

City Union Bank | BUY

Strong quarter

CUBK delivered a strong quarter with PAT rising 6% QoQ, supported by 4% QoQ growth in NII and stable operating expenses (+2% QoQ). NIMs (reported) moderated by 6bps QoQ to 3.5%, though management expects them to remain steady, aided by deposit re-pricing in Q2FY26. Asset quality continued to improve, with GNPA/NNPA down 15bps/8bps QoQ to 2.9%/1.2%, and credit costs declining 8bps sequentially to 53bps. Further, SMA-2 book was flat QoQ at 1.6% which provide comfort on future asset quality trends. Loan and deposit growth remained healthy at 4%/3% QoQ, led by traction in traditional segments. Management guided for ~15% loan growth, ~1.5% ROA, and lower credit costs of 0.2%–0.25% in FY26. With a strong capital base (CAR at 23.1%); improving asset quality with no presence in unsecured loans, and a largely stable margin profile, we believe CUBK is well-positioned to sustain its growth trajectory. We raise FY26/FY27 earnings estimates by 5% and build in ROA/ROE of 1.5%/13%. Maintain BUY with a revised TP of INR 250, valuing the bank at 1.6x FY27E BVPS.

- **Loans/deposits growth momentum sustained:** CUBK's loan book stood at INR 540bn, registering a growth of +16%/+4% YoY/QoQ, driven by strong momentum in traditional segments: retail (+33% YoY), commercial real estate (+32% YoY), and MSME (+24% YoY). Management reiterated its confidence in sustaining ~15% loan growth, barring external disruptions. On the liabilities side, deposits rose by 20%/+3% YoY/QoQ, led by robust traction in term deposits (+24%/+5% YoY/QoQ) and healthy SA accretion (+5% QoQ), even as CA declined 12% QoQ. As a result, CASA ratio moderated by 120bps QoQ to 27.3%, while CD ratio inched up 20bps QoQ to 82.2%. **We estimate loan/deposit CAGR of 16%/15% over FY25–FY27E.**
- **Healthy operating performance; Marginal PAT beat:** CUBK reported PAT of INR 3.1bn, up +16%/+6% YoY/QoQ and marginally ahead of our estimates (+2% vs JMFe), aided by strong NII growth of +15%/+4% YoY/QoQ (+3% vs JMFe) and a 27% YoY rise in non-interest income. Operating expenses remained in line at +15%/+2% YoY/QoQ, resulting in a stable cost-to-income ratio of 48.1%. NIMs moderated slightly by 6bps QoQ to 3.5%, as calculated yields dipped 5bps while cost of deposits declined 2bps sequentially. Management expects NIMs to hold at ~3.5%, supported by deposit repricing benefits from Q2FY26. **We factor in average NIMs of 3.3% for FY26E–FY27E.**
- **Steady improvement in asset quality:** Asset quality trends remained constructive, with GNPA/NNPA ratios improving 15bps/8bps QoQ to 2.94%/1.17%, and PCR rising by 7bps QoQ to 60.8%. While gross slippages declined to 1.5% (-56bps QoQ), net slippages were relatively elevated at 0.4%. Of the INR 1.96bn of gross slippages, MSME accounted for INR 1.48bn (~75%), while agri contributed ~3%. Credit costs declined 8bps QoQ to 53bps. Management guided for lower credit costs of 0.2–0.25% in FY26, backed by stronger recoveries. **We model average credit costs at ~49bps over FY26–FY27E.**
- **Valuation and view:** With a strong capital position (CAR at 23.1%), a robust technology platform enabling scalable co-lending partnerships, and the ability to preserve margins, we believe CUBK is well-positioned to sustain its growth trajectory. The bank's minimal



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	16.7%
Previous Price Target	240
Change	4.2%

Key Data – CUBK IN

Current Market Price	INR214
Market cap (bn)	INR158.8/US\$1.8
Free Float	93%
Shares in issue (mn)	740.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR454.0/US\$5.2
52-week range	233/143
Sensex/Nifty	81,186/24,768
INR/US\$	87.6

