UCO Bank

August 04, 2026

Rating Action

Instrument	Amount (Rs. crore)	Ratings	Rating Action	Regulator^
BASEL III Compliant AT- I Bonds	500.00	IVR AA- / Positive	Rating Reaffirmed	SEBI
BASEL III Compliant AT- I Bonds (Proposed)	500.00	IVR AA- / Positive	Rating Reaffirmed	SEBI
Issuer Rating	--	IVR AA/ Positive	Rating Reaffirmed	Not Applicable
Total	**1000.00 (Rupees One Thousand Crore Only)**			
^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.				

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: *None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

Rationale

Infomerics has reaffirmed its long-term rating of IVR AA-/Positive Basel III Compliant Additional Tier-1 Bond Programme and IVR AA/Positive for Issuer rating. The rating factors in Sovereign ownership with continued support from Government of India (GoI) continued to be the majority shareholder, holding 90.95% equity stake in UCO Bank as on June 30, 2026, robust earnings profile, comfortable capitalisation, growth in advances with diversified portfolio, consistent improvement in asset quality over the years, backed with digital transformation and increasing customer migration to digital channels. However, the rating strengths are constraint by moderate resource profile, moderate size of operations given the geographical concentration coupled with Dependence on recovery-led income for earnings enhancement.

Outlook: Positive

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 including continued government support as demonstrated in the past.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Standalone Infomerics has assessed UCO Bank's financial and business risk profile on a standalone basis. In assigning the rating to the AT-I Bonds, it has also taken into account the specific features of these instruments, including the bank's discretion over coupon payments, the risk of coupon omission, and the loss-absorption mechanism through principal write-down. Additionally, the rating reflects the expected support from the Government of India, both in the normal course of operations and in situations of financial stress or distress.
Parent/ Group Support	Not Applicable

Key Rating Drivers with Detailed Description

Strengths

- **Sovereign ownership with continued support**

  The Government of India (GoI) continued to be the majority shareholder, holding 90.95% equity stake in UCO Bank as on June 30, 2026. The GoI has consistently demonstrated its commitment towards strengthening public sector banks through periodic capital infusions, governance reforms and various policy initiatives aimed at improving capitalization, operational efficiency, digital capabilities and asset quality. Given the Government's majority ownership, the systemic importance of UCO Bank within the Indian banking sector and the strategic role played by public sector banks in supporting economic growth and financial inclusion, Infomerics Ratings expects the bank to continue receiving timely financial, capital and operational support from the GoI, if required. The strong sovereign ownership and demonstrated support continue to remain key rating strengths underpinning the bank's credit profile.

- **Robust earnings profile**

  UCO Bank's earnings profile remains robust, supported by strong growth in its global business, which increased on a Y-o-Y basis by ~16% to Rs. 6.05 lakh crore as on June 30, 2026, from Rs. 5.24 lakh crore as on June 30, 2025. The growth was driven by healthy expansion in both advances and deposits. Net Interest Income (NII) increased by approximately 17% on a year-on-year basis to Rs. 2,808 crore during Q1FY27 from Rs. 2,403

crore during Q1FY26, aided by strong growth in advances, which rose by approximately 21% to Rs. 2.73 lakh crore as on June 30, 2026. Further, the bank's Profit After Tax (PAT) increased by ~8% on a Y-o-Y basis to Rs. 656 crore during Q1FY27 from Rs. 607 crore during Q1FY26, supported by growth in core income, lower credit costs and continued improvement in asset quality. Non-interest income also witnessed healthy growth, driven by higher fee-based income and increased earnings from charges and commissions. UCO Bank's global Net Interest Margin (NIM) improved to 3.05% for the quarter ended June 30, 2026, from 2.96% for the quarter ended June 30, 2025, reflecting improved lending yields and gradual moderation in funding costs. The bank also reported a significant improvement in operating profitability, with operating profit increasing by approximately 80% year-on-year to Rs. 2,810 crore during Q1FY27. Infomerics expects UCO Bank's earnings profile to remain strong over the near to medium term, supported by sustained growth in advances, particularly in the retail, agriculture and MSME segments. Continued improvement in asset quality, moderation in the cost of funds, lower credit costs and ongoing operational efficiency measures are expected to support profitability and strengthen the bank's financial profile going forward.

