Press Release

UCO Bank

Aug 05, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
BASEL III Complaint Additional Tier I bonds	500.00	IVR AA- / Positive (IVR Double A Minus with Positive Outlook)	IVR AA- / Positive (IVR Double A Minus with Positive Outlook)	Rating reaffirmed	Highly Complex
Proposed BASEL III Complaint Additional Tier I bonds	500.00	IVR AA- / Positive (IVR Double A Minus with Positive Outlook)	IVR AA- / Positive (IVR Double A Minus with Positive Outlook)	Rating reaffirmed	Highly Complex
Issuer Rating*	--	IVR AA / Positive (IVR Double A with Positive Outlook)	IVR AA / Positive (IVR Double A with Positive Outlook)	Rating reaffirmed	--
Total			**1000.00 (Rupees Thousand Crore only)**		

**Issuer rating is equivalent to long term unsupported rating*

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Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics Ratings has reaffirmed its ratings assigned to the additional tier I bonds / issuer ratings of UCO Bank (UCO) as it continues to derive strength from sovereign ownership with continued support, robust earnings profile, comfortable capitalization, growth in advances with diversified portfolio and consistent improvement in asset quality over the years. However, the ratings are partially constrained by moderate resource profile and relatively moderate size of operations given the geographical concentration.

The Positive Outlook reflects Infomerics Ratings expectations of continued growth in advances/deposits with geographical expansion in terms of new branches and expectations of maintenance of healthy asset quality and comfortable capitalisation levels.

Note on Basel-III Compliant Additional Tier-I Instruments: The distinguishing features of the Additional Tier I (AT-I) capital instruments (under Basel III) are the discretionary payment of coupons by the bank and principal write-down upon the breach of point of non-viability (PONV). The Bank has a total CRAR of 18.39 % and Tier I ratio / CET-1 ratio of 16.36% / 16.05% as of 30th June 2025, with a substantial cushion above the regulatory requirement. The Bank is having a sizeable retail deposit base that forms a significant part of the total deposits. Its liquidity coverage ratio stood at 122.41% for the quarter ending March 31, 2025, as against minimum regulatory requirement of 100%. The Bank had cash and balances with RBI amounting to Rs. 10,272 crore and net investments of Rs. 94,150 crores as on June 30, 2025 and maintaining adequate eligible reserves for the timely servicing of the coupon payment shall be monitorable. Factors that could trigger a default event for non-equity Tier-I capital instruments (under Basel III) 2 resulting in the non-payment of the coupon are as follows: i) the bank exercising coupon discretion, ii) the inadequacy of eligible reserves to honour the coupon payment if the bank reports losses or low profits, or iii) the bank breaching the minimum regulatory CET-1 ratio. Moreover, given the additional risk attributes, the rating

transition for non-equity Tier-I capital instruments (under Basel III) can potentially be higher and faster than that for Tier-II instruments.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in advances and deposits, profitability, and capitalization levels of the bank.
- Substantial improvement in asset quality from the current levels.

Downward Factors

- Any weakening of linkages with Government of India (GoI) thereby impacting the expectations of support from GoI.
- Any major increase in slippages leading to weakening of asset quality, thereby impacting the profitability of the bank.
- Any material decline in overall capital adequacy ratios from the current levels.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Sovereign ownership with continued support: GoI continues to be the majority shareholder holding 90.95% stake in UCO as on June 30, 2025. GoI has consistently provided capital infusions and implemented measures to enhance capitalization, operational efficiency, and asset quality in public sector banks (PSBs). Given the GoI's majority ownership and the significant role of PSBs in the domestic banking system, Infomerics Ratings anticipates that the bank will receive timely and sufficient capital and operational assistance from the GoI as needed, considering it a crucial factor affecting the rating.