Price Performance

%	1M	6M	12M
Absolute	-2.0	23.3	24.8
Relative*	1.0	17.8	25.8

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	10,157	11,236	12,893	14,135	16,693
Net Profit (YoY) (%)	8.3%	10.6%	14.7%	9.6%	18.1%
Assets (YoY) (%)	6.4%	9.6%	15.7%	15.2%	15.4%
ROA (%)	1.5%	1.5%	1.5%	1.5%	1.5%
ROE (%)	12.8%	12.6%	12.8%	12.6%	13.2%
EPS	13.7	15.2	17.4	19.1	22.5
EPS (YoY) (%)	8.3%	10.6%	14.7%	9.6%	18.1%
PE (x)	15.6	14.1	12.3	11.2	9.5
BV	113	128	143	161	181
BV (YoY) (%)	12.6%	12.6%	12.3%	12.0%	12.6%
P/BV (x)	1.89	1.68	1.49	1.33	1.18

Source: Company data, JM Financial. Note: Valuations as of 31/Jul/2025

JM Financial Institutional Securities Limited

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exposure to unsecured segments further underpins its resilient asset quality. At 1.3x FY27E BVPS, the stock offers a compelling risk-reward profile. Sustained growth momentum, improving operating leverage, and prudent risk management should support further re-rating. **We revise our FY26 earnings estimates upward by 5% to factor in better-than-expected operating performance and build in average ROA/ROE of 1.5%/13% over FY26E–FY27E. We maintain our BUY rating with a revised target price of INR 250, valuing the bank at 1.6x FY27E BVPS.**

Exhibit 1. CUBK – 1QFY26 – Key quarterly trends

Earnings Table (INR mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	A/E (%)
NII	5,452	6,003	6,253	14.7%	4.2%	6,046	3%
Fee based Income	1,007	1,491	1,226	21.7%	-17.8%	1,186	3%
Trading Profits	172	262	644	274.4%	145.8%	400	61%
Misc Income	442	759	569	28.7%	-25.0%	500	14%
Non-Interest income	1,921	2,512	2,439	26.9%	-2.9%	2,386	2%
Total Income	7,373	8,515	8,692	17.9%	2.1%	8,433	3%
Employee Cost	1,744	1,965	2,006	15.0%	2.1%		
Other Operating Expenses	1,894	2,140	2,176	14.9%	1.7%		
Total Operating Expenses	3,638	4,106	4,182	15.0%	1.9%	4,136	1%
Operating Profit	3,735	4,410	4,509	20.7%	2.3%	4,296	5%
Total Provisions	390	780	700	79.5%	-10.3%	515	36%
PBT	3,345	3,630	3,809	13.9%	4.9%	3,781	1%
Tax	700	750	750	7.1%	0.0%	794	-6%
Reported Profit	2,645	2,880	3,059	15.7%	6.2%	2,987	2%
Balance sheet (INR bn)							
Deposits	549	635	657	19.8%	3.5%	654	0%
Net Advances	465	521	540	16.1%	3.7%	534	1%
Total Assets	722	776	798	10.5%	2.8%	800	0%
Low cost-deposit ratio (%)	29.5%	28.5%	27.3%	-2.2%	-1.2%		
Loan-deposit ratio (%)	84.9%	82.0%	82.2%	-2.7%	0.2%	81.6%	1%
Key Ratios							
Credit Quality							
Gross NPAs (INR mn)	18,064	16,382	16,170	-10.5%	-1.3%		
Net NPAs (INR mn)	8,535	6,531	6,346	-25.7%	-2.8%		
Gross NPA (%)	3.80%	3.09%	2.94%	-0.9%	-0.1%		
Net NPA (%)	1.83%	1.25%	1.17%	-0.7%	-0.1%		
Loan Loss Provisions (%)	0.34%	0.61%	0.53%	0.2%	-0.1%	0.39%	0%
Coverage Ratio (%)	52.8%	60.1%	60.8%	8.0%	0.6%		
Capital Adequacy							
Tier I (%)	22.55%	22.70%	22.09%	-0.5%	-0.6%		
CAR (%)	23.58%	23.75%	23.10%	-0.5%	-0.6%		
Du-pont Analysis							
NII / Assets (%)	3.05%	3.19%	3.18%	0.1%	0.0%	3.07%	0.11%
Non-Interest Inc. / Assets (%)	1.07%	1.34%	1.24%	0.2%	-0.1%	1.21%	0.03%
Operating Cost / Assets (%)	2.03%	2.18%	2.13%	0.1%	-0.1%	2.10%	0.03%
Operating Profits / Assets (%)	2.09%	2.34%	2.29%	0.2%	-0.1%	2.18%	0.11%
Provisions / Assets (%)	0.22%	0.41%	0.36%	0.1%	-0.1%	0.26%	0.09%
ROA (%)	1.48%	1.53%	1.55%	0.1%	0.0%	1.52%	0.04%

