

City Union Bank | BUY

Good quarter; strong outlook

CUBK reported a PAT of INR 2.9bn (+13%/1% YoY/QoQ, +2% JMFe) driven by a) stable NII (+10%/2% YoY/QoQ) and b) strong fee income (+59%/34% YoY/QoQ); partially offset by higher opex growth of ~11%/8% YoY/QoQ. NIMs remained stable at 3.6% (+2bps QoQ) and credit costs remained flat at 61bps. Asset quality continued to improve, with GNPA/NNPA at 3.09%/1.25% (-21bps/-14bps QoQ) and PCR rising to ~60%. Loans grew +14%/3% YoY/QoQ, supported by strong growth in traditional products. Deposits increased at healthy rate +14%/9% YoY/QoQ, with CASA ratio improving to 29%. Mgmt. expects loan growth to be ~2%-3% higher than system loan growth and gross slippages to decline to ~INR 6.5–7bn in FY26 (vs 8.1bn in FY25). We believe bank's limited exposure to unsecured segments bodes well for maintaining healthy asset quality. We expect loan CAGR of 16% during FY25-27E with avg. RoA/RoE of 1.5%/12.5% in FY26/27E. Stock currently trades at 1.1x FY27E BVPS, offering an attractive risk-reward profile. We revise our FY26/FY27 earnings estimates upwards by +4%/+8%, respectively, to reflect improving operating performance. Maintain BUY rating with a revised target price of INR 200, valuing the bank at 1.2x FY27E BVPS (vs old TP of INR180, 1.1x FY27E BVPS).

- **Loans/deposits growth momentum remains strong:** Loan book stood at INR 521bn (+14% YoY, +3% QoQ), driven primarily by traditional segments—commercial real estate (+16% QoQ), MSME (+9% QoQ), and retail (+9% QoQ). Mgmt. remains focused on granular growth with an emphasis on building a well-diversified portfolio. Gold loans are expected to grow at a steady rate, which was converted into fixed rate loans earlier this year. We forecast loan CAGR of 16% over FY25–FY27E. On the liabilities front, deposit growth remained robust at 14% YoY and 9% QoQ, led by strong traction in CA (+28% QoQ), along with steady growth in TD (+8% QoQ) and SA (+6% QoQ). As a result, CASA ratio improved 80bps QoQ to 28.5%. CD ratio moderated 452bps QoQ to 82%, reflecting the strong deposit accretion, while mgmt. targets a CD ratio of 85%. We project deposit CAGR of 15% over FY25–FY27E.
- **Steady and in-line operating performance:** CUBK reported a broadly in-line PAT of INR 2.9bn (+13% YoY, +1% QoQ; +2% vs JMFe), supported by stable NII growth (+10% YoY, +2% QoQ, +1% JMFe) and strong traction in non-interest income (+43% YoY, +10% QoQ; +12% JMFe), driven largely by fee income (+59% YoY, +34% QoQ). Operating expenses grew faster than expected at (+11% YoY, +8% QoQ, +4% vs JMFe), resulting in a 164bps QoQ increase in the cost-to-income ratio to 48.2%. Reported NIMs remained stable at 3.6% (+2bps QoQ), with both calculated yields and cost of deposits rising 7bps sequentially. Mgmt. guides for NIMs to remain around the current 3.6% level and expects the cost-to-income ratio to improve gradually over the next 1–1.5 years.
- **Asset quality continues to improve; slippages within guidance:** Asset quality improved with GNPA/NNPA ratios declining 21bps/14bps QoQ to 3.09%/1.25%, respectively. PCR improved by 157bps QoQ to 60.1%. While gross and net slippages remained slightly elevated at 2.1% and 0.2%, respectively, gross slippages for FY25 were within guided range of INR 8bn (1.83% of opening net advances). Credit cost remained stable at 61bps for the quarter. Mgmt. has guided for gross slippages of INR 6.5–7bn in FY26, supported



