

City Union Bank | BUY

Strong quarter yet again; growth momentum sustains



City Union Bank (CUBK) delivered a strong operating performance, with advances/deposits growing 26%/23% YoY (+8%/+11% QoQ), supported by continued traction in secured segments. NII grew 31% YoY/ +4% QoQ, aided by robust loan growth while NIM remained stable at ~3.6% (-3bps QoQ). Non-interest income remained healthy (+9% JMFe)- driven by strong fee income growth (+16% YoY/13% QoQ), leading to operating profit growth of +31% YoY/+13% QoQ, (+9% JMFe). Credit cost increased 10bps QoQ to 0.76% due to higher standard asset provisioning. While gross slippages declined 6bps QoQ, net slippages increased +10bps QoQ. PAT grew 25% YoY/8% QoQ, with RoA/RoE improving to ~1.57%/~13.8%. Management reiterated guidance of mid- to high-teen loan growth (2–3% above industry/system), stable NIMs (±5bps), and FY27 exit RoA of ~1.65–1.67%. We forecast a loan CAGR of ~18% during FY26–28E with an avg. RoE of ~14% during FY27/28E. Maintain BUY with a revised target price of INR 320 (vs INR 280 earlier), driven by a multiple re-rating to 1.7x FY28E P/B (vs 1.5x earlier), and an upward revision to FY27E/FY28E EPS estimate by ~5%/7%.

- Growth momentum sustains; secured portfolio remains key driver:** Advances continued strong growth momentum rising +26%/+8% YoY/QoQ to ~INR 659bn while deposits grew +23%/+11% to ~INR 783bn, resulting in CD ratio of 84.1% (-223bps QoQ). Incremental loan growth was led by Agri loans (+23% YoY), Commercial Real estate (+35% YoY), MSME (+15% YoY), and non-agri gold (+62% YoY). Growth continues to be structurally tilted toward secured lending, with management maintaining focus on MSME, gold loans, and secured retail segment. Capital adequacy remains strong at ~21.9%, with a comfortable CD ratio of ~84%, indicating adequate balance sheet liquidity to sustain incremental credit expansion. Management reiterated guidance of mid-high teens' loan growth, ~2–3% above system. **We expect ~18%/20% loan/deposit CAGR during FY26–28E.**
- Margins hold steady:** Profitability remained resilient, supported by stable margins and operating leverage. NII grew +31% YoY/+4% QoQ while calc. NIMs remained steady at 3.6% (-3bps QoQ). Management guided for NIMs staying stable in FY27 within a ±5bps range from current levels. Fee income growth remained strong at +16%/+13% YoY/QoQ. Operating expenses increased +21% YoY but remained largely in line with estimates (+1% JMFe), and management guided for opex growth of ~15–18% in FY27, driven by continued branch expansion. PAT growth was strong at +25%YoY/+8% QoQ, resulting in healthy return ratios - ROA/ROE of ~1.6%/14%. **We expect an avg. RoA/RoE of ~1.5%/14% during FY27/28E.**
- Asset quality strengthens:** Asset quality trends remained encouraging with GNPA/NNPA moderating 23bps/9bps sequentially to multi-year lows, with PCR improving ~25bps QoQ to 64.7%. Credit cost increased to 0.76% (+10bps QoQ), largely due to higher standard asset provisioning of INR 300mn (vs. INR 220mn in Q3, NIL in 4Q25). The bank indicated no visible stress from geopolitical factors and does not expect any material provisioning impact from the transition to ECL norms. **We model in an avg. credit cost of ~70bps over FY27E/28E.**
- Valuation and JM view:** CUBK offers i) balanced 17–18% business growth; ii) stable 3.5% NIM; iii) low credit cost with improving PCR; and iv) 1.5%+ sustainable RoA with strong capital (>20% CAR). These factors support consistent earnings compounding with limited risk. **We expect ~18% loan CAGR during FY26–28E with an avg. RoE of ~14% during FY27/28E and value the bank at 1.7x FY28 P/BV, with a revised target price of INR 320. Maintain BUY.**

