

BUY**TP: Rs 313 | ▲ 18%****CITY UNION BANK**

| Banking

| 09 December 2025

Transformative execution: Visible gains in growth, AQ & returns

- **Advances growth to remain above system levels; AQ improving with NNPA ratio at multi-quarter low**
- **Sustainable return metrics with consistent ROA delivery of ~1.5% in last 3 years and are expected to remain relatively better vs peers**
- **Initiating coverage on CUBK with a BUY and TP of Rs 313 (1.8x Dec'27E ABV)**

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Advances growth to remain above system levels: CUBK witnessed a muted loan CAGR of 8% — the lowest among peers during FY21-24. However, the bank undertook several initiatives such as digitalisation of retail lending process in FY23 and engagement with BCG to improve process flow and automate credit underwriting in MSME and retail segments in FY24. This resulted in capacity expansion in MSME and retail segments, along with improvement in TAT, which led to above-system loan growth (14.4% YoY in FY25 and 18.6% YoY in Q2FY26). We expect loans to grow at a CAGR of 16.7% in FY25-28E, driven by capacity expansion, uptick in gold loans and traction from secured retail started in FY25.

AQ improving with NNPA ratio at multi-quarter low: CUBK's stressed assets declined significantly to ~Rs 18.8bn (3.3% of net loans) in Q2FY26 vs ~Rs 38.1bn (10.5%) in FY21. The improvement was largely driven by reduction in: a) restructured standard book to Rs 5.9bn (1% of gross loans) as of Q2FY26 vs Rs 18.5bn (5%) in FY21 b) GNPA of 2.4% (-57bps QoQ) as of Q2FY26 vs 5.1% in FY21, and c) SMA 2 book of 1.3% (Q2FY26) vs 2.1% (FY21). Hence, the bank reported multi-quarter low net NPA of 0.9% (-30bps QoQ) as of Q2FY26.

Management does not foresee any undue stress in the MSME book (~40% of gross loans) in the near term and expects negative net slippage in 2HFY26 and restructured book to be negligible by the time ECL norms are implemented. We expect AQ to improve with GNPA/NNPA of ~1.8%/ 0.6% by FY28E.

Sustainable return metrics to stay better vs peers: CUBK's operating profit / ATA remains relatively better vs peers at 2.4% in Q2FY26, supported by steady NIMs at 3.63% (+9bps QoQ) and lower C/I ratio (49.2%) in Q2FY26. Also, improvement in credit costs (0.5% in FY25 vs 2.2% in FY21) aided the return profile with a consistent ROA delivery of ~1.5% and RoE of 12.5%+ in the last 3 years.

Initiate with BUY and TP of Rs 313: CUBK's strong capital position, above-system credit growth, and improving AQ metrics — resulted in an improvement in its return profile. We expect the bank to report RoA/RoE of 1.6%/13.7% by FY28E. Initiate coverage with BUY rating & TP of Rs 313 (1.8x Dec'27E ABV) vs. 5Y avg of 1.6x.

Ticker/Price	CUBK IN/Rs 265
Market cap	US\$ 2.2bn
Free float	100%
3M ADV	US\$ 9.3mn
52wk high/low	Rs 284/Rs 143
Promoter/FPI/DII	0%/26%/37%

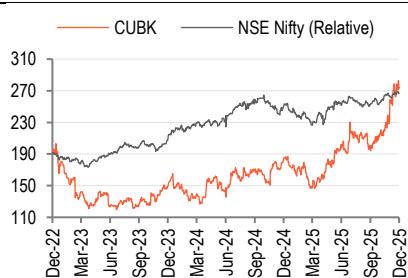
Source: NSE | Price as of 8 Dec 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NII (Rs mn)	23,157	26,952	32,003
NII growth (%)	9.1	16.4	18.7
Adj. net profit (Rs mn)	11,236	13,141	15,173
EPS (Rs)	15.2	17.7	20.5
Consensus EPS (Rs)	15.2	17.6	20.0
P/E (x)	17.5	14.9	12.9
P/BV (x)	2.1	1.8	1.6
ROA (%)	1.5	1.6	1.6
ROE (%)	12.6	13.1	13.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

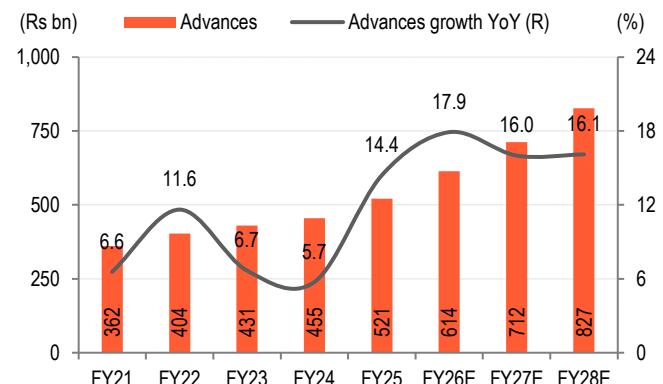


Source: NSE



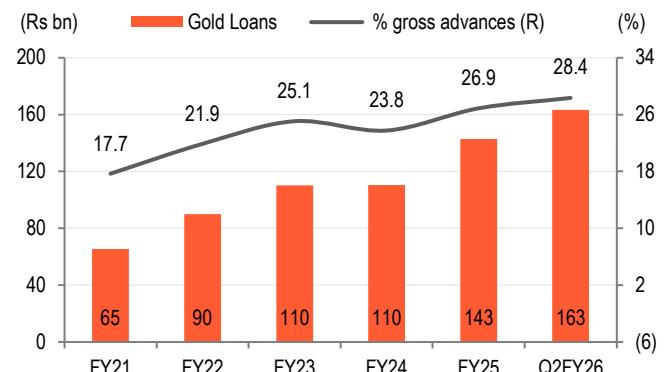
Story in charts

Fig 1 – Advances growth expected at a CAGR of ~16.7% during FY25-FY28E, supported by capacity expansion...



