DECEMBER 28, 2016

CARE REAFFIRMED THE RATINGS ASSIGNED TO VARIOUS INSTRUMENTS OF UCO BANK

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Lower Tier II Bonds	375 (Rupees Three hundred seventy five crore only)	**CARE AA-; Negative (Double A Minus; Outlook: Negative)**	**Reaffirmed**
Upper Tier II Bonds	320 (Rupees Three hundred twenty crore only)	**CARE A+; Negative (Single A Plus; Outlook: Negative)**	**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, strong deposit base due to pan-India presence with an extensive branch network and satisfactory liquidity parameters. The ratings, however, are constrained by deterioration in asset quality and profitability parameters. Ability of the bank to improve its profitability & asset quality and shore up its CAR would remain the key rating sensitivities.

Outlook: Negative

The negative outlook on rating reflects the expectation of continued stress on asset quality and profitability of the bank. The outlook may be revised to stable in the event of sustained improvement in these parameters.

Background

UCO Bank (UCO), incorporated in 1943, is a Kolkata-based mid-sized public sector bank. UCO manages a deposit and net advance base of Rs.209,485 crore and Rs.123,420 crore through a network of 3,073 (including four overseas branches) as on Sep 30, 2016. Government of India (GoI) is the major shareholder of UCO, holding 77.54% equity stake as on Sep. 30, 2016. 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.825 crore on total income of Rs.9,669 crore in H1FY17. The asset quality deteriorated with gross NPA ratio rising from 15.43% as on Mar 31, 2016 to 16.51% as on Sep 30, 2016. Net NPA ratio remained relatively stable at 8.83% as on Sep. 30, 2016 (as against 9.09% as on Mar 31, 2016). As per Basel III norms, the bank reported a Total Capital Adequacy Ratio of 9.68% (Tier I: 7.68%) as on Sep 30, 2016.

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****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.

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CIN - L67190MH1993PLC071691