- **Comfortable capitalisation**

  Capitalisation of UCO Bank remains comfortable, with the reported Common Equity Tier-I (CET-I) ratio, Tier-I Capital Adequacy Ratio (CRAR) and overall CRAR at 17.22%, 17.44% and 19.03%, respectively, as on June 30, 2026, compared with 16.05%, 16.36% and 18.39%, respectively, as on June 30, 2025. The improvement in capitalisation levels was supported by healthy internal accruals and profit retention. The bank's capital position continues to provide adequate headroom to support business growth while maintaining a comfortable cushion over the regulatory minimum requirements. Further, the capital profile continues to benefit from the Government of India's majority ownership and demonstrated support to public sector banks. Infomerics Ratings expects the bank to maintain adequate capital buffers over the medium term, supported by sustained profitability, improvement in internal capital generation and its ability to access capital markets, if required, to support future growth plans.

- **Growth in advances with diversified portfolio**

  UCO Bank's domestic advances continued to witness healthy growth and stood at ~Rs. 2.73 lakh crore as on June 30, 2026, registering a Y-o-Y growth of about 21% from Rs. 2.25 lakh crore as on June 30, 2025. The bank's Retail, Agriculture and MSME (RAM) portfolio remained the key driver of credit growth, with the RAM segment accounting for around 58% of the total

advances portfolio and increasing by ~25% year-on-year to Rs. 1.58 lakh crore. Within the RAM segment, retail advances registered robust growth of around 27% year-on-year, supported by growth in housing, vehicle and other personal loan segments. Agriculture advances grew by approximately 30% year-on-year, driven by increased lending towards agricultural infrastructure and allied activities, while MSME advances increased by approximately 19% year-on-year on the back of growth in financing to micro, small and medium enterprises. Corporate advances also recorded healthy growth, supported by exposures to sectors such as infrastructure, NBFCs, metals and other productive sectors of the economy. Infomerics Ratings expects the RAM segment to continue driving the bank's credit growth over the medium term, supported by its granular nature, diversified borrower base and strong growth prospects across retail, agriculture and MSME segments.

- **Consistent improvement in asset quality over the years**

  UCO Bank's asset quality continued to improve during FY26 and Q1FY27. The Gross Non-Performing Assets (GNPA) ratio declined to 2.08% as on June 30, 2026, compared with 2.63% as on June 30, 2025, reflecting a year-on-year improvement of 55 basis points. Similarly, the Net Non-Performing Assets (NNPA) ratio improved to 0.25% as on June 30, 2026 from 0.45% as on June 30, 2025, indicating continued strengthening of the bank's asset quality profile. The improvement was driven by lower incremental slippages, sustained recovery efforts and effective credit monitoring practices. The bank's asset quality metrics remain comfortable and compare favourably with the industry, supported by a strong provision buffer and continued focus on resolution of stressed assets. Infomerics Ratings expects the asset quality to remain stable over the medium term, aided by prudent underwriting standards, strengthening recovery mechanisms and a diversified loan portfolio with increasing share of granular Retail, Agriculture and MSME (RAM) advances.

- **Strong digital transformation and increasing customer migration to digital channels**

  Bank has demonstrated significant progress in its digital transformation journey, as reflected in the increase in its digital business book to ~Rs. 35,000 crore from Rs. 25,000 crore in a short span. Further, ~70% of fixed deposits are now being sourced through digital channels. The bank has also launched several digital initiatives, including STP-based lending journeys, AI-enabled customer service solutions, digital onboarding platforms, omnichannel banking capabilities and CBDC-related services. These initiatives are expected to improve customer acquisition, enhance operational efficiency, strengthen fee income generation and support scalable business growth over the medium term.