Source: Company, JM Financial

Exhibit 2. CUBK: Deposit composition

Deposits Composition (INR bn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Current	46	61	54	15.7%	-11.9%
Saving	116	120	126	8.9%	4.6%
Time	387	454	478	23.6%	5.2%
Total Deposits	549	635	657	19.8%	3.5%
Current	8%	10%	8%	-0.3%	-1.4%
Saving	21%	19%	19%	-1.9%	0.2%
CASA	29.5%	28.5%	27.3%	-2.2%	-1.2%
Time	70%	71%	73%	2.2%	1.2%
Total	100%	100%	100%		

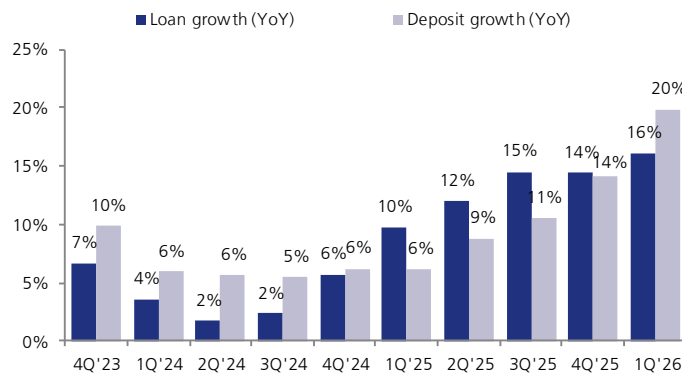
Source: Company, JM Financial

Exhibit 3. CUBK: Loan book mix and growth trends

Loan book (INR bn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Agriculture	85.4	87.9	86.7	1.4%	-1.4%
includes Jewel Loans	64.4	76.3	76.2	18.3%	-0.1%
MSME	174.8	216.7	216.7	24.0%	0.0%
Retail traders	7.0	6.4	5.7	-19.1%	-11.7%
Wholesale traders	10.9	9.0	8.0	-27.3%	-11.4%
Large Industries	6.0	4.8	5.6	-5.6%	17.7%
Commercial Real Estate	27.2	36.5	35.8	31.8%	-1.9%
Loans collateralized by deposits	7.5	8.8	8.7	15.7%	-1.6%
Infrastructure	3.1	3.4	3.2	3.3%	-5.2%
NBFC	14.0	14.2	13.7	-2.7%	-3.7%
Others	44.7	39.3	43.6	-2.4%	11.1%
Retail Loans	84.9	103.7	112.6	32.7%	8.6%
Personal Loans	13.1	12.1	13.7	4.8%	13.2%
Jewel loan (non-agri)	50.2	66.5	73.3	46.1%	10.4%
Housing Loans	21.5	25.2	25.6	18.7%	1.6%
Gross loans	465.5	530.7	540.2	16.1%	1.8%
Loan book mix (%)					
Agriculture	18.4%	16.6%	16.0%	-2.3%	-0.5%
includes Jewel Loans of	13.8%	14.4%	14.1%	0.3%	-0.3%
MSME	37.5%	40.8%	40.1%	2.6%	-0.7%
Retail traders	1.5%	1.2%	1.1%	-0.5%	-0.2%
Wholesale traders	2.4%	1.7%	1.5%	-0.9%	-0.2%
Large Industries	1.3%	0.9%	1.0%	-0.2%	0.1%
Commercial Real Estate	5.8%	6.9%	6.6%	0.8%	-0.3%
Loans collateralized by deposits	1.6%	1.7%	1.6%	0.0%	-0.1%
Infrastructure	0.7%	0.6%	0.6%	-0.1%	0.0%
NBFC	3.0%	2.7%	2.5%	-0.5%	-0.1%
Others	9.6%	7.4%	8.1%	-1.5%	0.7%
Retail Loans	18.2%	19.5%	20.9%	2.6%	1.3%
Other Personal Loans	2.8%	2.3%	2.5%	-0.3%	0.3%
Jewel loan (non-agri)	10.8%	12.5%	13.6%	2.8%	1.1%
Housing Loans	4.6%	4.7%	4.7%	0.1%	0.0%
Gross loans	100.0%	100.0%	100.0%		