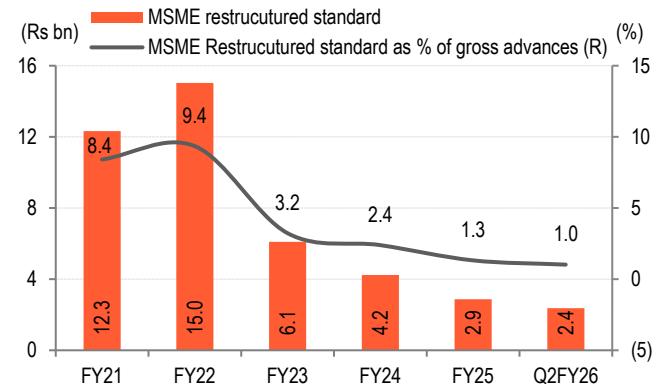
Source: Company, BOBCAPS Research

Fig 2 – ...of which, gold loan accounts for ~28.4% of the overall mix, which is a fixed rate book and supports NIMs



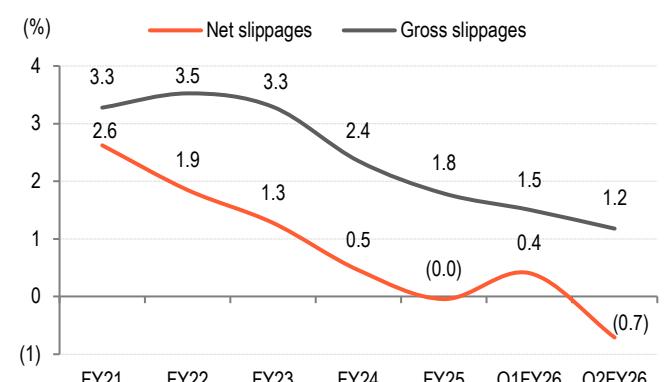
Source: Company, BOBCAPS Research

Fig 3 – MSME segment (40% of loan mix) witnessed drastic improvement in AQ over the years



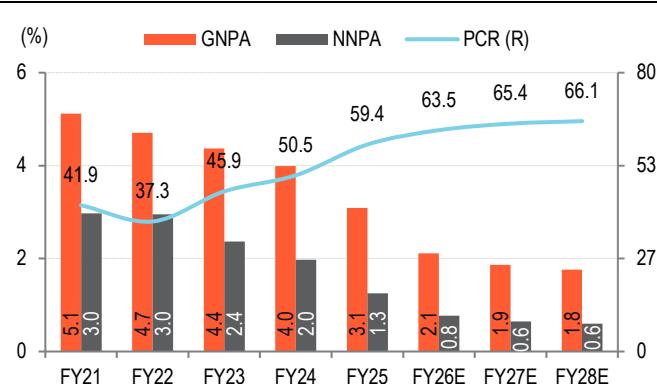
Source: Company, BOBCAPS Research

Fig 4 – Net slippages likely to stay negative in 2HFY26 with recoveries & upgrades > slippages



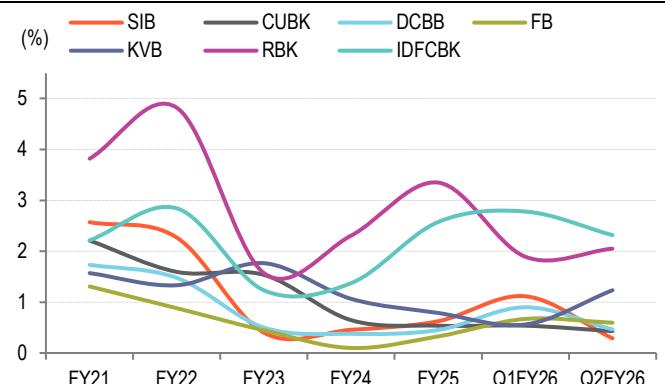
Source: Company, BOBCAPS Research

Fig 5 – Asset quality set to improve

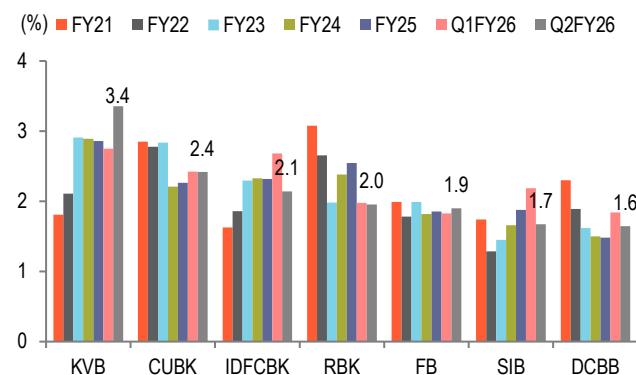
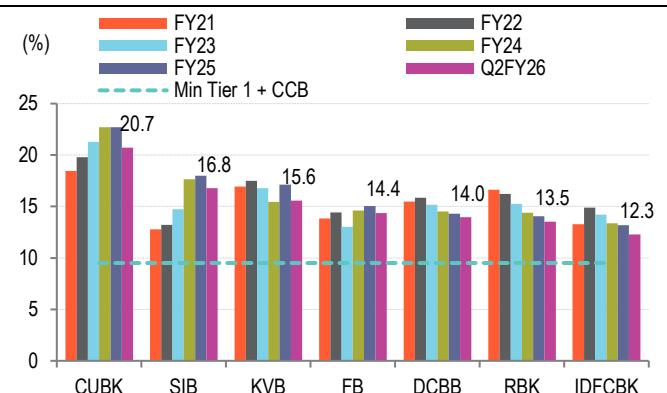
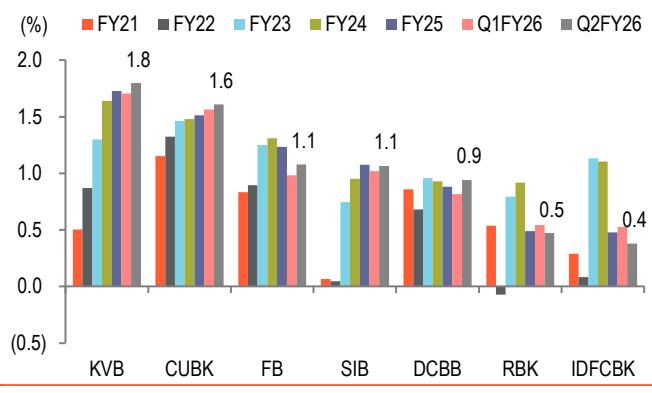
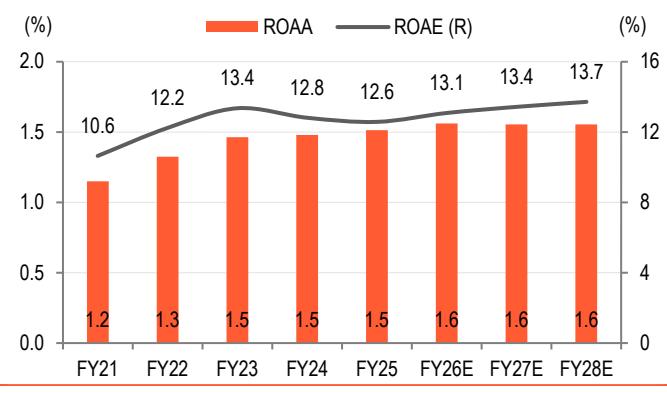


Source: Company, BOBCAPS Research

Fig 6 – Credit cost remains lower vs peers due to lower slippages



Source: Company, BOBCAPS Research

Fig 7 – Operating profit/ avg. total assets better vs peers**Fig 8 – Tier 1 remains the best among peers****Fig 9 – Consistent ROA delivery of ~1.5% in last 3 years and remains better than peer average****Fig 10 – ROA/ROE to sustain its consistent performance**