Weaknesses

- **Moderate resource profile**

  Resource profile of UCO Bank has remained moderate, with the proportion of low-cost domestic CASA deposits declining marginally to 36.94% as on June 30, 2026, from 38.65% as on March 31, 2026. Domestic CASA deposits stood at Rs. 1.16 lakh crore, supported by healthy year-on-year growth in both savings and current account deposits. The bank's funding profile remained comfortable, with the cost of deposits improving to 4.70% and the cost of funds declining to 4.36% as on June 30, 2026, compared with 4.72% and 4.58%, respectively, in FY2025-26, reflecting moderation in funding costs despite the marginal decline in CASA share. Despite the decline in CASA share, the bank's cost of deposits improved to 4.70% and cost of funds declined to 4.36%, supporting its Global NIM of 3.05% during Q1 FY2026-27. NII grew 16.9% YoY and operating profit grew nearly 80%. This indicates that while a lower CASA ratio can exert pressure on margins, UCO Bank was able to offset the impact through growth in deposits, improved liability management and lower funding costs.

- **Relatively moderate size of operations given the geographical concentration**

  With a total business of Rs. 6.05 lakh crore and a balance sheet size of Rs. 4.00 lakh crore as on June 30, 2026, UCO Bank remains a mid-sized public sector bank (PSB) in India. The bank reported global deposits of Rs. 3.32 lakh crore and global advances of Rs. 2.73 lakh crore as on the same date. The bank's operations continue to exhibit geographical concentration, with around 56% of its domestic branches located in the eastern and northern regions of India. Further, its branch network remains skewed towards rural and semi-urban areas, which together account for around 61% of total domestic branches. Although the bank has been gradually expanding its presence across other regions, including opening new branches outside its traditional strongholds, diversification of the branch network and reduction in geographical concentration risk are expected to materialise only over the medium to long term.

- **Dependence on recovery-led income for earnings enhancement**

  The growth in operating profit during Q1FY27 was partly supported by substantial recoveries from technically written-off accounts. Management indicated that a significant portion of such recoveries arose from a few accounts and may not recur at similar levels in subsequent quarters. Consequently, the sustainability of operating profitability will increasingly depend on the bank's ability to generate growth in core operating income through advances, deposits

and fee-based business rather than recovery-led gains. This remains a monitorable from an earnings quality perspective.

Liquidity –Strong

The liquidity profile of UCO Bank remains comfortable and is supported by its strong liability franchise, sizeable retail deposit base and sovereign ownership. The bank maintained a healthy Liquidity Coverage Ratio (LCR) of 116% as on June 30, 2026, significantly above the regulatory requirement of 100%, providing an adequate buffer against short-term liquidity stress. Further, the bank had cash and balances with RBI of Rs. 9,595 crore, balances with banks and money at call and short notice of Rs. 12,209 crore, and a substantial investment portfolio of Rs. 97,997 crore as on June 30, 2026. The liquidity position is further strengthened by the bank's diversified deposit base and continued access to systemic sources of funding, including the Reserve Bank of India's liquidity adjustment facilities and the inter-bank money market. Accordingly, Infomerics expects the bank's liquidity profile to remain comfortable over the medium term.

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.
- Sustained strengthening of the bank's deposit base and successful execution of digital initiatives leading to improved operational efficiency and profitability.

Downward Factors

- Material declines in GoI Shareholding and/or expectation of support from Government of India.
- Any major increase in slippages leading to weakening of asset quality, thereby impacting the earnings profile.
- Any material decline in overall capital adequacy ratios below the current level.
- Weakening of core earnings generation due to pressure on margins, funding profile or recurring operating income.

About the Bank

UCO Bank was established in 1943 as United Commercial Bank by the renowned industrialist Mr. G. D. Birla. Following its nationalization in 1969, the bank was renamed UCO Bank in 1985. UCO Bank is a public sector bank offering a wide range of services, including retail banking, corporate and wholesale banking, priority sector lending, treasury operations, and other banking-related services. As on June 30, 2026, the bank reported total business of Rs. 6.05 lakh crore, comprising deposits of Rs. 3.32 lakh crore and advances of Rs. 2.73 lakh crore. The bank has an extensive domestic and international presence, supported by a wide network of branches across India, overseas branches in Hong Kong and Singapore, a representative office in Iran, ATMs, and Business Correspondents (BCs).