Robust earnings profile: UCO's earnings profile is robust marked by global business increasing y-o-y by ~14% to Rs. 5.24 lakh crore (FY25 (refers to period 1st April 2024 to 31st March 2025) : 5.14 lakh crore) on back of growth in domestic business and net interest income (NII) which has grown y-o-y by ~7% to Rs. 2403 crore (FY25: Rs. 9630 crore) on back of

growth in advances as on 30th June 2025. Additionally, as on 30th June 2025, UCO's PAT in absolute terms has increased y-o-y by ~10% to Rs. 607 crores (FY25: Rs. 2445 crore) on back of rationalisation in operating and non-interest income has grown y-o-y by ~19% to Rs. 997 crore on back of growth in charges and commission income. UCO's global net interest margin (NIM) has declined to 2.96% for the quarter ending 30th June 2025 (quarter ending 31st March 2025: 2.99%) primarily due to the prompt transmission of policy rate cuts on the lending side, while deposit repricing, being carried out in a phased manner, is yet to be fully aligned. Infomerics Ratings expects UCO Bank's earnings profile to remain robust over the near to medium term, supported by growth in advances driven by further anticipated rate cuts. Additionally, a decline in the cost of funds and credit costs, along with continued rationalisation of operating expenses, is likely to improve the profitability going forward.

Comfortable capitalisation: Capitalisation of the UCO is comfortable, with reported Common Equity Tier-1 (CET 1) ratio, Tier-I capital adequacy ratio (CRAR) and overall, CRAR at 16.05%, 16.36% & 18.39% respectively, as on June 30, 2025 (16.03%, 16.37% & 18.49% respectively, as on March 31,2025). UCO had raised equity capital worth Rs. 2000 crore through QIP in March 2025 and has also obtained board & shareholder approval for raising equity share capital up to Rs. 2700 crore (face value) in FY26. The capital level is also supported by regular infusion from GoI. Infomerics Ratings expects that the bank will maintain a sufficient buffer above the minimum regulatory capital requirement to meet credit growth supported by the improvement in internal accruals.

Growth in advances with diversified portfolio: UCO's domestic advances has grown y-o-y by ~20% to Rs 1,99,978 crore as on 30th June 2025 (As on 31st March 2025: Rs. 1,95,474 crore) with the Retail, Agriculture and MSME's (RAM) share in the total portfolio continues to be ~63%. Among the RAM segment, retail has grown y-o-y by ~31% driven by growth in the pool and vehicle loan segment followed by MSME which has grown y-o-y by ~20% driven by the growth in disbursements to micro enterprise and agriculture which has grown y-o-y by ~15% driven by growth in Agri infrastructure and ancillary activities segment. Corporate segment has grown y-o-y by ~15% with exposure to sectors like NBFC, infrastructure, metals among others. Infomerics Ratings expects that going forward, RAM will continue to remain the key driver of credit growth for the bank over the medium term.

Consistent improvement in asset quality over the years: UCO's asset quality with reported gross NPAs of 2.63% as on June 30, 2025 (FY22: 7.89%, FY23: 4.78%, FY24:3.46% , FY25: 2.69%) has shown significant improvement over the years. The net NPA has improved to 0.45% as on June 30, 2025, FY22: 2.70%, FY23: 1.29%, FY24: 0.89%, FY25: 0.50%). UCO's restructured standard advances to gross advances stood at 0.70% as on 30th June 2025. Gross NPAs are led by agriculture (10.81%) followed by MSME (5.54%), retail (0.66%) and corporate (0.13%) as on June 30, 2025. UCO's provision coverage ratio (including technical write off) remained above industry average at 96.88% as on June 30, 2025 (96.69% as on March 31, 2025). UCO's slippage ratio (on an annualized basis) stood at 1.18% as on June 30, 2025 (FY25: 1.08%). Infomerics Ratings expects further improvement in asset quality over the medium term on back of lower slippages due to improvement in the credit monitoring policy.

Key Rating Weaknesses:

Moderate resource profile: Resource profile of UCO has remained moderate with the proportion of low-cost CASA domestic deposits declining marginally to 36.91% as on June 30, 2025 (37.91 % as on March 31, 2025). The cost of deposits and cost of funds have largely remained stable at 4.84% & 4.73% respectively as on June 30, 2025 (4.85% and 4.78% respectively for FY25). Infomerics Ratings expects the CASA deposits growth to remain moderate in line with the overall banking industry trend in the medium term.