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	200
Upside/(Downside)	15.3%
Previous Price Target	180
Change	11.1%

Key Data – CUBK IN

Current Market Price	INR173
Market cap (bn)	INR128.5/US\$1.5
Free Float	93%
Shares in issue (mn)	740.7
Diluted share (mn)	
3-mon avg daily val (mn)	INR444.1/US\$5.3
52-week range	188/130
Sensex/Nifty	80,502/24,347
INR/US\$	84.5

Price Performance

%	1M	6M	12M
Absolute	5.5	-2.4	8.0
Relative*	-1.2	-3.7	-0.9

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	10,157	11,236	12,518	14,118	16,861
Net Profit (YoY) (%)	8.3%	10.6%	11.4%	12.8%	19.4%
Assets (YoY) (%)	6.4%	9.6%	15.7%	15.1%	15.3%
ROA (%)	1.5%	1.5%	1.5%	1.5%	1.5%
ROE (%)	12.8%	12.6%	12.5%	12.6%	13.4%
EPS	13.7	15.2	16.9	19.1	22.8
EPS (YoY) (%)	8.3%	10.6%	11.4%	12.8%	19.4%
PE (x)	12.6	11.4	10.2	9.1	7.6
BV	113	128	143	160	181
BV (YoY) (%)	12.6%	12.6%	11.9%	12.0%	12.8%
P/BV (x)	1.53	1.35	1.21	1.08	0.96

Source: Company data, JM Financial. Note: Valuations as of 02/May/2025

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by of stronger recoveries going forward. We build avg. credit costs of ~60bps over FY26–FY27E.

- **Valuation and view:** With a strong capital position (CAR at 23.8%), a robust tech backbone enabling co-lending initiatives, and recoveries consistently outpacing slippages, we believe CUBK is well-positioned to sustain its growth trajectory. Bank's limited exposure to unsecured segments also bodes well for maintaining healthy asset quality. Stock currently trades at 1.1x FY27E BVPS, offering an attractive risk-reward profile. Sustained growth momentum, coupled with prudent risk management, should support further re-rating of the stock. We revise our FY26/FY27 earnings estimates upwards by +4%/+8%, respectively, to reflect improving operating performance. Maintain BUY rating with a revised target price of INR 200, valuing the bank at 1.2x FY27E BVPS.

Exhibit 1. CUBK 4Q25: Key quarterly trends

Earnings Table (Rs mn)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Nil	5,466	5,877	6,003	9.8%	2.1%
Fee based Income	937	1,114	1,491	59.1%	33.8%
Trading Profits	319	178	262	-17.9%	47.2%
Misc Income	496	992	759	53.0%	-23.5%
Non-Interest income	1,752	2,284	2,512	43.4%	10.0%
Total Income	7,218	8,161	8,515	18.0%	4.3%
Employee Cost	1,678	1,785	1,965	17.1%	10.1%
Other Operating Expenses	2,022	2,016	2,140	5.9%	6.2%
Total Operating Expenses	3,700	3,801	4,106	11.0%	8.0%
Operating Profit	3,518	4,360	4,410	25.3%	1.1%
Total Provisions	320	750	780	143.8%	4.0%
PBT	3,198	3,610	3,630	13.5%	0.5%
Tax	650	750	750	15.4%	0.0%
Reported Profit	2,548	2,860	2,880	13.0%	0.7%
Balance sheet (Rs bn)					
Deposits	557	583	635	14.1%	9.0%
Net Advances	455	504	521	14.4%	3.3%
Total Assets	708	728	776	9.6%	6.6%
Low-cost Deposits (%)	30.6%	27.7%	28.5%	-2.1%	0.8%
Loan-Deposit ratio (%)	81.8%	86.5%	82.0%	0.2%	-4.5%
Key Ratios					
Credit Quality					
Gross NPAs (Rs. mn.)	18,544	16,930	16,382	-11.7%	-3.2%
Net NPAs (Rs. mn.)	8,987	7,015	6,531	-27.3%	-6.9%
Gross NPA (%)	3.99%	3.29%	3.09%	-0.9%	-0.2%
Net NPA (%)	1.97%	1.39%	1.25%	-0.7%	-0.1%
Loan Loss Provisions (%)	0.29%	0.61%	0.61%	0.3%	0.0%
Coverage Ratio (%)	51.5%	58.6%	60.1%	8.6%	1.6%
Capital Adequacy					
Tier I (%)	22.80%	21.29%	22.70%	-0.1%	1.4%
CAR (%)	23.84%	22.26%	23.75%	-0.1%	1.5%
Du-pont Analysis					
Nil / Assets (%)	3.14%	3.26%	3.19%	0.1%	-0.1%
Non-Interest Inc. / Assets (%)	1.01%	1.27%	1.34%	0.3%	0.1%
Operating Cost / Assets (%)	2.12%	2.11%	2.18%	0.1%	0.1%
Operating Profits / Assets (%)	2.02%	2.42%	2.34%	0.3%	-0.1%
Provisions / Assets (%)	0.18%	0.42%	0.41%	0.2%	0.0%
ROA (%)	1.46%	1.59%	1.53%	0.1%	-0.1%