Advances to grow above system levels, mainly on transformational initiatives

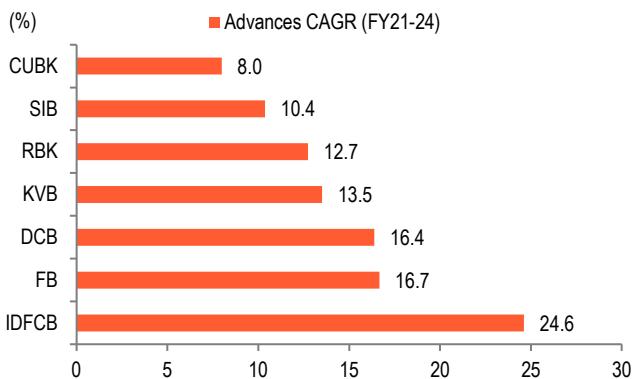
CUBK is a mid-sized private bank, largely focused on secured segments (99.6% in FY25) such as MSME and gold loan. The bank witnessed a muted-loan CAGR of 8% and the lowest among peers during FY21-24. However, the bank undertook several initiatives that resulted in its advance growth improving to 14.4% YoY in FY25, which was above system growth of ~11% YoY. Further, loan growth improved to 18.6% YoY vs system growth of ~11.4% as of Q2FY26. Loan growth was mainly driven by MSME (+26% YoY) and gold loan (+32% YoY) segments, which accounted for 40.1% and 28.4%, respectively of total advances. Management guided that the share of gold and retail segments to be contained at ~30% and ~8-10%, respectively by FY28E.

Steep rise in credit growth was driven by several initiatives such as, a) tie-up with M/s. Newgen Software Technologies Ltd. in FY23 for digitalisation of retail lending process b) engagement with Boston Consulting Group (BCG) in FY24 to improve process flow and automate credit underwriting in MSME and retail segments. The Newgen application takes care of the various steps in loan processing from onboarding a client till disbursement such as fraud check, machine learning (ML) based scorecard, credit assessment report, e-stamping & e-signing, among others. Digital initiatives led to capacity expansion in MSME and retail segments and resulted in a rise in loan applications, in terms of number and quantum. With minimisation of paperwork, turnaround times (TAT) improved materially, resulting in a quick loan approval process, thereby supporting loan growth.

CUBK's advances remain concentrated in South India that accounted for 86% of total advances as of Q2FY26. Of which, Tamil Nadu consisted 67% of total advances as of Q2FY26. We note that the bank is trying to diversify geographically, given that its branch concentration in Tamil Nadu reduced to 63% (Q2FY26) from 69% (FY21). Nevertheless, the bank's advances remain granular with top 20 exposure as % of total exposure was only 5.6% in FY25. Further, a large portion of the CUBK's loan book was cash credit and demand loans at 64% (Sep'25), which remains higher than peers and largely secured.

Management guided advance growth to be ~15-18% in the next couple of years and grow higher vs system levels. The higher loan growth is expected to be mainly supported by a) capacity addition in MSME segment b) sharp uptick in gold loans c) traction from secured retail vertical began in FY25.

Fig 11 – CUBK saw the lowest advances CAGR among peers in FY21-24...



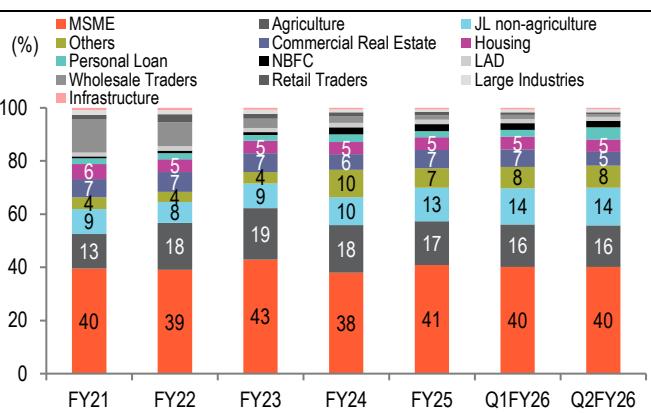
Source: Company, BOBCAPS Research

Fig 12 – ...however, advances growth picked up from FY25 onwards...



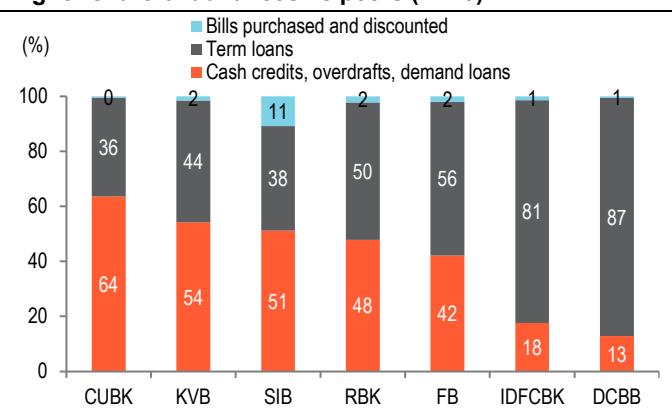
Source: Company, BOBCAPS Research

Fig 13 – ...largely led by MSME and gold segments



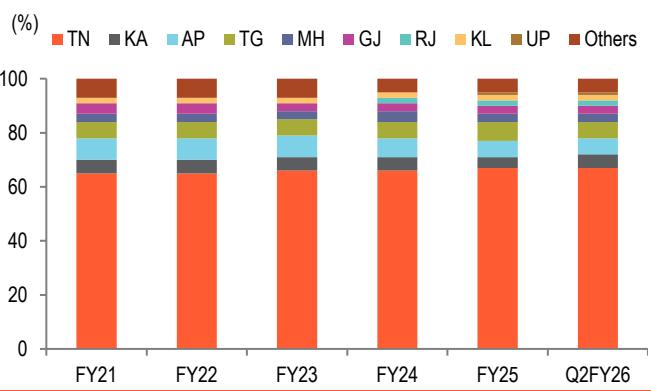
Source: Company, BOBCAPS Research

Fig 14 – Cash credit and demand loans accounted for higher share of advances vs peers (FY25)



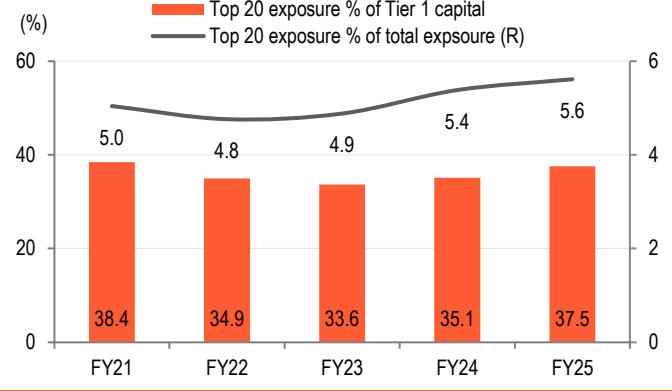
Source: Company, BOBCAPS Research

Fig 15 – Advances remain concentrated with Tamil Nadu at ~67% of total...