Relatively moderate size of operations given the geographical concentration: With a total business of about Rs. 5.24 lakh crore and an asset size of Rs. 3.66 lakh crore as on 30th June 2025, UCO is one of the moderately sized PSBs. Infomerics Ratings believes that UCO will take some time to reach scale and become competitive with the larger PSBs. Also, UCO's operations are highly concentrated in the eastern and northern parts of India which accounts for ~56% of the total branches. Moreover, ~61% of the total branches are concentrated in the rural and semi- urban parts of the country. While the UCO has been opening branches outside the regions, concentration risk is likely to reduce only in the long term.

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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Banks

Financial Ratios & Interpretation: Financial Sector

Criteria for Government Support

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments

Issuer Rating – Methodology

Liquidity – Strong

UCO's liquidity position is supported by the strength of its liabilities franchise and its sovereign ownership. UCO is having a sizeable retail deposit base that forms a significant part of the total deposits. Its liquidity coverage ratio stood at 122.41% for the quarter ending March 31, 2025, as against minimum regulatory requirement of 100%. The Bank had cash and balances with RBI amounting to Rs. 10,272 crore and net investments of Rs. 94,150 crore as on June 30, 2025. Liquidity is further supported by the UCO's access to systemic sources of funds, such as the liquidity adjustment facility from RBI and access to the call money market.

About the Company

UCO was founded in 1943 as United Commercial Bank by the industrialist Mr. G. D. Birla. UCO was nationalized in 1969 and renamed as UCO Bank in 1985. UCO is a public sector bank which is engaged in retail banking, corporate/wholesale banking, priority sector banking, treasury operations and other banking services. UCO operates through a network of 3305 branches in India, 2 branches overseas each in Hong Kong and Singapore, 1 representative office in Iran, 2575 ATMs and 10920 BCs as on June 30, 2025.

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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2024	31-03-2025
	Audited	Audited
Total Income	25,120	29,474
PAT	1654	2445
Total Advances	1,86,877	2,19,985
Total Deposits	2,63,130	2,93,542
Total Business	4,50,007	5,13,527
Ratios		
NIM (%)	2.92	3.08
ROTA (%)	0.56	0.76
CET I CRAR (%)	14.14	16.03
Overall, CRAR (%)	16.98	18.49
Gross NPA (%)	3.46	2.69
Net NPA (%)	0.89	0.50
PCR (Including Technical Write-off) (%)	95.38	96.69
CASA (%)	39.25	37.91

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2023-24	Date(s) & Rating (s) assigned in 2022-23
				--	Aug 09, 2024	March 04, 2024	March 08, 2023
1.	BASEL III Complaint Additional Tier I bonds	Long Term	500.00	IVR AA- / Positive (Aug 05, 2025)	IVR AA- / Positive	IVR AA- / Stable	IVR AA- / Stable

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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2023-24	Date(s) & Rating (s) assigned in 2022-23
				--	Aug 09, 2024	March 04, 2024	March 08, 2023
2.	Proposed BASEL III Complaint Additional Tier I bonds	Long Term	500.00	IVR AA- / Positive (Aug 05, 2025)	IVR AA- / Positive	IVR AA- / Stable	IVR AA- / Stable
3.	Issuer Rating*	Long Term	--	IVR AA / Positive (Aug 05, 2025)	IVR AA / Positive	--	--

**Issuer rating is equivalent to long term unsupported rating*

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit

ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of instrument	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing Status	Rating Assigned/ Outlook
BASEL III Compliant AT- I Bonds	INE691A08096	17th March 2023	9.50%	Perpetual	500.00	Listed	IVR AA- / Positive
BASEL III Compliant AT- I	--	--	--	Perpetual	500.00	Proposed to be Listed	IVR AA- / Positive

Bonds (Proposed)							
Issuer Rating*	--	--	--	--	--	--	IVR AA / Positive

**Issuer rating is equivalent to long term unsupported rating*

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated instrument:

Term sheet for the BASEL III Additional Tier I Bonds worth Rs. 500 crore

1. Security Name	**UCO Bank Basel III Additional Tier I Bond Series I**
2. Issuer	UCO Bank (UCO/ the Bank/ the issuer)
3. Security Description	9.50% Unsecured, Subordinated, Perpetual, Non-convertible Fully Paid Up, Taxable, Basel III Compliant Additional Tier I Bonds in the nature of Debenture of INR500 crore (Series I)
4. Type of Instrument	Non-Convertible, Perpetual, Taxable, Subordinated, fully paid-up, Unsecured Basel III Compliant Additional Tier 1 Bonds in the nature of debentures of Face value of Rs 1 Crore each
4. Nature of Instrument	Unsecured Subordinated Basel III Compliant Additional Tier 1 Bonds. The Bonds are neither secured nor covered by a guarantee of the Bank or related entity or other arrangements that legally or economically enhances the seniority of the claim of the Bondholder vis-à-vis other creditors of the Bank.