Source: Company, JM Financial

Exhibit 2. CUBK 4Q25: Deposit composition

Deposits Composition (Rs bn)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Current	55	48	61	10.7%	27.8%
Saving	116	114	120	4.2%	5.8%
Time	386	421	454	17.6%	7.8%
Total Deposits	557	583	635	14.1%	9.0%
Current	10%	8%	10%	-0.3%	1.4%
Saving	21%	20%	19%	-1.8%	-0.6%
CASA	30.6%	27.7%	28.5%	-2.1%	0.8%
Time	69%	72%	71%	2.1%	-0.8%
Total	100%	100%	100%		

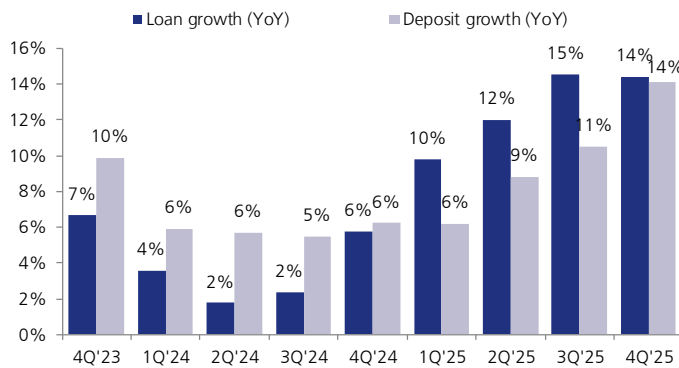
Source: Company, JM Financial

Exhibit 3. CUBK 4Q25: Loan book mix and growth trends

Loan book (INR bn)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Agriculture	83.5	90.1	87.9	5.2%	-2.5%
includes Jewel Loans	61.1	70.9	76.3	24.8%	7.7%
MSME	176.5	198.1	216.7	22.8%	9.4%
Retail traders	7.0	5.8	6.4	-8.3%	10.9%
Wholesale traders	11.2	9.4	9.0	-19.8%	-5.0%
Large Industries	4.8	5.9	4.8	-1.6%	-19.7%
Commercial Real Estate	27.3	31.5	36.5	33.8%	15.9%
Loans collateralized by deposits	8.2	7.7	8.8	7.2%	14.4%
Infrastructure	3.0	3.0	3.4	11.2%	13.3%
NBFC	11.9	15.9	14.2	18.6%	-10.6%
Others	47.9	41.7	39.3	-18.0%	-5.9%
Retail Loans	83.3	94.9	103.7	24.5%	9.3%
Personal Loans	13.6	12.8	12.1	-11.0%	-5.3%
Jewel loan (non-agri)	48.6	58.1	66.5	36.8%	14.3%
Housing Loans	21.1	24.0	25.2	19.0%	4.9%
Gross loans	464.8	504.1	530.7	14.2%	5.3%
Loan book mix (%)	4Q'24	3Q'25	4Q'25	YoY (%)	QoQ (%)
Agriculture	18.0%	17.9%	16.6%	-1.4%	-1.3%
includes Jewel Loans of	13.2%	14.1%	14.4%	1.2%	0.3%
MSME	38.0%	39.3%	40.8%	2.9%	1.5%
Retail traders	1.5%	1.2%	1.2%	-0.3%	0.1%
Wholesale traders	2.4%	1.9%	1.7%	-0.7%	-0.2%
Large Industries	1.0%	1.2%	0.9%	-0.1%	-0.3%
Commercial Real Estate	5.9%	6.3%	6.9%	1.0%	0.6%
Loans collateralized by deposits	1.8%	1.5%	1.7%	-0.1%	0.1%
Infrastructure	0.7%	0.6%	0.6%	0.0%	0.0%
NBFC	2.6%	3.1%	2.7%	0.1%	-0.5%
Others	10.3%	8.3%	7.4%	-2.9%	-0.9%
Retail Loans	17.9%	18.8%	19.5%	1.6%	0.7%
Other Personal Loans	2.9%	2.5%	2.3%	-0.6%	-0.3%
Jewel loan (non-agri)	10.5%	11.5%	12.5%	2.1%	1.0%
Housing Loans	4.5%	4.8%	4.7%	0.2%	0.0%
Gross loans	100.0%	100.0%	100.0%		