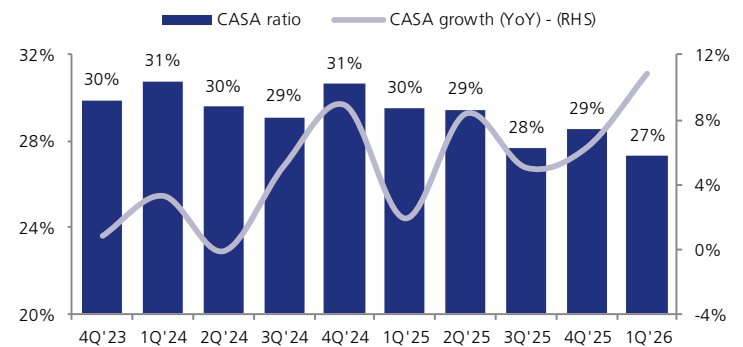
Source: Company, JM Financial

Exhibit 4. CUBK: Trends in accretion to loans and deposits



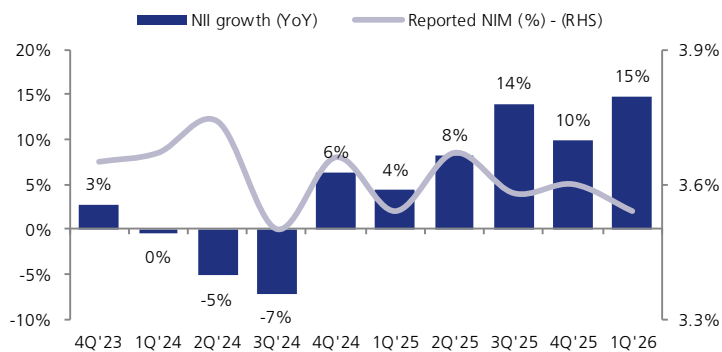
Source: Company, JM Financial

Exhibit 5. CUBK: Trends in CASA deposits



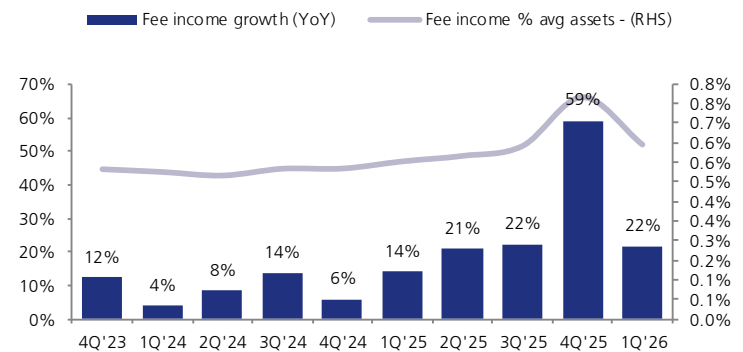
Source: Company, JM Financial

Exhibit 6. CUBK: Trends in NII and NIM



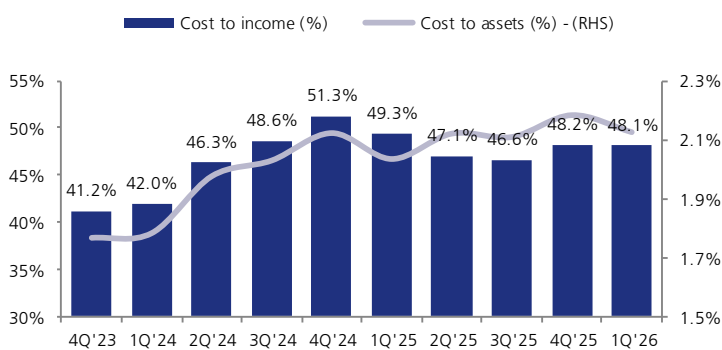
Source: Company, JM Financial

Exhibit 7. CUBK: Trends in fee income



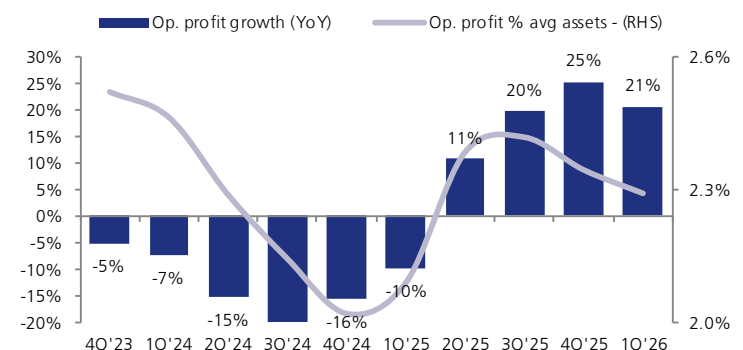
Source: Company, JM Financial

Exhibit 8. CUBK: Trends in cost



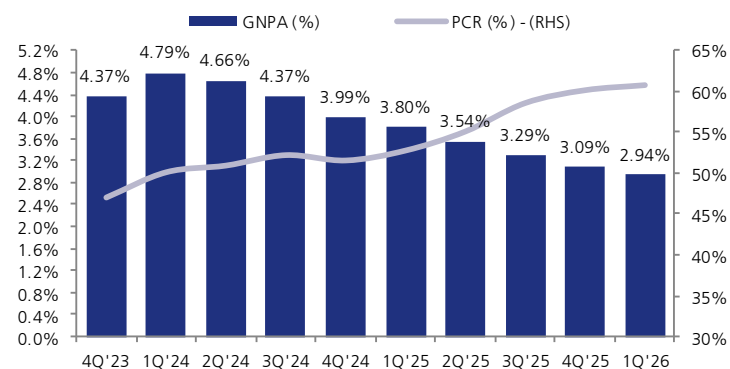
Source: Company, JM Financial

Exhibit 9. CUBK: Trends in operating profits



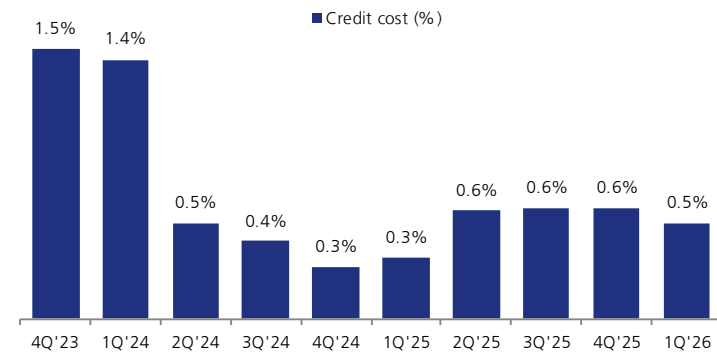
Source: Company, JM Financial