Source: Company, BOBCAPS Research

Fig 16 – ...however, loan book remains granular



Source: Company, BOBCAPS Research

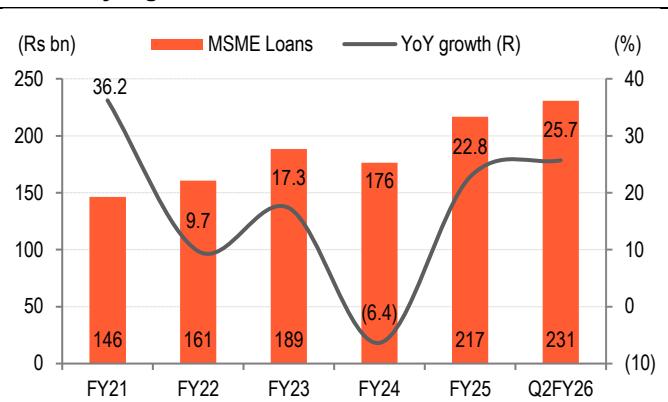
MSME – core strength and focus (40% of loan mix)

MSME remains the largest segment and the core strength of CUBK, which accounted for 38-43% of total gross advances during FY21-Q2FY26. MSME segment witnessed high growth of 25.7% YoY in Q2FY26 to Rs 231bn as of Q2FY26. CUBK sources MSME loans completely through branches (organically) and does not use third parties (inorganic channels). Until the ticket size of Rs 75mn, MSME loans are disbursed digitally. Further, the turnaround time for MSME loans has been reduced to 2 days vs 6-8 days in FY24. Consequently, MSME case logins per month doubled, which aided the high loan growth. MSME segment yields high rate of interest in the range of 11.75% - 17.0% p.a. and has low business acquisition costs.

We note that CUBK faces competition from large size banks in the MSME segment. However, CUBK fares better than peers given its regular client servicing as this segment is largely based on relationship. Further, the bank secured a commitment from IFC of USD 50mn to finance MSMEs in their transition to renewable energy segment (solar or wind). This is a term loan for three years with a bullet repayment option. CUBK had financed Rs 5bn till date and expects to ramp up the renewable energy portfolio to Rs 25bn in the next 24-30 months.

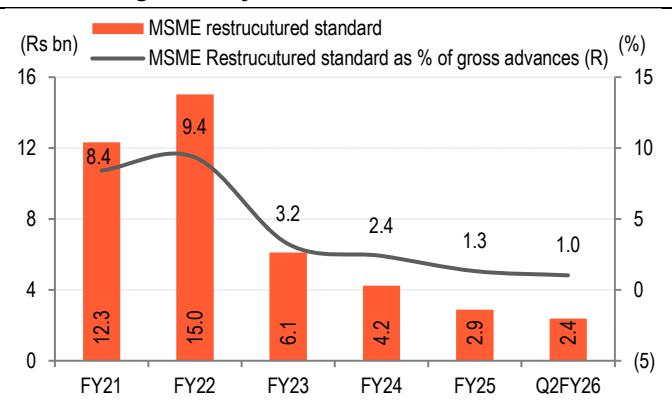
MSME restructured standard advances declined significantly to Rs 2.4bn or 1% of MSME loans as of Q2FY26 vs a high of Rs 15bn or 9.4% as of FY22. As a result, share of MSME restructured standard advances declined to 40% of total restructured standard advances as of Q2FY26 from 69% in FY22. We note that MSME loans are secured and are typically collateralised by residential property and personal guarantees, thereby supporting asset quality.

Fig 17 – MSME advances growing at a high pace mainly driven by higher TAT



Source: Company, BOBCAPS Research

Fig 18 – MSME's restructured standard advances declined significantly



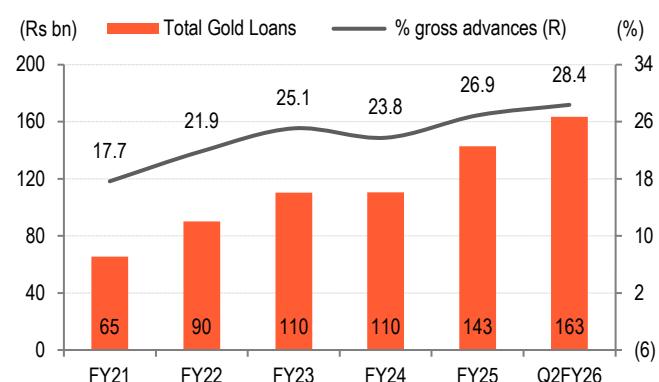
Source: Company, BOBCAPS Research

Gold loans – rising share of fixed rate book supporting NIMs

CUBK's gold loan portfolio increased sharply by 32% YoY to Rs 163bn, as of Sep'25. As a result, share of gold segment increased to 28.4% (Sep'25) vs. 17.7% (FY21). Gold portfolio has two sub-segments: a) Gold Loan – Agriculture b) Gold Loan – Non-Agriculture. Both sub-segments contribute equally to overall gold, as of Sep'25. Also, the bank provides overdraft facility against pledge of gold. Average ticket size of Gold Loan – Agriculture and Gold Loan – Non-Agriculture is Rs 0.125mn and Rs 0.25mn, respectively. Rates of interest charged by the bank in Gold Loan – Agriculture, Gold Loan – Non-Agriculture and overdraft facility against pledge of gold were 10.25%, 11-12.25% and 11.7%, respectively.

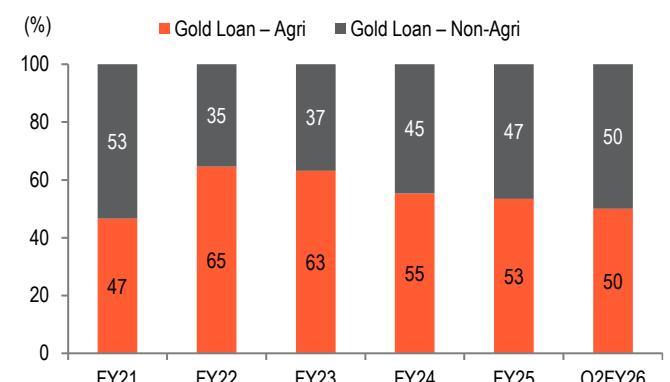
Fixed rate of interest in gold loans cushions the bank's NIMs in a falling interest rate scenario. As per RBI regulations, the borrower is required to maintain loan to value (LTV) of 75% throughout its loan tenure. CUBK requests for part repayment or additional collateral in case the LTV crosses 72%. While the bank's average LTV for gold loan was ~61%, thereby providing cushion in case of any fall in gold prices. Also, gold portfolio has a negligible GNPA ratio of 0.04% as of Sep'25, which supports the bank's overall asset quality. Further, gold loan attracts zero risk weight, which supports the bank's high capital ratios with Tier I of 20.7% (Sep'25).