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	320
Upside/(Downside)	18.1%
Previous Price Target	280
Change	14%

Key Data – CUBK IN

Current Market Price	INR271
Market cap (bn)	INR201.5/US\$2.1
Free Float (%)	94.9
Shares in issue (mn)	743.0
Diluted share (mn)	743.0
3-mon avg daily val (mn)	INR746.3/US\$8.0
52-week range	INR324/172
Sensex/Nifty	77,304/24,093
INR/US\$	94.2

Price Performance

%	1M	6M	12M
Absolute	6.9	17.1	52.9
Relative*	1.8	28.2	58.7

*To the NSE Nifty 50

Financial Summary

	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Net Profit	10,157	11,236	13,263	15,315	19,608
Net Profit (YoY) (%)	8.3	10.6	18.0	15.5	28.0
PPOP (YoY) (%)	-16.6	10.7	20.0	22.3	24.0
Loan (YoY) (%)	5.7	14.4	26.5	18.9	16.2
Deposit (YoY) (%)	6.2	14.1	23.3	22.9	16.5
ROA (%)	1.5	1.5	1.5	1.5	1.6
ROE (%)	12.8	12.6	13.2	13.6	15.3
EPS (INR)	13.7	15.2	17.9	20.7	26.5
EPS (YoY) (%)	8.3	10.6	18.0	15.5	28.0
P/E (x)	19.8	17.9	15.2	13.1	10.2
BV (INR)	113.4	127.8	142.6	161.2	185.0
BV (YoY) (%)	12.6	12.6	11.6	13.0	14.8
P/BV (x)	2.4	2.1	1.9	1.7	1.5

Source: Company data, JM Financial. Note: Valuations as of April 27, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Q4FY26 trends

Exhibit 1: City Union Bank – 4QFY26 result summary

(INR bn)	4QFY25	3QFY26	4QFY26	YoY (%)	QoQ (%)	4QFY26E	A/E (%)
Net Interest Income	6.0	7.5	7.9	31%	4%	7.6	4%
Other income	2.5	2.5	2.9	16%	18%	2.7	9%
Opex	4.1	4.8	5.0	21%	3%	4.9	1%
Total Income	8.5	10.0	10.8	26%	8%	10.2	5%
Operating Profit	4.4	5.1	5.8	31%	13%	5.3	9%
Provisions (ex-taxes)	0.8	1.0	1.2	54%	25%	1.0	22%
PBT	3.6	4.2	4.6	27%	10%	4.3	6%
PAT	2.9	3.3	3.6	25%	8%	3.4	5%
Loan (Rs bn)	521	609	659	26%	8%	635	4%
Deposit (Rs bn)	635	705	783	23%	11%	775	1%
CD ratio (%)	82.0%	86.4%	84.1%	214 bps	(223) bps	82%	209 bps
Yield on IEA (calc.%)	8.6%	8.5%	8.5%	(10) bps	3 bps	8.5%	(0) bps
Cost of funds (calc.%)	6.0%	5.5%	5.5%	(43) bps	4 bps	5.5%	2 bps
Loan deposit spread (calc.%)	2.7%	3.0%	3.0%	33 bps	(1) bps	3.0%	(2) bps
NIM (calc.%)	3.4%	3.6%	3.6%	23 bps	(3) bps	3.6%	3 bps
NIM reported (%)	3.6%	3.9%	3.9%	27 bps	(2) bps		
Gross Slippages (Rs bn)	2.6	1.9	2.0	-23%	3%	2.5	-21%
Net Slippages (Rs bn)	0.2	0.3	0.5	113%	60%		
Gross Slippages (%)	2.09%	1.38%	1.32%	(77) bps	(6) bps	1.7%	(35) bps
Net Slippages (%)	0.17%	0.20%	0.30%	13 bps	10 bps		
Credit cost (%)	0.61%	0.65%	0.76%	15 bps	10 bps	0.6%	12 bps
RoE (%)	12.4%	13.2%	13.8%	145 bps	65 bps	13.1%	67 bps
RoA (%)	1.53%	1.56%	1.57%	4 bps	1 bps	1.5%	3 bps