Exhibit 10. CUB: Trends in GNPA and PCR



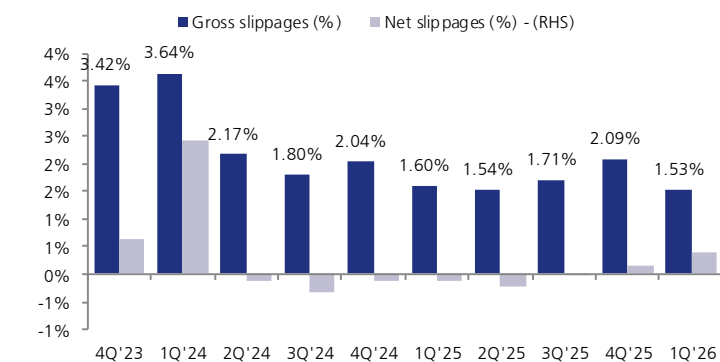
Source: Company, JM Financial

Exhibit 11. CUBK: Trends in credit cost



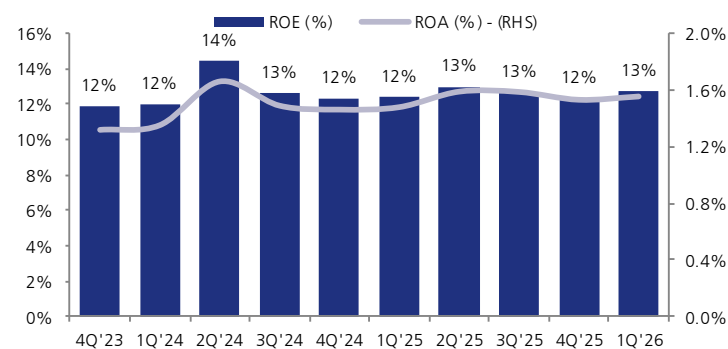
Source: Company, JM Financial

Exhibit 12. CUBK: Trends in slippages



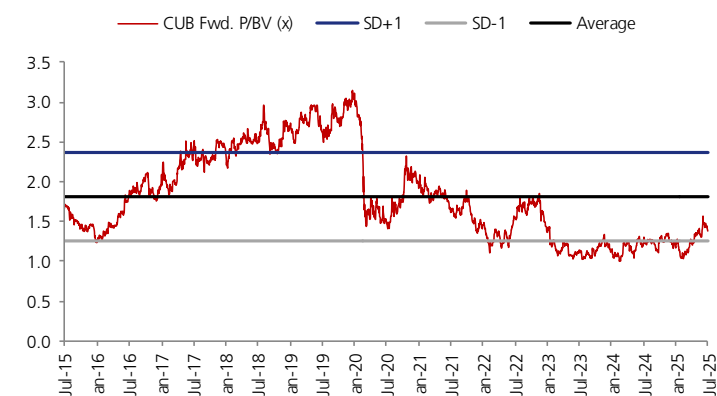
Source: Company, JM Financial

Exhibit 13. CUBK: Trends in profitability ratios



Source: Company, JM Financial

Exhibit 14. CUBK: One-year forward P/BV



Source: JM Financial, Company

Exhibit 15. CUB: Change in estimates

	New estimates			Old estimates			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Recommendation	BUY			BUY					
Target price (INR)	250			240			4%		
Assumptions									