Fig 19 – Gold portfolio – steep rise in share of gold loans



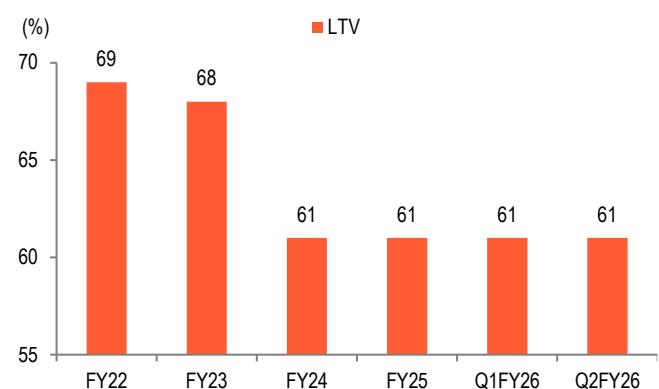
Source: Company, BOBCAPS Research

Fig 20 – Gold mix – rising share of non-agri gold portfolio



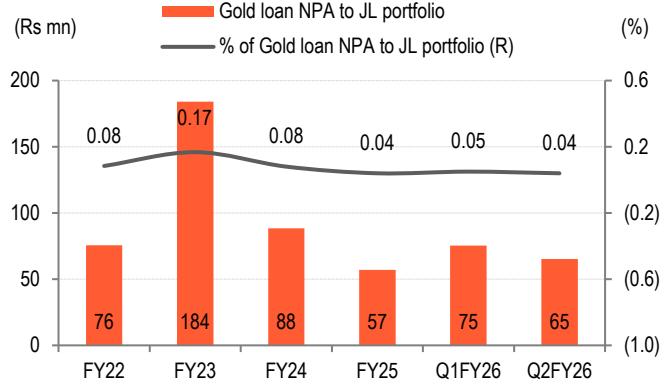
Source: Company, BOBCAPS Research

Fig 21 – LTV at ~61% provides ample cushion against adverse gold price movement



Source: Company, BOBCAPS Research

Fig 22 – Gold loan NPA% remains marginal

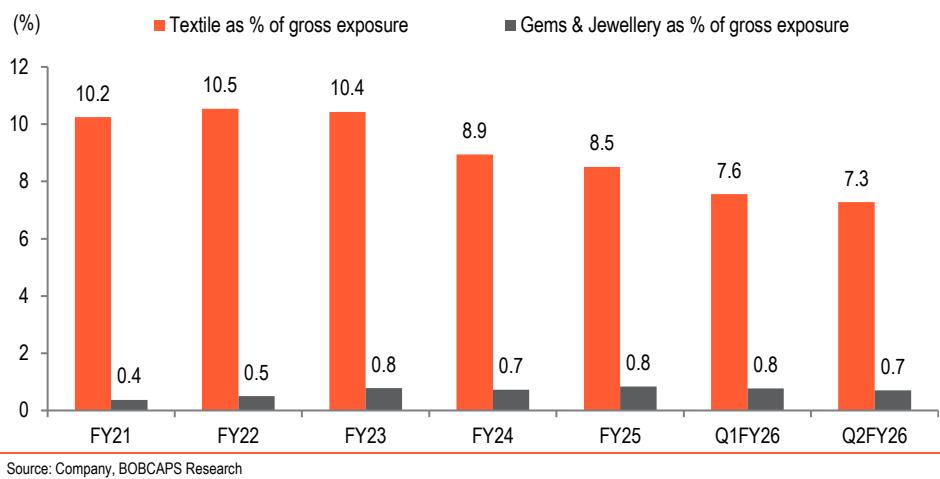


Source: Company, BOBCAPS Research

U.S. tariffs imposition – CUBK's share to U.S. exports remains low but monitorable

CUBK had exposure to U.S. exports of ~Rs 1.5bn or 0.27% of gross advances as of Sep'25. These exposures were mainly to exporting industries to U.S. such as textile, food processing, gems & jewellery and metal industries. Of these, textile sector remains the major exporter to U.S. at around 0.12% of gross advances, as of Sep'25. We note that the bank's exposure to textile declined to 7.3% of gross exposure as of Q2FY26 vs 10.2% as of FY21. Exposure to gems & jewellery remains low at 0.7%. Low share of exposure to U.S. region, coupled with borrowers looking to diversify away from U.S. market to other countries, gives comfort in terms of asset quality, but remains monitorable.

Fig 23 – Declining exposure of sectors impacted due to U.S. tariffs increase



Asset quality metrics improving with NNPA ratio at multi-quarter low

CUBK's asset quality improved with GNPA ratio of 2.4% (-57bps QoQ), as of Q2FY26 vs a high of 5.1% in FY21. Improvement in asset quality was due to lower slippage and increase in recovery and upgrades. Slippages ratio declined to 1.2% in Q2FY26 from 3.3% in FY21. This improvement was mainly led by mostly single banker relationships with lower exposure to consortium and infrastructure lending, granular loan book profile and high share of collateralised advances. Also, the bank created a dedicated monitoring team, which tracks the day-to-day behavior, cash-flow patterns and other metrics of the borrowers on a regular basis and acts as early warning signals.

In addition, the bank witnessed high recovery and upgrades of 48% (annualised) of opening GNPA in H1FY26 vs 42%+ in the last three years. As a result, the bank's net slippages (slippages – recovery & upgrades) turned negative to Rs 941mn in Q2FY26. Also, the bank reported write-off of Rs 2,041mn in H1FY26, which was higher than full year amount of Rs 1,968mn in FY25. Further, the bank's provision coverage ratio improved to 63.2% (+2.4% QoQ) in Q2FY26, although it remains lower than peer average of ~72%. Consequently, the bank reported multi-quarter low net NPA ratio of 0.9% (-30bps QoQ) as of Q2FY26. Management expects the bank to report negative net slippage (recovery > slippages) in 2HFY26 as well.

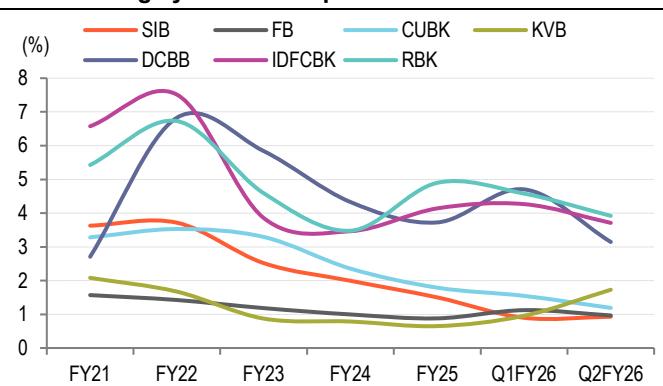
We note that CUBK's stressed assets declined significantly to ~Rs 18.8bn as of Q2FY26 compared to ~Rs 38.1bn as of FY21. Hence, stressed assets to net advances and CET I capital improved considerably to 3.3% and 20.8%, respectively as of Q2FY26 vs 10.5% and 68.5%, respectively as of FY21. This improvement was largely driven by significant reduction in restructured standard book to Rs 5.9bn or 1% of gross advances as of Q2FY26 vs Rs 18.5bn or 5% in FY21. A large part of the restructured standard book was from the MSME segment at 40% of total, as of Q2FY26. MSME segment witnessed an improvement in the restructured standard book to MSME book, which declined to 1% (Q2FY26) from a high of 8.4% (FY21). Also, the SMA 2 improved to 1.3% (Q2FY26) vs 2% (FY21) through higher client follow-ups. Management does not foresee any undue stress in the MSME book in the near term and expects the restructured portfolio to be negligible by the time ECL norms are implemented. Overall, we expect the bank's asset quality to improve and report GNPA/NNPA of ~1.8% / 0.6% by FY28E.