	The instrument has certain unique features which, inter-alia, grant the Bank, in consultation with RBI discretion in terms of writing down the principal / interest, to skip interest payments, to make an early recall etc. without commensurate right for investors to legal recourse, even if such actions of the Bank might result in potential loss to investors
5. Seniority of Claim	The Claims of the bondholders in this instrument shall be: i. superior to the claims of investors in equity shares and perpetual non-cumulative preference shares if any, issued by the Bank. ii. subordinated to the claims of all depositors, general creditors & subordinated debt of the Bank, other than any sub-ordinated debt qualifying as Additional Tier 1 Capital (as defined in the BASEL III guidelines) iii. neither be secured nor covered by a guarantee of the Bank or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis -à-vis other creditors of the Bank. iv. Unless the terms of any subsequent issuance of bonds/debentures by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the Bonds issued under this Placement Memorandum or unless the RBI specifies otherwise in its guidelines, the claims of the Bondholders shall be pari passu with claims of holders of such subsequent debentures/bond issuances of the Bank.

	v. rank pari passu without preference amongst themselves and other subordinated debt classifying as Additional Tier 1 Capital (as defined in the BASEL III guidelines) Additional Tier 1 Capital shall have the meaning ascribed to such terms under Basel III Guidelines. Notwithstanding anything to the contrary stipulated herein, the claims of the Bondholders shall be subject to the provision of coupon discretion, Loss Absorbency, permanent write-off on PONV trigger and other Events mentioned in the Placement Memorandum and this Summary Term Sheet. The Bonds shall not contribute to liabilities exceeding assets of the Bank if such a balance sheet test forms part of a requirement to prove insolvency under any law or otherwise.
Issue Size	INR 500 crore (Base – INR 100 crores and GSO – INR 400 crores)
Object of the Issue/ Purpose for which there is requirement of funds	Augmenting Additional Tier I Capital (as per the terms defined in the BASEL III guidelines) and overall capital of the Bank for strengthening its Capital Adequacy and enhancing its long-term resources.
Utilization of the Proceeds of the Issue	The Bank shall utilize the proceeds of the issue for augmenting its Additional Tier I Capital and overall capital of the Bank for strengthening its Capital Adequacy and enhancing its long-term resources. The proceeds of this issue are not meant for financing any

	particular project. The Bank undertakes that proceeds of the Issue shall not be used for any purpose which may be in contravention of the regulations/ guidelines/ norms issued by the RBI/SEBI/stock exchange.
Coupon Rate	9.50%
Interest Parameter	Fixed Coupon
Coupon Payment Frequency	Annual subject to "Coupon Discretion" and / or "Loss Absorbency" (as the case may be)
Coupon Payment Dates	On the Anniversary of Deemed Date of Allotment i.e. each year, subject to RBI regulations (up to Call option date, in case Call option is exercised by the Bank)
Coupon Type	Fixed
Cumulative or non-cumulative	Non-cumulative subject to coupon Discretion, Loss Absorbency (as the case may be)
Tenor	Perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.
Call Option Price	At Par i.e. Face value amount of INR1 crore per Bond plus interest/ coupon accrued from and including the last Coupon Payment Date up to but excluding the Call Option Due Date subject to adjustments and/or write off on account of Loss Absorbency, PONV and other Events mentioned in this Term Sheet
Call Notification Time	On the fifth anniversary from the deemed date of allotment or any anniversary date thereafter with prior approval of RBI subject to Tax call/ Regulatory call.