YoY loan growth	15.8%	15.4%	15.1%	15.8%	15.2%	15.0%	0 bps	14 bps	14 bps
Net interest margins (calculated)	3.26%	3.23%	3.29%	3.08%	3.16%	3.21%	18 bps	8 bps	8 bps
Other income to assets	1.18%	1.16%	1.18%	1.30%	1.24%	1.20%	(12) bps	(7) bps	(2) bps
Cost to assets	2.12%	2.09%	2.04%	2.08%	2.05%	2.02%	4 bps	4 bps	2 bps
Credit cost	0.42%	0.55%	0.67%	0.53%	0.60%	0.59%	(11) bps	(5) bps	8 bps
Outputs (INR bn)									
NII	26.3	30.2	35.5	24.8	29.4	34.6	6%	3%	3%
Operating profit	18.5	21.2	25.9	18.3	21.6	25.5	1%	-1%	2%
Net Profit	12.9	14.1	16.7	12.3	14.1	16.9	5%	0%	-1%
EPS (INR)	17.4	19.1	22.5	16.6	19.1	22.8	5%	0%	-1%
ROA (%)	1.54%	1.46%	1.50%	1.47%	1.46%	1.52%	7 bps	0 bps	(2) bps
ROE (%)	12.8%	12.6%	13.2%	12.3%	12.6%	13.4%	57 bps	(5) bps	(18) bps
BVPS	143.4	160.6	180.9	142.7	159.8	180.3	1%	0%	0%