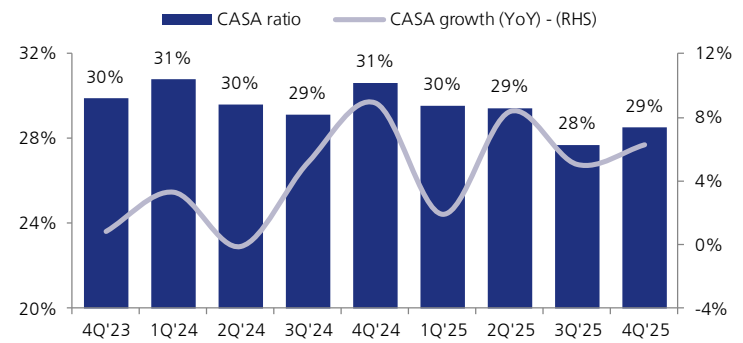
Source: Company, JM Financial

Exhibit 4. CUBK 4Q25: Trends in accretion to loans and deposits



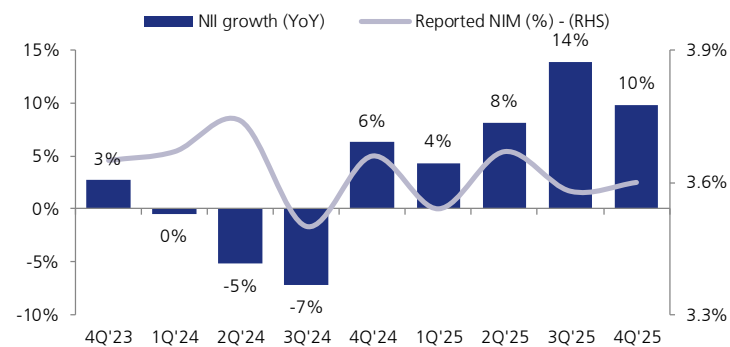
Source: Company, JM Financial

Exhibit 5. CUBK 4Q25: Trends in CASA deposits



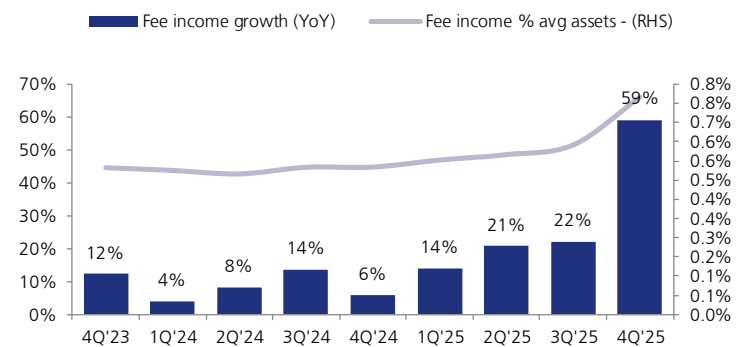
Source: Company, JM Financial

Exhibit 6. CUBK 4Q25: Trends in NII and NIM



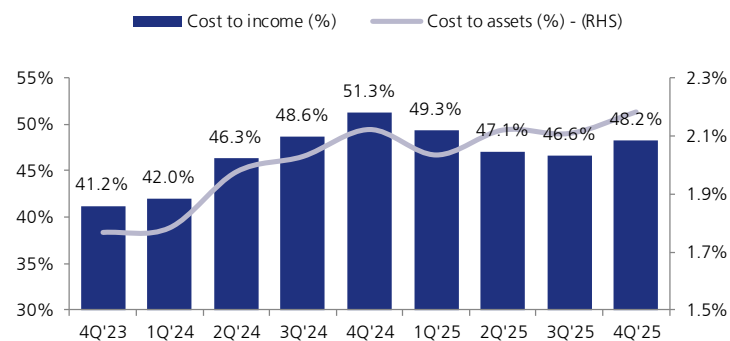
Source: Company, JM Financial

Exhibit 7. CUBK 4Q25: Trends in fee income



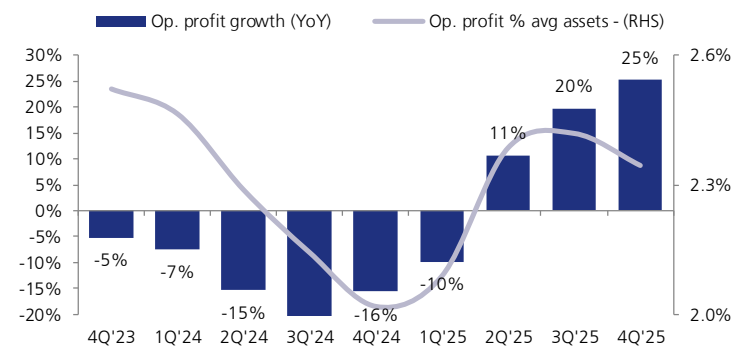
Source: Company, JM Financial

Exhibit 8. CUBK 4Q25: Trends in cost



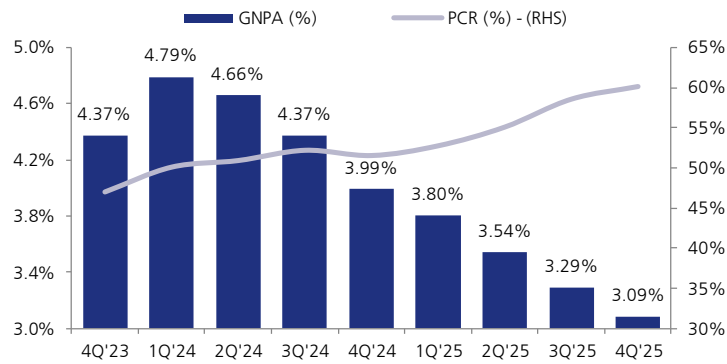
Source: Company, JM Financial

Exhibit 9. CUBK 4Q25: Trends in operating profits



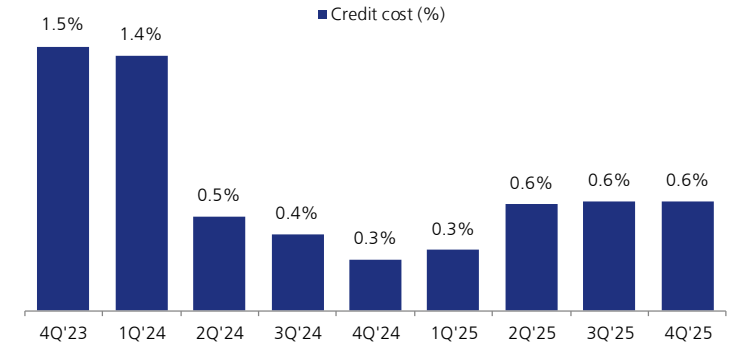
Source: Company, JM Financial

Exhibit 10. CUBK 4Q25: Trends in GNPA and PCR



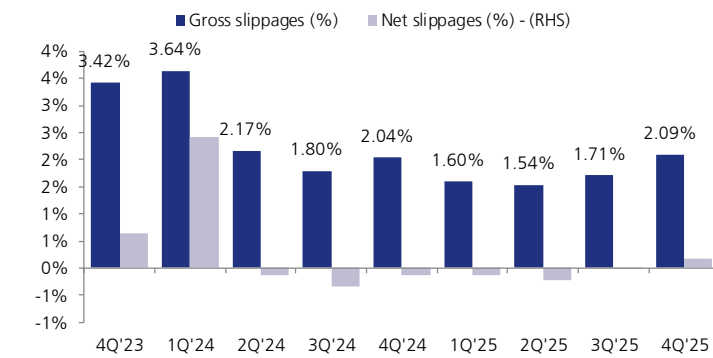
Source: Company, JM Financial

Exhibit 11. CUBK 4Q25: Trends in credit cost



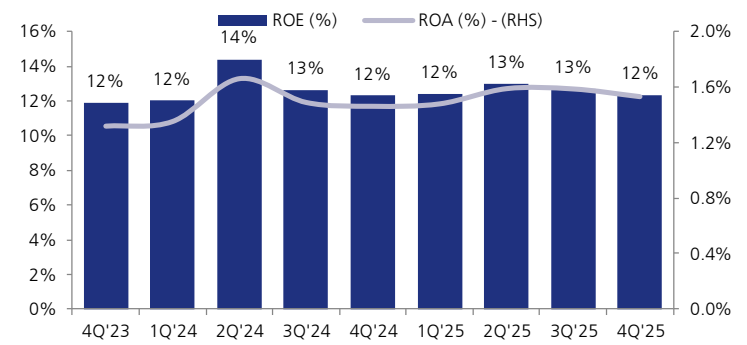
Source: Company, JM Financial

Exhibit 12. CUBK 4Q25: Trends in slippages