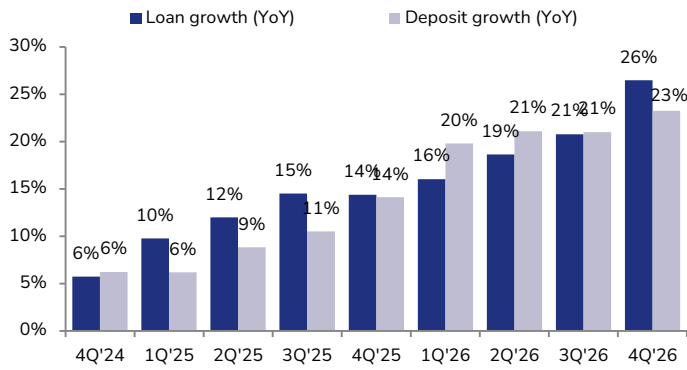
Source: Company, JM Financial

Exhibit 2: Loan book mix and growth

Loan Mix (INR bn)	4QFY25	3QFY26	4QFY26	YoY (%)	QoQ (%)
Agriculture	87.9	96.6	108.4	23.4%	12.2%
Includes Jewel Loans of	76.3	80.1	87.2	14.3%	8.8%
MSME	216.7	238.4	250.0	15.4%	4.9%
Retail traders	6.4	0.8	0.6	-90.7%	-20.3%
Wholesale traders	9.0	3.1	3.2	-64.2%	4.8%
Large Industries	4.8	9.0	5.9	22.8%	-34.7%
Commercial Real Estate	36.5	36.8	49.4	35.3%	34.4%
Loans collateralized by deposits	8.8	8.6	10.1	13.6%	16.3%
Infrastructure	3.4	3.3	3.1	-7.9%	-5.0%
NBFC	14.2	14.3	17.4	22.6%	21.4%
Others	39.3	56.0	60.6	54.2%	8.1%
Retail Loans	103.7	142.1	158.3	52.6%	11.4%
Personal Loans	12.1	23.5	23.7	95.5%	1.0%
Jewel loan (non-agri)	66.5	92.0	107.4	61.6%	16.8%
Housing Loans	25.2	26.7	27.2	8.2%	2.1%
Gross loans	530.7	608.9	667.0	25.7%	9.5%
Loan Mix %					
Agriculture	16.6%	15.9%	16.3%	-0.3%	0.4%
Includes Jewel Loans of	14.4%	13.2%	13.1%	-1.3%	-0.1%
MSME	40.8%	39.1%	37.5%	-3.3%	-1.7%
Retail traders	1.2%	0.1%	0.1%	-1.1%	0.0%
Wholesale traders	1.7%	0.5%	0.5%	-1.2%	0.0%
Large Industries	0.9%	1.5%	0.9%	0.0%	-0.6%
Commercial Real Estate	6.9%	6.0%	7.4%	0.5%	1.4%
Loans collateralized by deposits	1.7%	1.4%	1.5%	-0.2%	0.1%
Infrastructure	0.6%	0.5%	0.5%	-0.2%	-0.1%
NBFC	2.7%	2.4%	2.6%	-0.1%	0.3%
Others	7.4%	9.2%	9.1%	1.7%	-0.1%
Retail Loans	19.5%	23.3%	23.7%	4.2%	0.4%
Personal Loans	2.3%	3.9%	3.6%	1.3%	-0.3%
Jewel loan (non-agri)	12.5%	15.1%	16.1%	3.6%	1.0%
Housing Loans	4.7%	4.4%	4.1%	-0.7%	-0.3%
Gross loans	100.0%	100.0%	100.0%		