Source: Company, JM Financial

Financial Tables (Standalone)

Profit & Loss (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Interest Income	21,235	23,157	26,298	30,190	35,508
Profit on Investments	326	860	1,400	1,000	700
Exchange Income	718	0	0	0	0
Fee & Other Income	6,372	8,121	8,504	10,232	12,464
Non-Interest Income	7,417	8,981	9,904	11,232	13,164
Total Income	28,651	32,138	36,203	41,421	48,672
Operating Expenses	13,484	15,351	17,729	20,177	22,762
Pre-provisioning Profits	15,167	16,786	18,474	21,245	25,910
Loan-Loss Provisions	3,100	2,620	2,358	3,575	5,043
Provisions on Investments	0	0	0	0	0
Others Provisions	-240	0	0	0	0
Total Provisions	2,860	2,620	2,358	3,575	5,043
PBT	12,307	14,166	16,116	17,669	20,866
Tax	2,150	2,930	3,223	3,534	4,173
PAT (Pre-Extraordinaries)	10,157	11,236	12,893	14,135	16,693
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	10,157	11,236	12,893	14,135	16,693
Dividend paid	1,111	1,482	1,289	1,414	1,669
Retained Profits	9,046	9,754	11,604	12,722	15,024

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	6.2%	14.1%	14.8%	14.8%	14.8%
Advances	5.7%	14.4%	15.8%	15.4%	15.1%
Total Assets	6.4%	9.6%	15.7%	15.2%	15.4%
NII	-1.8%	9.1%	13.6%	14.8%	17.6%
Non-interest Income	-8.5%	21.1%	10.3%	13.4%	17.2%
Operating Expenses	16.7%	13.9%	15.5%	13.8%	12.8%
Operating Profits	-16.6%	10.7%	10.1%	15.0%	22.0%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	-55.3%	-8.4%	-10.0%	51.6%	41.1%
Reported PAT	8.3%	10.6%	14.7%	9.6%	18.1%
Yields / Margins (%)					
Interest Spread	2.62%	2.59%	2.58%	2.61%	2.69%
NIM	3.21%	3.24%	3.26%	3.23%	3.29%
Profitability (%)					
Non-IR to Income	25.9%	27.9%	27.4%	27.1%	27.0%
Cost to Income	47.1%	47.8%	49.0%	48.7%	46.8%
ROA	1.48%	1.51%	1.54%	1.46%	1.50%
ROE	12.8%	12.6%	12.8%	12.6%	13.2%
Assets Quality (%)					
Slippages	2.41%	1.83%	1.45%	1.60%	1.60%
Gross NPA	3.99%	3.09%	2.34%	2.33%	2.33%
Net NPAs	1.97%	1.25%	0.90%	0.87%	0.83%
Provision Coverage	51.5%	60.1%	62.0%	63.0%	65.0%
Specific LLP	0.74%	0.52%	0.41%	0.56%	0.59%
Net NPAs / Networth	10.7%	6.9%	5.1%	5.1%	4.9%
Capital Adequacy (%)					
Tier I	22.80%	22.70%	22.13%	21.61%	21.17%
CAR	23.84%	23.75%	23.04%	22.39%	21.86%

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Equity Capital	741	741	741	741	741
Reserves & Surplus	83,274	93,925	105,529	118,251	133,274
Deposits	556,566	635,260	729,155	836,882	960,438
Borrowings	47,242	21,694	34,358	44,046	66,768
Other Liabilities	20,436	24,612	28,354	34,638	32,560
Total Liabilities	708,259	776,232	898,137	1,034,558	1,193,782
Investments	156,641	173,361	198,513	229,041	267,074
Net Advances	455,257	520,813	603,176	695,934	801,221
Cash & Equivalents	69,435	52,905	64,899	74,879	87,313
Fixed Assets	2,704	3,223	3,546	3,900	4,290
Other Assets	24,221	25,929	28,004	30,804	33,884
Total Assets	708,259	776,232	898,137	1,034,558	1,193,782

