UCO Bank – Q3FY26

Result update (21.01.2026)

AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"Momentum continues as the bank delivers a resilient Q3 FY26 performance, underpinned by steady NIM and strong RAM credit growth"

Ajcon Global's observations & views

1. The Bank's Q3 performance highlights a disciplined improvement in credit cost, where a marked reduction in slippages has lowered provisioning requirements and enhanced Bank's profitability. Furthermore, the steady decline in GNPA and NNPA ratios underscores a consistent strengthening of the Balance Sheet and overall asset quality.
2. The Bank demonstrated strong performance across key operating parameters, reflecting a strong foundation for sustainable long-term growth.

Q3FY26 RESULT ANALYSIS

1) **Total business** rose by 3.22% QoQ at Rs. 553680 Crores in Q3FY26 against Rs. 536398 Crores in Q2FY26 and also, increased by 13.25% YoY from Rs. 488911 Crores in Q3FY25.
2) **Total deposits** rose by 1.44% QoQ at Rs. 310086 Crores in Q3FY26 against Rs. 305697 Crores in Q2FY26 and also, grew by 10.64% YoY from Rs. 280256 Crores in Q3FY25.
3) **Gross Advances** increased by 5.59% QoQ at Rs. 243594 Crores in Q3FY26 against Rs. 230702 Crores in Q2FY26 and rose by 16.74% YoY from Rs. 208655 Crores in Q3FY25.
4) **Net Interest Income** increased by 4.46% QoQ at Rs. 2646 Crores in Q3FY26 against Rs. 2533 Crores in Q2FY26 and increased by 11.27% YoY from Rs. 2378 Crores in Q3FY25.
5) **Operating Profit** rose by 4.15% QoQ at Rs. 1680 Crores in Q3FY26 against Rs. 1613 Crores in Q2FY26 and also, increased by 5.93% YoY from Rs. 1586 Crores in Q3FY25.
6) **Net Profit** increased by 19.19% QoQ at Rs. 739 Crores in Q3FY26 against Rs. 620 Crores in Q2FY26 and rose by 15.65% YoY from Rs. 639 Crores in Q3FY25.
7) **NIM** (Domestic) improved to 3.27% in Q3FY26 against 3.08% in Q2FY26 but declined from 3.38% in Q3FY25.
8) **Cost of deposits** dropped to 4.66% in Q3FY26 against 4.73% in Q2FY26 and from 4.90% in Q3FY25, respectively.

KEY FINANCIAL INDICATORS – Q3FY26

CMP (21.01.2026)	: Rs. 28.74
Face Value	: Rs. 10
Book value per share	: Rs. 20.12
Market Capitalisation	: Rs. 36,039.96 Crs.
Capital Adequacy Ratio	: 17.43%
C/D ratio	: 78.56%
CASA ratio (Domestic)	: 38.41%
Net Interest Margin (Domestic)	: 3.27%
Cost / Income ratio	: 52.20%
Gross NPA	: 2.41%
Net NPA	: 0.36%
PCR	: 97.32%
Slippage ratio	: 0.85%
Credit cost	: 0.45%
Return on Assets (Annualised)	: 0.83%
Return on Equity (Annualised)	: 12.57%

9) **Cost/Income ratio** eased to 52.20% in Q3FY26 against 52.79% in Q2FY26 and declined from 55.50% in Q3FY25.
10) **Cost of Funds** declined to 4.48% in Q3FY26 against 4.57% in Q2FY26 and 4.75% in Q3FY25, respectively.
11) **Total Non-Interest Income** came down by 1.70% QoQ at Rs. 869 Crores in Q3FY26 against Rs. 884 Crores in Q2FY26 and also, decreased by 26.73% YoY from Rs. 1186 Crores in Q3FY25.
12) **Fee based income** surged by 3.86% QoQ at Rs. 430 Crores in Q3FY26 against Rs. 414 Crores in Q2FY26 and also, grew by 29.91% YoY from Rs. 331 Crores in Q3FY25.
13) **Treasury income** rose by 8.68% QoQ at Rs. 113 Crores in Q3FY26 against Rs. 104 Crores in Q2FY26 but declined by 22.05% YoY from Rs. 145 Crores in Q3FY25.
14) **Yield on Advances** (Domestic) increased to 8.44% in Q3FY26 against 8.39% in Q2FY26 and declined from 9.06% in Q3FY25.
15) **The total Government guaranteed advances** increased to Rs. 7486 Crores in Q3FY26 against Rs. 6649 Crores in Q2FY26 and declined from Rs. 9525 Crores in Q3FY25.
16) **CASA ratio** ticked up to 38.41% in Q3FY26 against 38.11% in Q2FY26, while also strengthened from 37.97% on a YoY basis.
17) **Credit/Deposit (C/D) ratio** increased to 78.56% in Q3FY26 against 75.47% in Q2FY26 and also, surged from 74.45% in Q3FY25.
18) **Return on assets (ROA)** increased to 0.83% in Q3FY26 against 0.71% in Q2FY26 and 0.79% in Q3FY25, respectively.
19) **Fresh slippages** decreased to Rs. 452 Crores in Q3FY26 against Rs. 629 Crores in Q2FY26 but increased from Rs. 417 in Q3FY25.
20) **Gross NPA ratio** improved to 2.41% in Q3FY26 against 2.56% in Q2FY26 and 2.91% in Q3FY25. Net NPAs ratio also improved to 0.36% against 0.43% in Q2FY26 and 0.63% in Q3FY25, respectively.
21) **Credit cost** declined to 0.45% in Q3FY26 against 0.72% in Q2FY26 and from 0.53% in Q3FY25, respectively.
22) **Provision Coverage ratio** increased to 97.32% in Q3FY26 against 96.99% in Q2FY26 and 96.16% in Q3FY25, respectively.
23) **The Bank's Capital Adequacy ratio** marginally fell to 17.43% in Q3FY26 against 17.89% in Q2FY26 but it increased from 16.25% in Q3FY25.