Fig 24 – AQ improved due to lower slippage and higher reductions...

GNPA Movement	FY23	FY24	FY25	Q1FY26	Q2FY26
Opening GNPA	19,332	19,202	18,544	16,382	16,170
Additions (Slippages)	13,290	10,135	8,150	1,963	1,565
Upgradation	2,362	3,104	2,529	348	1,114
Recoveries	5,763	5,054	5,815	1,083	1,392
Write Off	5,296	2,635	1,968	744	1,297
Closing GNPA	19,202	18,544	16,382	16,170	13,932
GNPA (%)	4.4	4.0	3.1	3.0	2.4
NNPA (%)	2.4	2.0	1.3	1.2	0.9
Slippage ratio%	3.3	2.4	1.8	1.5	1.2
Recoveries & Upgrades (%) ^	42.0	42.5	45.0	34.9	62.0
Write-offs (%) ^	27.4	13.7	10.6	18.2	32.1

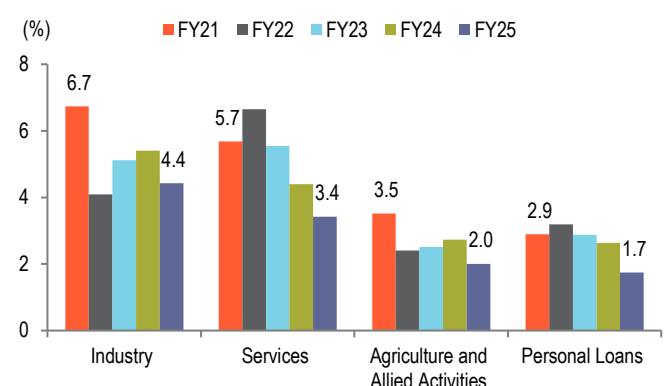
Source: Company, BOBCAPS Research | ^ Calculated on opening GNPA

Fig 26 – ...driven by improvement in slippage ratio that remains largely in line with peers...



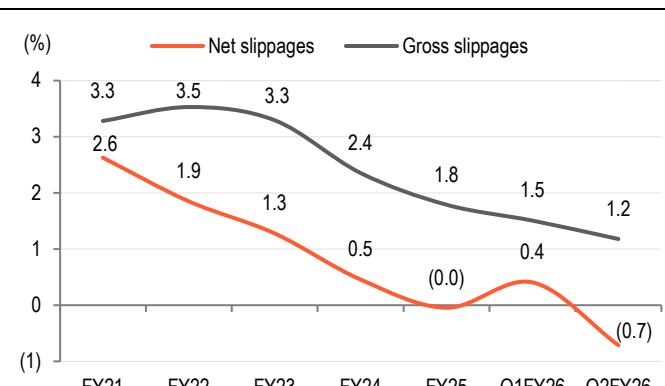
Source: Company, BOBCAPS Research

Fig 25 – ...GNPA ratio improved across segments...



Source: Company, BOBCAPS Research

Fig 27 – ...while net slippages turned negative in Q2FY26

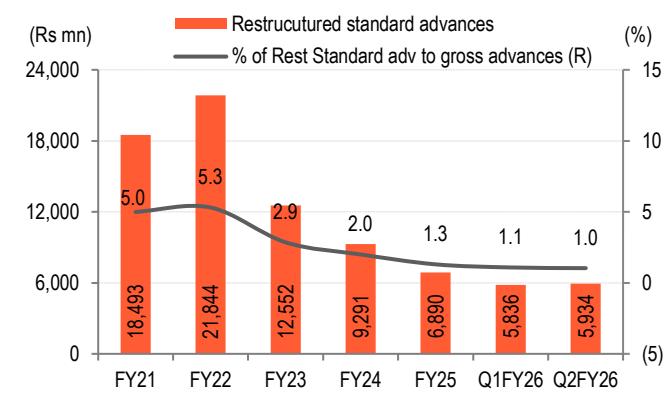


Source: Company, BOBCAPS Research

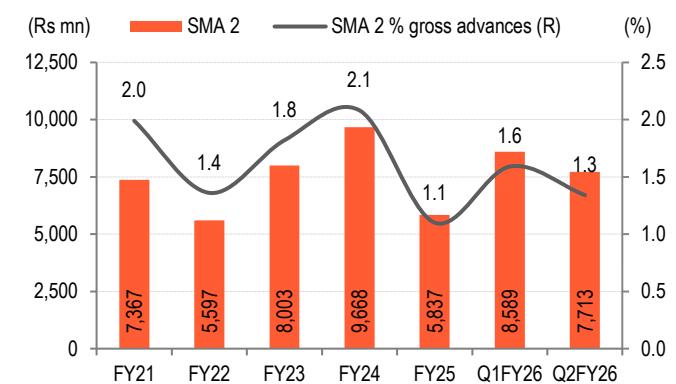
Fig 28 – CUBK's stress book improved significantly in the last few years

Particulars (Rs bn)	FY21	FY22	FY23	FY24	FY25	Q1FY26	Q2FY26
SMA-2	7.4	5.6	8.0	9.7	5.8	8.6	7.7
Standard restructured assets	18.5	21.8	12.6	9.3	6.9	5.8	5.9
Net NPA	10.8	11.9	10.2	9.0	6.5	6.3	5.1
Security Receipts (SR)	1.4	0.9	0.0	0.3	0.3	NA	NA
Non-Performing Investments (NPI)	0.02	0.04	0.04	0.04	0.02	NA	NA
Total stress (TS)	38.1	40.3	30.8	28.3	19.6	20.8	18.8
TS % CET 1	68.5	63.8	42.9	34.9	21.6	23.0	20.8
TS % of Net advances	10.5	10.0	7.1	6.2	3.8	3.9	3.3
TS % Standard advances	10.8	10.2	7.3	6.3	3.8	4.0	3.4