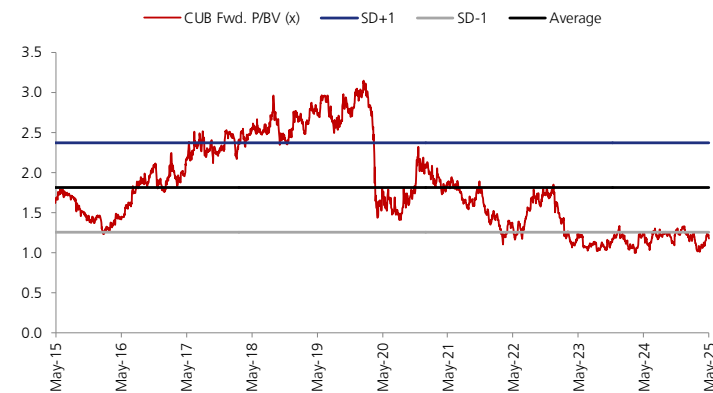
Source: Company, JM Financial

Exhibit 13. CUBK 4Q25: Trends in profitability ratios



Source: Company, JM Financial

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



Source: JM Financial, Company

Exhibit 15. CUBK: Change in our estimates

Particulars.	New estimates			Old estimates		Change in estimates	
	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F
Recommendation	BUY			BUY			
Target price (INR)	200			180			
Assumptions							
YoY loan growth	15.8%	15.2%	15.0%	13.6%	14.3%	223 bps	98 bps
Net interest margins (calculated)	3.15%	3.16%	3.21%	3.19%	3.13%	(5) bps	3 bps
Other income to assets	1.30%	1.24%	1.20%	1.17%	1.12%	14 bps	12 bps
Cost to assets	2.08%	2.05%	2.02%	2.07%	2.06%	1 bps	(0) bps
Credit cost	0.58%	0.60%	0.59%	0.52%	0.52%	6 bps	8 bps
Outputs (Rs bn)							
NII	25.4	29.4	34.6	25.4	28.5	0%	3%
Operating profit	18.9	21.6	25.5	17.9	19.7	5%	10%
Net Profit	12.5	14.1	16.9	12.1	13.1	4%	8%
EPS (INR)	16.9	19.1	22.8	16.3	17.7	3.8%	7.6%
ROA (%)	1.50%	1.46%	1.52%	1.46%	1.39%	3bps	7bps