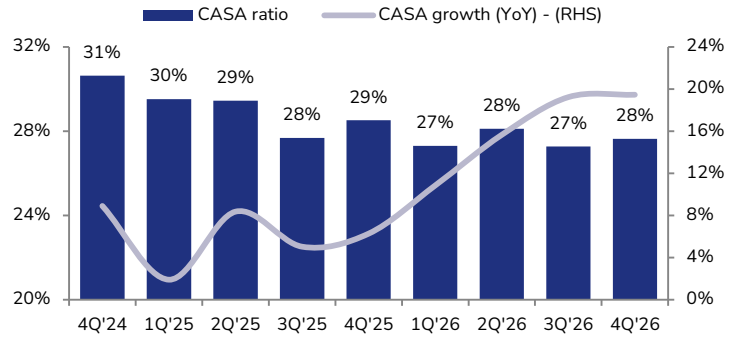
Source: Company, JM Financial

Exhibit 3: Loan and deposit growth trends



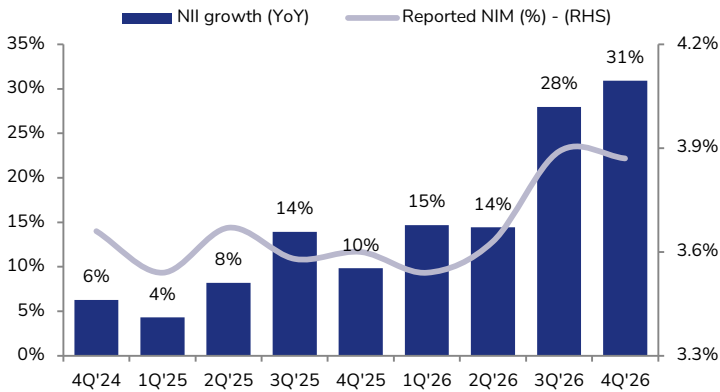
Source: Company, JM Financial

Exhibit 4: CASA deposits trends



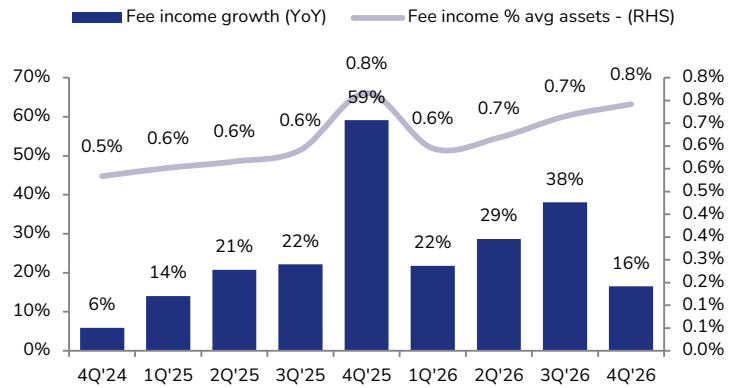
Source: Company, JM Financial

Exhibit 5: NII and NIM trends



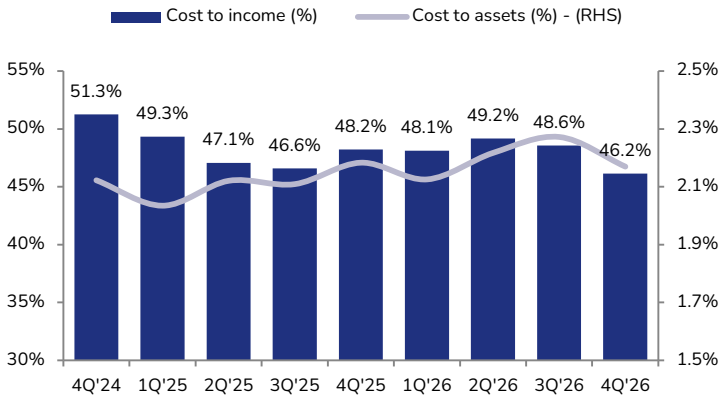
Source: Company, JM Financial

Exhibit 6: Fee income trend



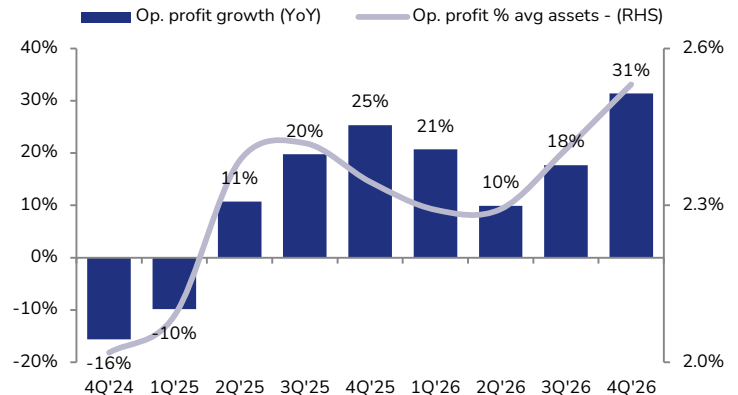
Source: Company, JM Financial

Exhibit 7: Cost ratios' trends



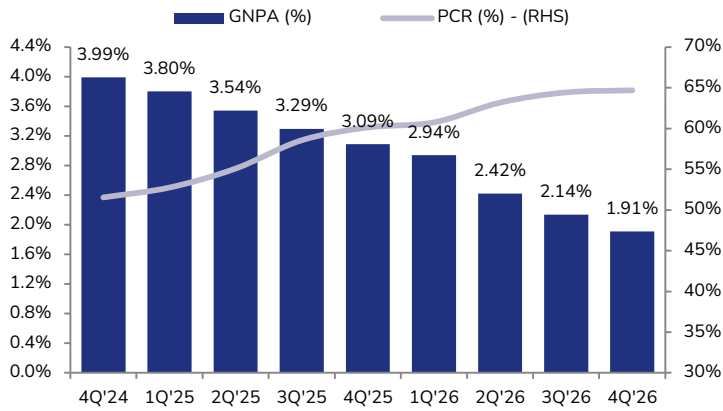
Source: Company, JM Financial

Exhibit 8: Operating profitability trend



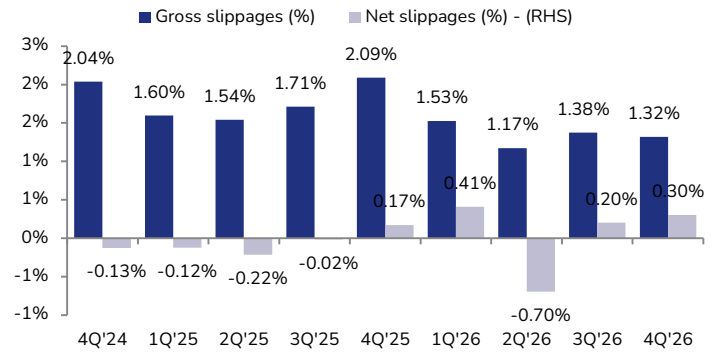
