8,655	8,671
Asset Quality (%)									
GNPA	4.8	4.8	4.5	4.4	3.9	3.6	3.5	3.3	3.1
NNPA	1.1	1.0	0.9	1.0	0.8	0.6	0.6	0.6	0.5
PCR	78.4	79.1	80.9	78.4	79.3	83.1	77.0	83.8	83.6
Slippage	1.4	1.7	1.2	2.6	0.9	1.2	1.1	1.0	0.8
ROE Decomposition (%)									
NII	2.8	2.8	2.7	2.6	2.6	2.6	2.4	2.4	2.5
Other Income	0.9	1.1	1.1	1.2	1.0	1.1	0.8	1.1	1.0
Treasury	0.2	0.2	0.2	0.3	0.2	0.5	0.4	0.3	0.2
Opex	1.7	2.2	1.8	1.8	1.7	2.0	1.8	1.9	1.9
PPOP	2.2	1.9	2.2	2.3	2.1	2.1	1.9	1.8	1.9
Provisioning Cost	0.5	0.4	0.8	0.5	0.5	0.4	0.4	0.4	0.1
PBT	1.7	1.5	1.4	1.8	1.7	1.7	1.4	1.5	1.8
Tax	0.6	0.6	0.4	0.5	0.4	0.3	0.3	0.3	0.4
ROA	1.1	1.0	1.1	1.3	1.3	1.4	1.1	1.2	1.4
ROE	15.7	13.9	14.8	18.0	16.8	17.8	14.3	14.3	16.2

Source: Company, Emkay Research

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Union Bank of India: Standalone Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	997,780	1,077,260	1,073,934	1,124,892	1,244,554
Interest Expense	632,076	705,123	704,404	720,658	780,030
Net interest income	365,704	372,137	369,530	404,235	464,524
NII growth (%)	11.6	1.8	(0.7)	9.4	14.9
Other income	160,802	198,129	192,098	186,863	183,199
Total Income	526,506	570,266	561,628	591,098	647,723
Operating expenses	244,399	259,365	280,980	306,560	337,972
PPOP	282,107	310,900	280,648	284,538	309,751
PPOP growth (%)	10.8	10.2	(9.7)	1.4	8.9
Core PPOP	262,804	278,113	240,647	246,537	275,550
Provisions & contingencies	67,802	76,110	47,962	56,860	73,619
PBT	214,304	234,791	232,686	227,678	236,132
Extraordinary items	0	0	0	0	0
Tax expense	77,821	54,919	53,518	57,375	59,505
Minority interest	0	0	0	0	0
Income from JV/Associates	-	-	-	-	-
Reported PAT	136,484	179,871	179,168	170,303	176,627
PAT growth (%)	61.8	31.8	(0.4)	(4.9)	3.7
Adjusted PAT	136,484	179,871	179,168	170,303	176,627
Diluted EPS (Rs)	18.9	23.6	23.5	22.3	23.1
Diluted EPS growth (%)	52.9	24.9	(0.4)	(4.9)	3.7
DPS (Rs)	3.6	4.8	4.6	4.8	5.0
Dividend payout (%)	20.1	20.2	19.6	21.5	21.6
Effective tax rate (%)	36.3	23.4	23.0	25.2	25.2
Net interest margins (%)	2.9	2.7	2.5	2.5	2.6
Cost-income ratio (%)	46.4	45.5	50.0	51.9	52.2
Shares outstanding (mn)	7,633.6	7,633.6	7,633.6	7,633.6	7,633.6

Source: Company, Emkay Research

Asset quality and other metrics

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Asset quality					
Gross NPLs	430,977	353,504	306,797	301,494	308,211
Net NPLs	89,900	60,357	61,359	66,329	77,053
GNPA ratio (%)	4.8	3.6	2.9	2.6	2.3
NNPA ratio (%)	1.0	0.6	0.6	0.6	0.6
Provision coverage (%)	79.1	82.9	80.0	78.0	75.0
Gross slippages	118,767	120,739	84,922	106,046	134,325
Gross slippage ratio (%)	1.3	1.2	0.8	0.9	1.0
LLP ratio (%)	0.8	0.8	0.5	0.5	0.6
NNPA to networth (%)	9.2	5.3	4.7	4.6	4.9
Capital adequacy					
Total CAR (%)	17.0	18.0	18.0	17.8	17.4
Tier-1 (%)	15.0	16.2	16.3	16.4	16.1
CET-1 (%)	14.5	15.4	16.0	16.0	15.8
RWA-to-Total Assets (%)	45.4	46.9	48.1	48.4	47.7
Miscellaneous					
Total income growth (%)	21.5	10.1	(0.7)	3.6	8.8
Opex growth (%)	11.4	6.1	8.3	9.1	10.2
Core PPOP growth (%)	7.8	5.8	(13.5)	2.4	11.8
PPOP margin (%)	24.3	24.4	22.2	21.7	21.7
PAT/PPOP (%)	48.4	57.9	63.8	59.9	57.0
LLP-to-Core PPOP (%)	25.8	27.4	19.9	23.1	26.7
Yield on advances (%)	8.9	8.7	8.0	7.7	7.6
Cost of funds (%)	5.2	5.5	5.1	4.9	4.8