ROE (%)	12.5%	12.6%	13.4%	12.1%	11.8%	36bps	74bps
BVPS	143.0	160.1	180.6	141.7	157.6	9%	16%

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	25,395	29,426	34,579
Profit on Investments	326	860	1,200	1,000	700
Exchange Income	718	0	0	0	0
Fee & Other Income	6,372	8,121	9,712	10,946	12,686
Non-Interest Income	7,417	8,981	10,912	11,946	13,386
Total Income	28,651	32,138	36,308	41,372	47,965
Operating Expenses	13,484	15,351	17,412	19,817	22,458
Pre-provisioning Profits	15,167	16,786	18,896	21,555	25,507
Loan-Loss Provisions	3,100	2,620	3,248	3,907	4,431
Provisions on Investments	0	0	0	0	0
Others Provisions	-240	0	0	0	0
Total Provisions	2,860	2,620	3,248	3,907	4,431
PBT	12,307	14,166	15,648	17,648	21,076
Tax	2,150	2,930	3,130	3,530	4,215
PAT (Pre-Extraordinaries)	10,157	11,236	12,518	14,118	16,861
Extra ordinaries (Net of Tax)	0	0	0	0	0
Reported Profits	10,157	11,236	12,518	14,118	16,861
Dividend paid	1,111	1,482	1,252	1,412	1,686
Retained Profits	9,046	9,754	11,266	12,707	15,175

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Growth (YoY) (%)					
Deposits	6.2%	14.1%	14.8%	14.6%	14.6%