Source: Company, JM Financial

Exhibit 9: Assets quality and PCR trends



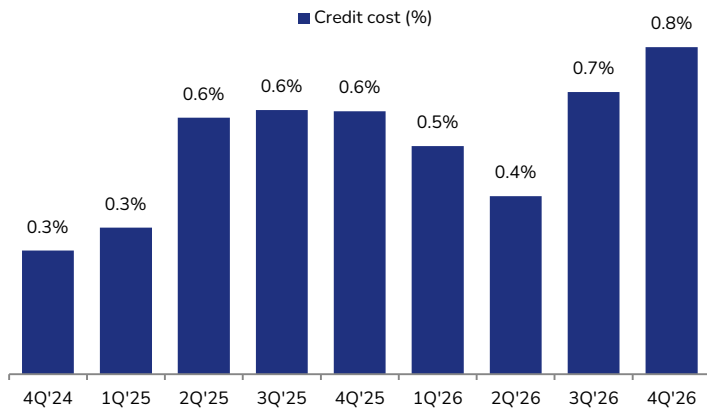
Source: Company, JM Financial

Exhibit 10: Gross/net slippages trends



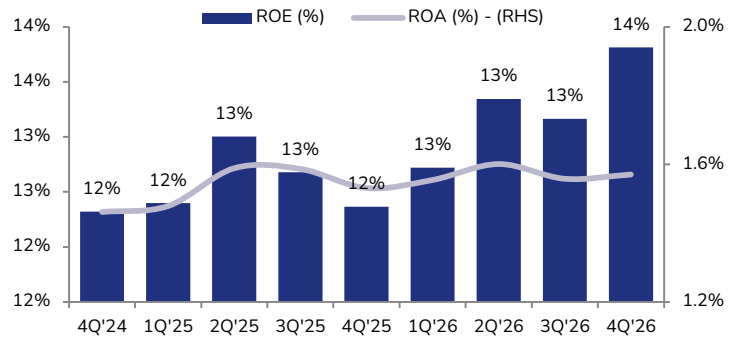
Source: Company, JM Financial

Exhibit 11: Credit cost trend



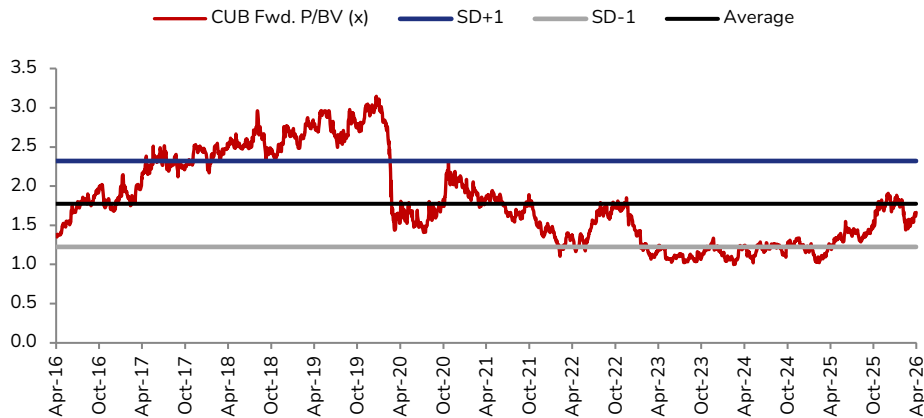
Source: Company, JM Financial

Exhibit 12: Return ratios trends



Source: Company, JM Financial

Exhibit 13: CUBK 1Y forward P/BV



Source: Company, Bloomberg, JM Financial

Exhibit 14: Changes in estimates

	New estimates		Old estimates		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Recommendation	BUY		BUY			
Target price (Rs)	320		280		14%	
Assumptions						
YoY loan growth	18.9%	16.2%	17.5%	16.0%	148 bps	22 bps
Net interest margins (calc.)	3.51%	3.48%	3.46%	3.41%	5 bps	7 bps
Other income to assets	1.03%	1.12%	1.09%	1.17%	(6) bps	(5) bps
Cost to assets	2.07%	2.02%	2.15%	2.07%	(7) bps	(4) bps
Credit cost	0.74%	0.69%	0.64%	0.65%	10 bps	4 bps
Outputs (Rs bn)						
NII	35.6	41.7	33.2	38.9	7%	7%
Other income	10.7	13.9	10.8	13.8	-1%	0%
Opex	21.7	25.0	21.4	24.4	1%	2%
Operating profit	24.6	30.5	22.7	28.3	9%	8%
Provisions	5.3	5.8	4.4	5.3	21%	11%
Net Profit	15.3	19.6	14.5	18.3	5%	7%
EPS (Rs)	20.7	26.5	19.6	24.8	5%	7%
ROA (%)	1.47%	1.59%	1.46%	1.55%	1 bps	4 bps
ROE (%)	13.6%	15.3%	12.9%	14.4%	75 bps	93 bps
BVPS	161.2	185.0	161.3	183.6	0%	1%

Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Interest Income	21,235	23,157	28,299	35,565	41,698	
Profit on Investments	326	552	1,200	700	700	
Exchange Income	718	377	430	494	569	
Fee & Other Income	948	1,384	1,592	1,910	2,388	
Non-Interest Income	7,417	8,981	10,388	10,730	13,859	
Total Income	28,651	32,138	38,687	46,295	55,558	
Operating Expenses	13,484	15,351	18,544	21,660	25,013	
Pre-provisioning Profits	15,167	16,786	20,143	24,635	30,545	
Total Provisions	2,860	2,620	3,430	5,336	5,837	
PBT	12,307	14,166	16,713	19,299	24,708	
Tax	2,150	2,930	3,450	3,984	5,101	
PAT (Pre-Extraordinaries)	10,157	11,236	13,263	15,315	19,608	
Extra ordinaries (Net of Tax)	-	-	-	-	-	
Reported Profits	10,157	11,236	13,263	15,315	19,608	
Dividend paid	1,111	1,482	1,482	1,531	1,961	
Retained Profits	9,046	9,754	11,781	13,783	17,647	

Source: Company, JM Financial

Key Ratios						
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Growth (YoY) (%)						
Deposits	6.2	14.1	23.3	22.9	16.5	
Advances	5.7	14.4	26.5	18.9	16.2	
Total Assets	6.4	9.6	25.0	15.4	20.6	
NII	-1.8	9.1	22.2	25.7	17.2	
Non-interest Income	-8.5	21.1	15.7	3.3	29.2	
Operating Expenses	16.7	13.9	20.8	16.8	15.5	
Operating Profits	-16.6	10.7	20.0	22.3	24.0	
Core Operating profit	-23.0	1.6	23.1	38.5	20.4	
Provisions	-55.3	-8.4	30.9	55.6	9.4	
Reported PAT	8.3	10.6	18.0	15.5	28.0	
Yields / Margins (%)						
Interest Spread	14.25	14.51	14.32	14.57	14.30	
NIM	3.58	3.55	3.67	3.84	3.76	
Profitability (%)						
Non-IR to Income	25.9	27.9	26.9	23.2	24.9	
Cost to Income	47.1	47.8	47.9	46.8	45.0	
ROA	1.48	1.51	1.52	1.47	1.59	
ROE	12.8	12.6	13.2	13.6	15.3	
Asset Quality (%)						
Slippages	2.41	1.83	1.45	1.40	1.40	
Gross NPA	3.99	3.09	1.91	1.65	1.75	
Net NPAs	1.97	1.25	0.68	0.59	0.63	
Provision Coverage	51.5	60.1	64.7	64.5	64.5	
Specific LLP	0.65	0.54	0.58	0.74	0.69	
Net NPAs / Networth	10.7	6.9	4.3	3.9	4.2	
Capital Adequacy (%)						
Tier I	22.8	22.7	20.8	20.4	19.5	
CAR	23.8	23.8	21.9	21.4	20.3	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Equity Capital	741	741	743	743	743	
Reserves & Surplus	83,274	93,925	104,906	118,689	136,336	
Networth	84,014	94,666	105,649	119,432	137,079	
Deposits	556,566	635,260	783,080	962,093	1,120,951	
Borrowings	47,242	21,694	53,268	29,755	46,706	
Other Liabilities	20,436	24,612	28,248	8,764	46,245	
Total - Liabilities	708,259	776,232	970,244	1,120,044	1,350,981	
Investments	156,641	173,361	189,869	218,207	303,591	
Net Advances	455,257	520,813	658,752	783,561	910,773	
Fixed Assets	2,704	3,223	4,685	4,920	5,412	
Other Assets	24,221	25,929	27,667	29,050	31,955	
Total - Assets	708,259	776,232	970,244	1,120,044	1,350,981	