Key Financial Indicators (Standalone):

(Rs. crore)

For the year ended* / As on	31-03-2025	31-03-2026	Q1FY27
	Audited	Audited	Unaudited
Total Income	29,474	29,741	8,682
PAT	2445	2768	656
Total Advances	2,19,985	2,62,752	2,72,768
Total Deposits	2,93,542	3,27,563	3,32,315
Total Business	5,13,527	5,90,314	6,05,083
Ratios			
NIM (%)	3.08	3.03	3.05
ROTA (%)	0.76	0.90	0.78
CET I CRAR (%)	16.03	16.36	17.22
Overall, CRAR (%)	18.49	18.61	19.03
Gross NPA (%)	2.69	2.17	2.08
Net NPA (%)	0.50	0.27	0.25
PCR (Including Technical Write-off) (%)	96.69	97.79	97.85
CASA (%)	37.91	38.65	36.94

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Applicable Criteria

Rating Methodology for Banks

Financial Ratios & Interpretation: Financial Sector

Criteria for Government Support

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Issuer Rating – Methodology

Status of non-cooperation with previous CRA: None

Any other information:

Note on Basel-III Compliant Additional Tier-I Instruments:

The rating on UCO Bank's Tier I Bonds (Basel III) is IVR AA-/Positive, which is one notch below the bank's Issuer Rating of IVR AA/Positive. The rating on these instruments reflects the higher risk profile associated with Basel III-compliant Additional Tier I (AT1) instruments, arising from features such as discretionary coupon payments, loss absorption through principal write-down or conversion, and the potential non-viability trigger event. In line with Infomerics' rating methodology for Basel III-compliant bank capital instruments, the rating on the Tier I Bonds has therefore been notched down by one level from the bank's Issuer Rating to adequately capture these additional risk characteristics.

Bank maintaining adequate eligible reserves for the timely servicing of coupon payments remains monitorable. Factors that could trigger a default event for non-equity Tier-I capital instruments (under Basel III), resulting in non-payment of coupon, include: (i) the bank exercising coupon discretion; (ii) inadequacy of eligible reserves to honour coupon payments in the event of losses or weak profitability; or (iii) breach of the minimum regulatory CET-I requirement. Moreover, given the additional risk attributes, rating transitions for non-equity Tier-I capital instruments (under Basel III) may be higher and faster than those for Tier-II instruments.

Rating History for last three years

Sr. No.	Instruments/ Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in in 2023-24
				Aug 04, 2026	Aug 05, 2025	Aug 09, 2024	March 04, 2024
1.	BASEL III Compliant AT-I Bonds	LT	500.00	IVR AA-/Positive	IVR AA-/Positive	IVR AA- / Positive	IVR AA- / Stable
2.	BASEL III Compliant AT-I Bonds (Proposed)	LT	500.00	IVR AA-/Positive	IVR AA-/Positive	IVR AA- / Positive	IVR AA- / Stable

Sr. No.	Instruments/ Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24
				Aug 04, 2026	Aug 05, 2025	Aug 09, 2024	March 04, 2024
3.	Issuer Rating	LT	--	IVR AA/Positive	IVR AA/Positive	IVR AA/Positive	--

Annexure 1: Instrument/Facility Details

Name of Facility / /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook	Listing Status	Regulator^	Complexity Indicator
BASEL III Compliant AT- I Bonds	INE691A08096	17th March 2023	9.50%	Perpetual	500.00	IVR AA-/Positive	Listed	SEBI	Highly Complex
BASEL III Compliant AT- I Bonds (Proposed)	--	--	--	--	500.00	IVR AA-/Positive	Proposed to be listed	SEBI	Highly Complex
Issuer Rating*	--	--	--	--	--	IVR AA/Positive	--	Not Applicable	--

* Issuer rating is equivalent to long term unsupported rating

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: None

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

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference Shares	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) *	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) *	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings/Loans from overseas lenders/Loans from Multilaterals	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	Refer foot note
15	Issuer Ratings #	Refer foot note
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) @	Investor-side Regulator such as IRDAI, PFRDA

Footnotes:

** Includes securitisation transactions involving assignee payout, acquirer's payout.*

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), CRA shall separately capture the rated quantum details along with names of respective regulators.

 # There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

@ These ratings were assigned during regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side regulators have been included.

Analytical Contact
Name: Mithun Vyas
Ph: (079) 40393043
Email ID: mithun.vyas@infomerics.com

About Infomerics

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