Advances	5.7%	14.4%	15.8%	15.2%	15.0%
Total Assets	6.4%	9.6%	15.7%	15.1%	15.3%
NII	-1.8%	9.1%	9.7%	15.9%	17.5%
Non-interest Income	-8.5%	21.1%	21.5%	9.5%	12.1%
Operating Expenses	16.7%	13.9%	13.4%	13.8%	13.3%
Operating Profits	-16.6%	10.7%	12.6%	14.1%	18.3%
Core Operating profit	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	-55.3%	-8.4%	24.0%	20.3%	13.4%
Reported PAT	8.3%	10.6%	11.4%	12.8%	19.4%
Yields / Margins (%)					
Interest Spread	2.62%	2.59%	2.50%	2.53%	2.61%
NIM	3.21%	3.24%	3.15%	3.16%	3.21%
Profitability (%)					
Non-IR to Income	25.9%	27.9%	30.1%	28.9%	27.9%
Cost to Income	47.1%	47.8%	48.0%	47.9%	46.8%
ROA	1.48%	1.51%	1.50%	1.46%	1.52%
ROE	12.8%	12.6%	12.5%	12.6%	13.4%
Assets Quality (%)					
Slippages	2.41%	1.83%	1.70%	1.60%	1.60%
Gross NPA	3.99%	3.09%	2.37%	2.28%	2.25%
Net NPAs	1.97%	1.25%	0.96%	0.86%	0.80%
Provision Coverage	51.5%	60.1%	60.0%	63.0%	65.0%
Specific LLP	0.74%	0.52%	0.52%	0.56%	0.56%
Net NPAs / Networth	10.7%	6.9%	5.5%	5.0%	4.8%
Capital Adequacy (%)					
Tier I	22.80%	22.70%	22.06%	21.57%	21.19%
CAR	23.84%	23.75%	22.97%	22.35%	21.87%