Source: Company, JM Financial

Dupont Analysis						
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
NII / Assets	3.09	3.12	3.24	3.40	3.37	
Other Income / Assets	1.08	1.21	1.19	1.03	1.12	
Total Income / Assets	4.17	4.33	4.43	4.43	4.50	
Cost / Assets	1.96	2.07	2.12	2.07	2.02	
PPP / Assets	2.21	2.26	2.31	2.36	2.47	
Provisions / Assets	0.42	0.35	0.39	0.51	0.47	
PBT / Assets	1.79	1.91	1.91	1.85	2.00	
Tax rate	17.5	20.7	20.6	20.6	20.6	
ROA	1.48	1.51	1.52	1.47	1.59	
RoRWAs	2.92	2.97	2.95	2.85	3.09	
Leverage	8.7	8.3	8.7	9.3	9.6	
ROE	12.8	12.6	13.2	13.6	15.3	

Source: Company, JM Financial

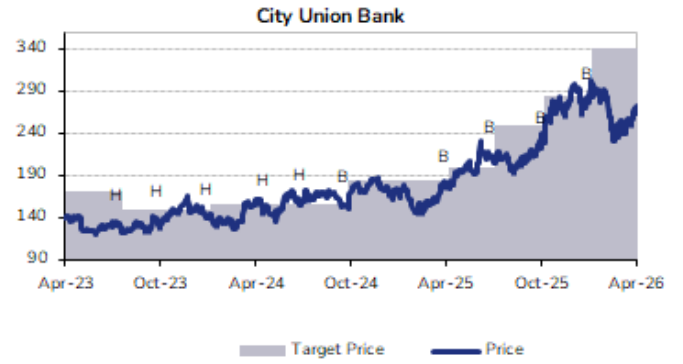
Valuations						
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Shares in Issue (mn)	740.7	741.0	741.0	741.0	741.0	
EPS (INR)	13.7	15.2	17.9	20.7	26.5	
EPS (YoY) (%)	8.3	10.6	18.0	15.5	28.0	
PER (x)	19.8	17.9	15.2	13.1	10.2	
BV (INR)	113.4	127.8	142.6	161.2	185.0	
BV (YoY) (%)	12.6	12.6	11.6	13.0	14.8	
ABV (INR)	-	-	-	-	-	
ABV (YoY) (%)	-	-	-	-	-	
P/BV (x)	2.39	2.12	1.90	1.68	1.47	
P/ABV (x)	-	-	-	-	-	
DPS (INR)	1.5	2.0	2.0	2.1	2.6	
Div. yield (%)	0.6	0.7	0.7	0.8	1.0	

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
2-Feb-26	Buy	340	19.3
4-Nov-25	Buy	285	14.0
31-Jul-25	Buy	250	25.0
4-May-25	Buy	200	8.1
22-Oct-24	Buy	185	19.4
28-Jul-24	Hold	155	0.0
21-May-24	Hold	155	0.0
1-Feb-24	Hold	155	3.3
29-Oct-23	Hold	150	0.0
13-Aug-23	Hold	150	-11.8
15-Feb-23	Hold	170	-10.5
6-Nov-22	Hold	190	2.7
9-Aug-22	Hold	185	0.0
29-May-22	Hold	185	0.0
5-Feb-22	Hold	185	-2.6
14-Nov-21	Hold	190	8.6
8-Aug-21	Hold	175	0.0
30-May-21	Hold	175	9.4
2-Nov-20	Hold	160	39.1
13-Aug-20	Hold	115	

Recommendation History Chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	Meaning
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SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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