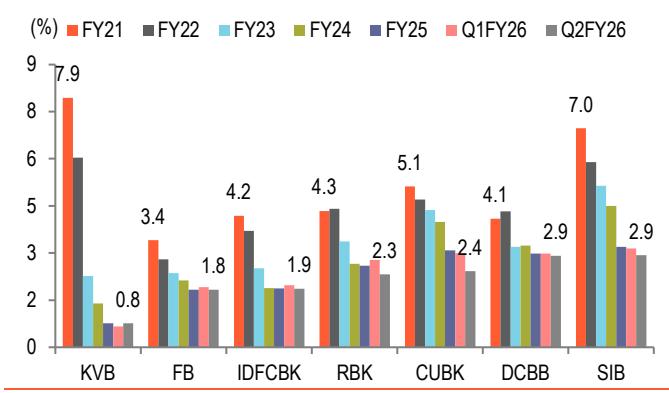
Source: Company, BOBCAPS Research

Fig 29 – Restructured book improved significantly

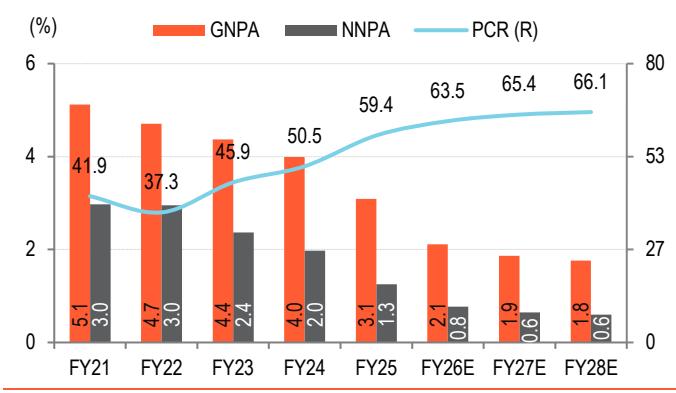
Source: Company, BOBCAPS Research

Fig 30 – SMA 2 improving due to higher client follow-ups

Source: Company, BOBCAPS Research

Fig 31 – CUBK's GNPA ratio improved, but was relatively higher vs peers

Source: Company, BOBCAPS Research

Fig 32 – Overall asset quality set to improve

Source: Company, BOBCAPS Research

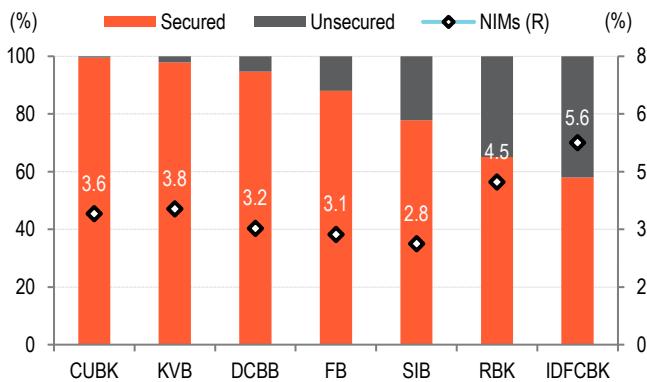
Profitability profile remains healthy, aided by steady NIMs and benign credit costs

Despite a higher share of secured book at 99%+, CUBK reported steady and relatively better NIMs vs peers in the range of 3.6%-4.0% during FY21-25. Further, the bank's NIMs improved to 3.63% (+9bps QoQ) in Q2FY26, driven by a) early shifting of gold loans (28.4% of gross loans) to fixed rate from floating in Jul'24, b) faster re-pricing of deposits to 5.7% (-24bps QoQ), c) recoveries from NPA accounts (Rs 2.5bn), and d) borrowings of Rs 8bn (37% of borrowings as of Sep'25) matured and were repriced lower at 6.5% from 8%. In addition, the bank's focus on relatively high-yielding SME and MSME segments, high share of cash credit and demand loans (64% of net loans in Q2FY26), which are high-yielding and short term in nature, allow faster re-pricing and thereby supports NIMs. Management expects NIMs to be stable with a positive bias in the range of 3.5%+ in FY26, despite RBI's recent rate cut by 25bps. This is likely to be supported by a) repricing of term deposits of ~Rs 180bn (~26% of total deposits) in 2HFY26 to result in lower cost of fund b) benefit from CRR cut c) lower pressure on yield on advances.

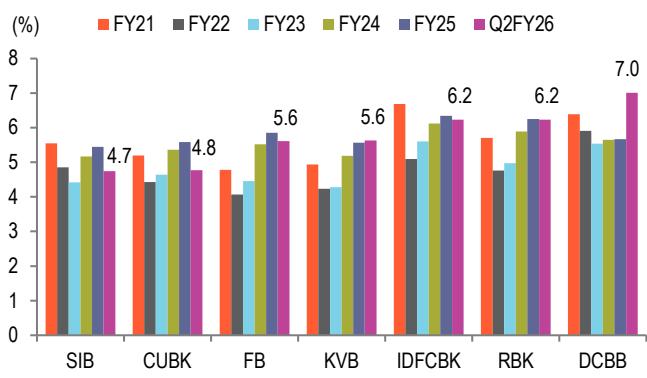
CUBK's cost to income ratio increased substantially to 47.1% in FY24 vs 38.9% in FY23, mainly due to investments in employee and technology related to its foray into retail assets vertical. Management stated this vertical reporting a loss of Rs 300-400mn in FY25 as the capacity was created. However, this vertical is expected to breakeven in FY26 and is likely to yield profitability in FY27/FY28E. The bank reported cost to income ratio of 49.2% in Q2FY26, which remains better vs peers. Management expects to report cost to income ratio in the range of 48-50% in FY26.

Credit cost declined to 0.4% (-11bps QoQ) in Q2FY26, due to improvement in slippages. With management expectation of negative net slippage in H2FY26, credit cost is expected to be moderate in FY26. The bank created ECL contingency provision of Rs 100mn in Q2FY26. Management expects that the additional provisioning requirement basis draft ECL guidelines to be manageable given Stage 3 assets which are equivalent to NPA as per current norms have adequate PCR (63.2% - Q2FY26) and does not require material additional provisions. Also, Stage 2 assets include SMA1, SMA2, & unavailed portion in these respective buckets and restructured loans, wherein the share of restructured standard loans have declined materially to 1% of gross loans in Q2FY26 vs. 5% in FY21, and the bank expects it to be negligible by the time ECL is implemented. Further, SMA2 declined to 1.3% (Q2FY26) vs 2% (Q2FY25); however, there could be some additional provision required on SMA book and its unavailed portion. The bank already has a provision of Rs 1bn for Stage 2 assets as per IRAC norms. With Stage 1 assets, which are largely standard assets, there could be 10-20 bps additional provision requirement as per ECL. Hence, the overall provisioning impact due to ECL transition seems to be manageable. We expect the credit cost to be in the range of 0.5-0.6% during FY26-FY28E.