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	1,05,192	1,17,898	1,33,073
Deposits	5,56,566	6,35,260	7,29,155	8,35,838	9,58,072
Borrowings	47,242	21,694	34,358	43,991	66,604
Other Liabilities	20,436	24,612	28,691	34,842	32,445
Total Liabilities	7,08,259	7,76,232	8,98,137	10,33,311	11,90,936
Investments	1,56,641	1,73,361	1,98,513	2,28,756	2,66,416
Net Advances	4,55,257	5,20,813	6,03,176	6,95,065	7,99,247
Cash & Equivalents	69,435	52,905	64,899	74,785	87,097
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	7,08,259	7,76,232	8,98,137	10,33,311	11,90,936

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.09%	3.12%	3.03%	3.05%	3.11%
Other Income / Assets	1.08%	1.21%	1.30%	1.24%	1.20%
Total Income / Assets	4.17%	4.33%	4.34%	4.28%	4.31%
Cost / Assets	1.96%	2.07%	2.08%	2.05%	2.02%
PBP / Assets	2.21%	2.26%	2.26%	2.23%	2.29%
Provisions / Assets	0.42%	0.35%	0.39%	0.40%	0.40%
PBT / Assets	1.79%	1.91%	1.87%	1.83%	1.90%
Tax rate	17.5%	20.7%	20.0%	20.0%	20.0%
ROA	1.48%	1.51%	1.50%	1.46%	1.52%
RoRWAs	2.92%	2.97%	2.91%	2.84%	2.95%
Leverage	8.4	8.2	8.5	8.7	8.9
ROE	12.8%	12.6%	12.5%	12.6%	13.4%

Source: Company, JM Financial

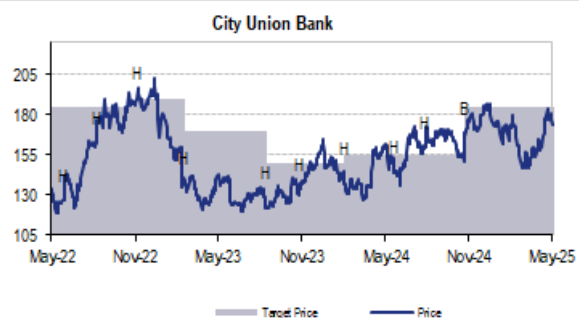
Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	740.7	741.0	741.0	741.0	741.0
EPS (INR)	13.7	15.2	16.9	19.1	22.8
EPS (YoY) (%)	8.3%	10.6%	11.4%	12.8%	19.4%
PER (x)	12.6	11.4	10.2	9.1	7.6
BV (INR)	113	128	143	160	181
BV (YoY) (%)	12.6%	12.6%	11.9%	12.0%	12.8%
ABV (INR)	0	0	0	0	0
ABV (YoY) (%)	0.0%	0.0%	0.0%	0.0%	0.0%
P/BV (x)	1.53	1.35	1.21	1.08	0.96
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 (%)	0.9%	1.2%	1.0%	1.1%	1.3%

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Mar-20	Hold	215	
13-Apr-20	Sell	115	-46.5
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

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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