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	76,336	76,336	76,336	76,336	76,336
Reserves & surplus	893,354	1,053,416	1,194,874	1,326,069	1,462,185
Net worth	969,690	1,129,752	1,271,210	1,402,405	1,538,521
Deposits	12,215,281	13,097,495	13,357,728	14,783,610	16,775,445
Borrowings	269,484	273,418	675,389	631,870	593,202
Interest bearing liab.	12,484,764	13,370,913	14,033,117	15,415,480	17,368,648
Other liabilities & prov.	465,122	497,892	624,678	684,782	922,152
Total liabilities & equity	13,919,576	14,998,557	15,929,005	17,502,666	19,829,322
Net advances	8,707,761	9,535,133	10,369,822	11,547,773	13,201,392
Investments	3,379,035	3,543,814	3,653,583	4,023,414	4,472,887
Cash, other balances	1,193,029	1,313,340	1,262,981	1,233,238	1,389,492
Interest earning assets	13,279,825	14,392,287	15,286,386	16,804,425	19,063,770
Fixed assets	92,228	97,819	103,544	108,621	115,390
Other assets	547,523	508,451	539,074	589,621	650,162
Total assets	13,919,576	14,998,557	15,929,005	17,502,666	19,829,322
BVPS (Rs)	119.9	141.2	160.1	177.6	195.7
Adj. BVPS (INR)	112.1	136.0	154.8	171.8	189.1
Gross advances	9,048,839	9,828,280	10,615,260	11,782,938	13,432,550
Credit to deposit (%)	71.3	72.8	77.6	78.1	78.7
CASA ratio (%)	33.6	32.6	32.5	32.3	32.6
Cost of deposits (%)	5.0	5.2	5.0	4.7	4.6
Loans-to-Assets (%)	62.6	63.6	65.1	66.0	66.6
Net advances growth (%)	14.3	9.5	8.8	11.4	14.3
Deposit growth (%)	9.3	7.2	2.0	10.7	13.5
Book value growth (%)	13.5	17.8	13.4	10.9	10.2

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	9.5	7.6	7.6	8.0	7.8
P/B (x)	1.5	1.3	1.1	1.0	0.9
P/ABV (x)	1.6	1.3	1.2	1.0	0.9
P/PPOP (x)	4.9	4.4	4.9	4.8	4.4
Dividend yield (%)	2.1	2.6	2.6	2.7	2.8
DuPont-RoE split (%)					
NII/avg assets	2.7	2.6	2.4	2.4	2.5
Other income	1.2	1.4	1.2	1.1	1.0
Fee income	1.1	1.1	0.8	0.7	0.7
Opex	1.8	1.8	1.8	1.8	1.8
PPOP	2.1	2.2	1.8	1.7	1.7
Core PPOP	2.0	1.9	1.6	1.5	1.5
Provisions	0.5	0.5	0.3	0.3	0.4
Tax expense	0.6	0.4	0.3	0.3	0.3
RoA (%)	1.0	1.2	1.2	1.0	0.9
Leverage ratio (x)	16.3	14.5	13.4	13.0	13.1
RoE (%)	16.7	18.1	15.6	13.2	12.4

Quarterly data

Rs mn	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
NII	92,403	95,140	91,126	88,124	93,279
NIM (%)	2.9	3.1	2.8	2.7	2.8
PPOP	74,918	77,001	69,089	68,140	69,416
PAT	46,036	49,849	41,158	42,491	50,168
EPS (Rs)	24.1	23.6	21.6	22.3	26.3

Source: Company, Emkay Research

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RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
31-Oct-25	149	140	Reduce	Anand Dama
23-Jul-25	143	130	Reduce	Anand Dama
09-May-25	123	120	Reduce	Anand Dama
09-Apr-25	117	120	Reduce	Anand Dama
25-Feb-25	116	120	Reduce	Anand Dama
07-Oct-24	114	120	Reduce	Anand Dama
21-Aug-24	125	130	Reduce	Anand Dama
12-May-24	142	150	Reduce	Anand Dama
23-Jan-24	140	135	Reduce	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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REDUCE	5% upside to 15% downside
SELL	>15% downside

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