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Management Comments

24) Mr. Ashwani Kumar, MD & CEO of the Bank, outlined the Bank's credit growth strategy and guidance, noting that despite delivering over 15% year-on-year credit growth, the Bank is maintaining a conservative guidance of 12–14% (up to 15%) to avoid outpacing system growth in a volatile pricing environment. He added that growth continues to be led by the RAM segment, while overall growth was partly impacted by the planned reduction in PSU exposures.

25) On corporate credit, Mr. Vijay N Kamble, ED, noted that Corporate credit growth remains relatively muted, mainly due to pricing challenges and a reduction in low-yield PSU exposures of about Rs. 6,000 crore, but for which the credit growth would have been much higher. He added that asset quality in the Corporate book remains well controlled with a small SMA base. The corporate pipeline stands at Rs. 8,000–9,000 crore, including Rs. 4,000–5,000 crore of sanctioned but unavailed limits, added Mr. Kamble.

26) The bank has internally estimated its total ECL requirement at Rs. 2,500–3,000 crore, of which Rs. 1,252 crore (including Rs. 530 crore of COVID-era overlays) has already been provided as forward-looking provisions. Incremental ECL provisioning of Rs. 200 crore per quarter is expected to continue over the next 5–6 quarters, with the bank aiming to be largely compliant by June 2027 without capital strain, MD & CEO spoke on ECL provision Roadmap & Quantum.

27) Bank's Management remains confident on NIM stability, with margins improving to 3.08% in Q3FY26, above the earlier 3.0% guidance. While sharing the NIM outlook, Mr. Kumar explained that this improvement was supported by slower transmission of repo rate cuts to deposit rates. He further highlighted that NIM expansion is being driven by high-yielding RAM-led growth, particularly in MSME, education and vehicle loans, along with strong CASA-led cross-selling through salary and family accounts. Going ahead, management expects NIM to sustain around current levels.

28) While speaking on the bank's digital journey, Mr. Ashwani Kumar shared that digital initiatives are driving cost efficiency and margin improvement, with 30 digital journeys, a Rs. 15,900 crore digital business book and nearly 50% of FDs and loan-against-FDs sourced digitally. He added that the omnichannel rollout and Project Parivartan initiatives are progressing well, with the bank also focusing on digital cross-selling and with a Digital spend of Rs. 800–1,000 crore planned for next year.

29) Mr. Rajendra Kumar Saboo, ED, shared the G-sec outlook, noting that government bond yields are expected to remain largely range-bound in the near term, supported by RBI's proactive liquidity management through OMOs, VRR and other measures. He highlighted that inflation remains within the RBI's comfort band, making future policy actions data-dependent, while the bank continues to maintain a neutral duration stance without aggressive yield positioning.

30) Mr. Kumar explained that the Bank's international credit book is growing steadily, with overseas advances up 12% YoY and overseas deposits rising faster at 18% YoY. While deal flow is healthy, especially from overseas M&A by Indian corporates, management stays focused on strict pricing discipline, selectively approving only margin-accretive proposals. He added that raising overseas funds is not an issue, but lending decisions are guided by return improvement over existing exposures, keeping growth steady rather than aggressive.

31) While replying to an analyst on Bank's Gold loan exposure, the MD & CEO highlighted that the Bank's gold loan portfolio stands at Rs. 15,000 crore, with Rs. 4,000 crore in retail and Rs. 10,500 crore in the agriculture segment, indicating limited concentration risk. LTVs remain conservative at 25–30% for Agri and 15–20% for Retail loans, with adequate price buffers and a robust SOP-led auction mechanism in place, ensuring strong risk controls.