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Proposed Term sheet for the BASEL III Additional Tier I Bonds worth Rs. 500 crore

1. Security Name	**UCO Bank Basel III Additional Tier I Bond Series I**
2. Issuer	UCO Bank (UCO/ the Bank/ the issuer)
3. Type of Instrument	Non-Convertible, Perpetual, Taxable, Subordinated, fully paid-up, Unsecured Basel III Compliant Additional Tier 1 Bonds in the nature of debentures of Face value of Rs 1 Crore each
4. Nature of Instrument	Unsecured Subordinated Basel III Compliant Additional Tier 1 Bonds. The Bonds are neither secured nor covered by a guarantee of the Bank or related entity or other arrangements that legally or economically enhances the seniority of the claim of the Bondholder vis-à-vis other creditors of the Bank. The instrument has certain unique features which, inter-alia, grant the Bank, in consultation with RBI discretion in terms of writing down the principal / interest, to skip interest payments, to make an early recall etc. without commensurate right for investors to legal recourse, even if such actions of the Bank might result in potential loss to investors
5. Seniority of Claim	The Claims of the bondholders in this instrument shall be: vi. superior to the claims of investors in equity shares and perpetual non-cumulative preference shares if any, issued by the Bank. vii. subordinated to the claims of all depositors, general creditors & subordinated debt of the Bank, other than any sub-ordinated debt qualifying as Additional Tier 1

	Capital (as defined in the BASEL III guidelines) viii. neither be secured nor covered by a guarantee of the Bank or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis -à-vis other creditors of the Bank. ix. Unless the terms of any subsequent issuance of bonds/debentures by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the Bonds issued under this Placement Memorandum or unless the RBI specifies otherwise in its guidelines, the claims of the Bondholders shall be pari passu with claims of holders of such subsequent debentures/bond issuances of the Bank. x. rank Pari passu without preference amongst themselves and other subordinated debt classifying as Additional Tier 1 Capital (as defined in the BASEL III guidelines) Additional Tier 1 Capital shall have the meaning ascribed to such terms under Basel III Guidelines. Notwithstanding anything to the contrary stipulated herein, the claims of the Bondholders shall be subject to the provision of coupon discretion, Loss Absorbency, permanent write-off on PONV trigger and other Events mentioned in the Placement Memorandum and this Summary Term Sheet. The Bonds shall not contribute to liabilities exceeding assets of the Bank if such a balance sheet test forms

	part of a requirement to prove insolvency under any law or otherwise.
Issue Size	Rs 500.00 Crores
Object of the Issue/ Purpose for which there is requirement of funds	Augmenting Additional Tier I Capital (as per the terms defined in the BASEL III guidelines) and overall capital of the Bank for strengthening its Capital Adequacy and enhancing its long-term resources.
Utilization of the Proceeds of the Issue	The Bank shall utilize the proceeds of the issue for augmenting its Additional Tier I Capital and overall capital of the Bank for strengthening its Capital Adequacy and enhancing its long-term resources. The proceeds of this issue are not meant for financing any particular project. The Bank undertakes that proceeds of the Issue shall not be used for any purpose which may be in contravention of the regulations/ guidelines/ norms issued by the RBI/SEBI/stock exchange.
Coupon Rate	TBD
Interest Parameter	Fixed Coupon
Coupon Payment Frequency	Annual subject to “Coupon Discretion” and / or “Loss Absorbency” (as the case may be)
Coupon Payment Dates	On the Anniversary of Deemed Date of Allotment i.e each year, subject to RBI regulations (up to Call option date, in case Call option is exercised by the Bank)
Coupon Type	Fixed
Cumulative or non-cumulative	Non-cumulative subject to coupon Discretion, Loss Absorbency (as the case may be)

Tenor	Perpetual i.e. there is no maturity date and there are no step-ups or other incentives to redeem.
Call Option Price	At Par i.e. Face value amount of INR1 crore per Bond plus interest/ coupon accrued from and including the last Coupon Payment Date up to but excluding the Call Option Due Date subject to adjustments and/or write off on account of Loss Absorbency, PONV and other Events mentioned in this Term Sheet
Call Notification Time	21 calendar days prior to the date of exercise of Call option, i.e. Issuer Call, Tax Call or Regulatory Call.

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.