RESULT UPDATE (21.07.2025)

Union Bank of India – Q1FY26

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"A dismal performance due to de growth in the overall business both in Credit & deposit, leading to decline in profitability"

Ajcon Global's observations & views:

1. The bank has announced very disappointing results for the Quarter and has faltered on many important parameters. Overall business declined by 1.81%, Deposits down by 2.54% and the Advances lowered by 0.86 % as compared to the March, 2025 quarter.
2. The Bank's profitability was also hit with the operating profit being down by 10.28% & Net Profit down by 17.44% as compared to the March, 2025 quarter.
3. Lower CASA % is a perennial problem for the bank which got further worsened by a decline of 1.00% at 32.52 % against 33.52 % in March, 2025 quarter.
4. Presently the Bank is headless and being run & managed by three Executive Directors supported by other Top Management Executives.

Q1FY26 RESULT ANALYSIS

1) **Net Interest Income** down by 4.22% QoQ and 3.18% YoY at Rs. 9113 Crores against Rs. 9514 Crores and Rs. 9412 Crores respectively.
2) **Operating profit** decreased by 10.28% QoQ and 11.26% YoY at Rs. 6909 Crores against Rs. 7700 Crores and Rs. 7785 Crores respectively.
3) **Net Profit** down by 17.44% QoQ and up 11.87% YoY at Rs. 4116 Crores against Rs. 4985 Crores and Rs. 3679 Crores respectively.
4) **Net Interest Margin (NIM)** declined QoQ and YoY at 2.76% against 2.87% and 3.05% respectively.
5) **Cost of deposits** has gone down QoQ to 5.53% against 5.61%. **Cost of Funds** decreased QoQ 4.89% against 4.94% respectively. **Yield on Advances** also declined QoQ to 8.50% against 8.72% respectively.
6) **Total business** decreased by 1.81% QoQ and up 2.05% YoY at Rs. 2214422 Crores against Rs. 2255141 Crores and Rs. 2108762 Crores respectively.

KEY FINANCIAL INDICATORS – Q1FY26

CMP (21.07.2025)	: Rs. 142.64
Face Value	: Rs. 10
Book value per share	: Rs. 142.37
Market Capitalisation	: Rs. 1,09,153 Crs.
Capital Adequacy Ratio	: 18.30%
C/D ratio	: 79.17%
CASA ratio	: 32.52%
Net Interest Margin (NIM)	: 2.76%
Cost / Income ratio	: 49.19%
Gross NPA	: 3.52%
Net NPA	: 0.62%
PCR	: 94.65%
Slippage ratio	: 0.99%
Credit cost	: 0.47%
Return on Assets (Annualised)	: 1.11%
Return on Equity (Annualised)	:15.15%

7) **Total Non-Interest Income** down by 19.31% QoQ and 0.52% YoY at Rs. 4486 Crores against Rs. 5559 Crores and Rs. 4509 Crores respectively.
8) **Fee based income** decreased by 10.82% QoQ and 22.65% YoY at Rs. 2219 Crores against Rs. 2488 Crores and Rs. 2868 Crores respectively.
9) **Cost/Income ratio** rose to 49.19% against 48.91% in Q4FY25 but it decreased YoY from 44.08% in Q1FY25.
10) **Total Advances** down by 0.86% QoQ and up 6.83% YoY at Rs. 974489 Crores against Rs. 982894 Crores and Rs. 912214 Crores respectively.
11) **Total deposits** down by 2.54% QoQ and up 3.63% YoY at Rs. 1239933 Crores against Rs. 1272247 Crores and Rs. 1196548 Crores respectively.
12) **Domestic CASA ratio** down to 32.52% against 33.52% in Q4FY25 also decreased YoY from 33.40% in Q1FY25.
13) **C/D ratio (Global)** increased to 79.17% against 77.35% in Q4FY25 also increased YoY from 76.41% in Q1FY25.
14) **Return on Assets (ROA)** down to 1.11% against 1.35% in Q4FY25 and 1.06% in Q1FY25.
15) **Fresh slippages** decreased to Rs. 2199 Crores against Rs. 2483 Crores in Q4FY25 also decreased from Rs. 2058 Crores in Q1FY25. Cash Recovery + Upgradation decreased to Rs. 1309 Crores against Rs. 2541 Crores in Q4FY25 also down from Rs. 1807 Crores in Q1FY25.
16) **Gross NPA ratio** reduced to 3.52% against 3.60% in Q4FY25 and 4.54% in Q1FY25. Net NPAs ratio decreased to 0.62% against 0.63% in Q4FY25 and 0.90% in Q1FY25.
17) **Credit cost** decreased QoQ and YoY to 0.47% against 0.69% and 0.73% respectively.
18) **The Bank's Capital Adequacy ratio** decreased QoQ to 18.30% against 18.02% respectively.
19) **Provision Coverage Ratio** further improved to 94.65% in Q1FY26 as against 94.61% in Q4FY25 and 93.49% in Q1FY25.

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Management Comments

20) The bank continues focusing on digital and HR initiatives and ranked third among public sector banks under the Enhanced Access & Service Excellence (EASE) program for Q4FY25.
21) Answering an Analyst’s query about the bank experiencing credit de growth, weaker recoveries and reduced treasury profitability, Shri Sanjay Rudra, ED, emphasized that there is nothing wrong with the bank, citing robust growth in the MSME and retail segments. The Bank is taking a cautious approach towards corporate loans to maintain margins in the face of competitive rates and plans to re-enter Corporate lending once funding cost falls.
22) Replying an another query from an analyst about the rationale behind making ₹46 crore standard assets provisioning despite modest loan growth, the management explained that it was due to regulatory requirements for certain accounts under the ICA framework, even though those accounts are not overdue.
23) An analyst raised concerns about rising SMA-2 and weaker recoveries; management acknowledged that there are a few stressed accounts but stated that ongoing repayments, government support, and pending NCLT resolutions are expected to boost recoveries in Q2/FY26.
24) Regarding the drop in Net Interest Margins (NIMs) and the forecast, management stated that NIM declined due to faster loan repricing following rate reduction, while deposit costs remained high; management anticipates margins to bottom around 2.60-2.65% before stabilizing.
25) Replying to a question about the share of MCLR, EBLR, and other rates in the loan portfolio, and how a further rate drop may effect yields and NIM in the future. Management commented that approximately 48% of loans are EBLR-linked (completely repriced), 42% MCLR-linked (largely repriced), and 10% others; .Additional rate cuts may impact NIM by up to 20 bps in Q2, partially offsetting the RBI's 100 bps CRR cut.