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.09%	3.12%	3.14%	3.12%	3.19%
Other Income / Assets	1.08%	1.21%	1.18%	1.16%	1.18%
Total Income / Assets	4.17%	4.33%	4.32%	4.29%	4.37%
Cost / Assets	1.96%	2.07%	2.12%	2.09%	2.04%
PBP / Assets	2.21%	2.26%	2.21%	2.20%	2.33%
Provisions / Assets	0.42%	0.35%	0.28%	0.37%	0.45%
PBT / Assets	1.79%	1.91%	1.93%	1.83%	1.87%
Tax rate	17.5%	20.7%	20.0%	20.0%	20.0%
ROA	1.48%	1.51%	1.54%	1.46%	1.50%
RoRWAs	2.92%	2.97%	3.00%	2.85%	2.91%
Leverage	8.4	8.2	8.5	8.7	8.9
ROE	12.8%	12.6%	12.8%	12.6%	13.2%

Source: Company, JM Financial

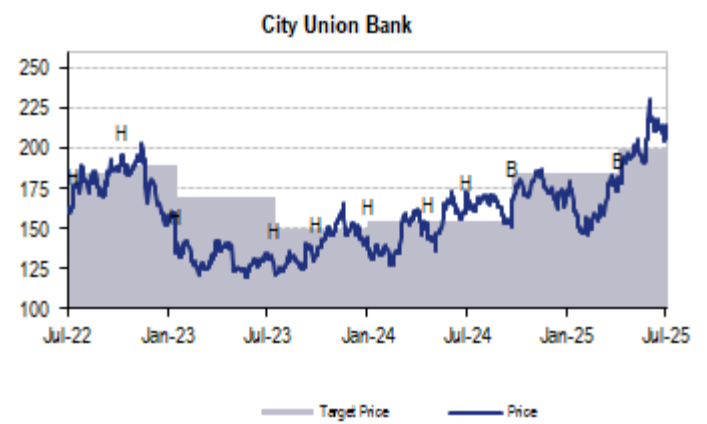
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	740.7	741.0	741.0	741.0	741.0
EPS (INR)	13.7	15.2	17.4	19.1	22.5
EPS (YoY) (%)	8.3%	10.6%	14.7%	9.6%	18.1%
PER (x)	15.6	14.1	12.3	11.2	9.5
BV (INR)	113	128	143	161	181
BV (YoY) (%)	12.6%	12.6%	12.3%	12.0%	12.6%
ABV (INR)	0	0	0	0	0
ABV (YoY) (%)	0.0%	0.0%	0.0%	0.0%	0.0%
P/BV (x)	1.89	1.68	1.49	1.33	1.18
P/ABV (x)	0.00	0.00	0.00	0.00	0.00
DPS (INR)	1.5	2.0	1.7	1.9	2.3
Div. yield (%)	0.7%	0.9%	0.8%	0.9%	1.1%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Apr-20	Sell	115	
18-Jun-20	Sell	115	0.0
13-Aug-20	Hold	115	0.0
2-Nov-20	Hold	160	39.1
11-Jan-21	Hold	195	21.9
30-May-21	Hold	175	-10.3
8-Aug-21	Hold	175	0.0
14-Nov-21	Hold	190	8.6
5-Feb-22	Hold	185	-2.6
29-May-22	Hold	185	0.0
9-Aug-22	Hold	185	0.0
6-Nov-22	Hold	190	2.7
15-Feb-23	Hold	170	-10.5
13-Aug-23	Hold	150	-11.8
29-Oct-23	Hold	150	0.0
1-Feb-24	Hold	155	3.3
21-May-24	Hold	155	0.0
28-Jul-24	Hold	155	0.0
22-Oct-24	Buy	185	19.4
4-May-25	Buy	200	8.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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