

OCTOBER 18, 2016

CARE REAFFIRMED THE RATINGS ASSIGNED TO VARIOUS INSTRUMENTS OF UCO BANK

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Lower Tier II Bonds (Series IX)	375	CARE AA- (Double A Minus)	Reaffirmed
Upper Tier II Bonds (Series III)	320	CARE A+ (Single A Plus)	Reaffirmed
Total	695 (Rupees Six Hundred Ninety Five Crore)		

CARE has rated the aforesaid Upper Tier II Bonds one notch lower than Lower Tier II Bonds of UCO Bank in view of their increased sensitiveness to the Bank's Capital Adequacy Ratio (CRAR), capital raising ability and profitability during the long tenure of the instruments.

The rating factors in the additional risk arising out of existence of the lock-in clause in hybrid instruments. Any delay in payment of interest/principal (as the case may be) following invocation of the lock-in-clause, would constitute as an event of default as per CARE's definition of default and as such these instruments may exhibit a somewhat sharper migration of rating compared to conventional subordinated debt instruments.

Rating Rationale

The ratings assigned to the instruments of UCO Bank continues to draw comfort from strong parentage support of Government of India (GoI holding 77.54% stake as on Jun 30, 2016), strong deposit base due to pan-India presence with an extensive branch network and satisfactory liquidity parameters. The ratings, however, are constrained by continued deterioration in financial performance in Q1FY17, weak asset quality and moderate capitalization levels. Ability of the bank to improve its profitability & asset quality and shore up its CAR would remain the key rating sensitivities.

Background

UCO Bank (UCO), incorporated in 1943, is a Kolkata-based mid-sized public sector bank. UCO manages a total business of Rs.317,194 crore through a network of 3,073 (including four overseas branches) as on June 30, 2016. Government of India (GoI) is the major shareholder of UCO, holding 77.54% equity stake as on June 30, 2016. In March 2016, GoI has infused Rs.935 crore as capital and further in July 2016, it has announced infusion of Rs.1,033 crore in UCO in FY17. As on June 30, 2016, the bank's advances and deposits stood at Rs.120,835 crore and Rs.196,359 crore, respectively. Currently, the overall functioning of the bank is looked after by Shri Ravi Krishan Takkar, MD & CEO. He is assisted by two Executive Directors (i.e. Mr. Charan Singh and Mr. G. Subramani Iyer) along with various General Managers.

UCO Bank reported a loss of Rs.441 crore on total income of Rs.4,728 crore in Q1FY17. The asset quality deteriorated with Gross NPA ratio rising from 15.43% as on Mar 31, 2016 to 17.19% as on Jun 30, 2016. Net NPA ratio increased from 9.09% as on Mar 31, 2016 to 10.04% as on Jun 30, 2016. As per Basel III norms, the bank reported a Total Capital Adequacy Ratio of 9.90% (Tier I: 7.67%) as on Jun 30, 2016.

Analyst Contact

Name: Utkarsh Nopany
 Tel # 033 4018 1605
 Mobile # 09836186474
 Email: utkarsh.nopany@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saiikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691