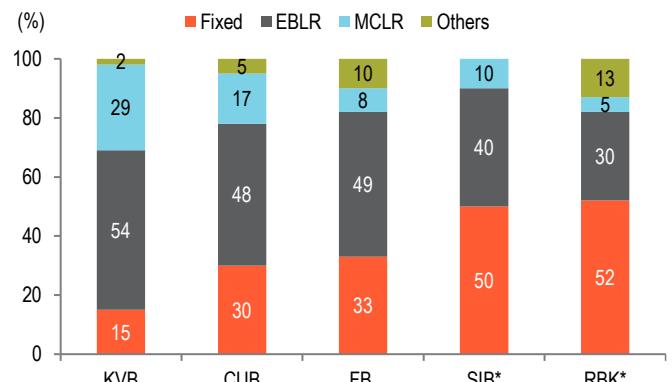
CUBK's operating profit / ATA remains relatively better vs peers at 2.4% in Q2FY26, supported by steady NIMs and lower cost to income ratio vs peers. Management stated that recovery from TWO pool (Rs 13.3bn as of FY25) continues to be steady at Rs 2bn/year or 0.2% of RoA. This, along with improvement in credit costs (0.5% in FY25 vs 2.2% in FY21), aided return profile. As a result, CUBK reported consistent ROA of ~1.5% and RoE of 12.5%+ in the last 3 years, which remains relatively better vs peers. We estimate the bank to report healthy earning profile, supported by steady NIMs and benign credit cost with RoA of 1.5%+ and RoE of 13%+ during FY26-28E.

Fig 33 – Despite higher secured loan mix, CUBK reported relatively better NIMs vs peers in Q2FY26...


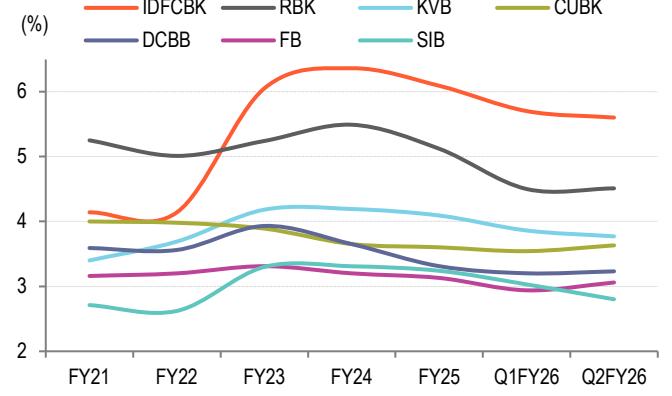
Source: Company, BOBCAPS Research | Loan mix is as of FY25

Fig 35 – ...CUBK's CoF remains lower vs. peers...


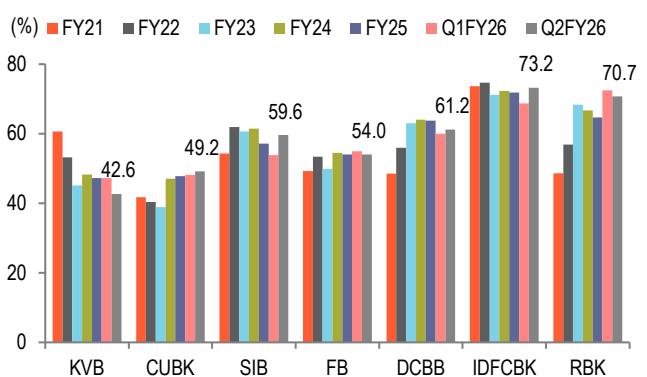
Source: Company, BOBCAPS Research

Fig 34 – ...supported by higher share of fixed rate gold book


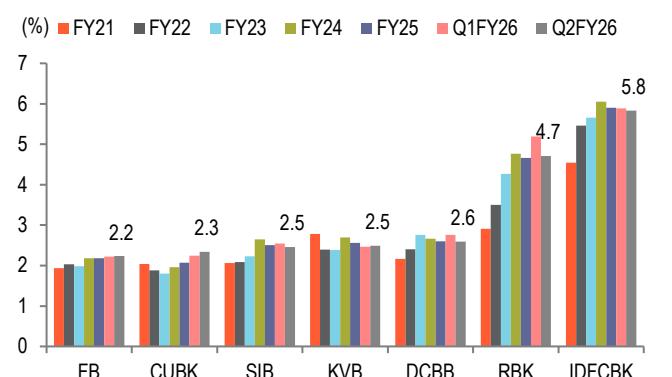
Source: Company, BOBCAPS Research | * RBK & SIB data is for Q1FY26

Fig 36 – ...resulting in relatively steady NIMs historically


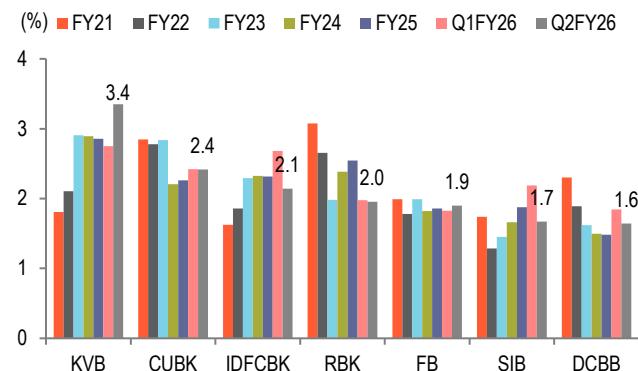
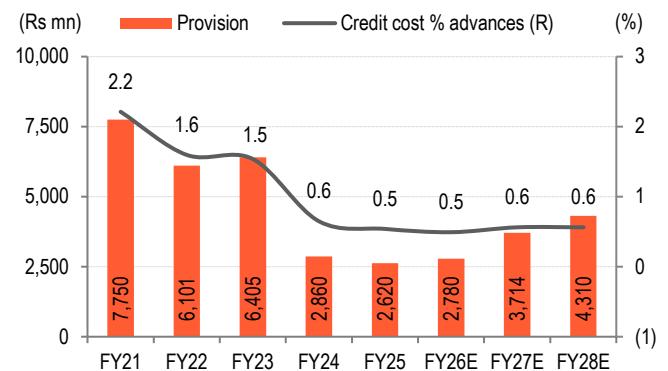
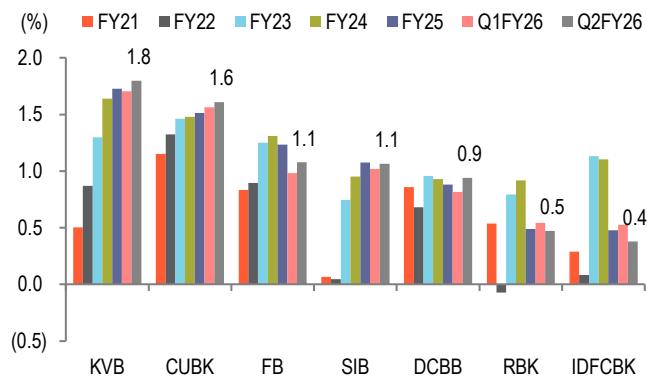
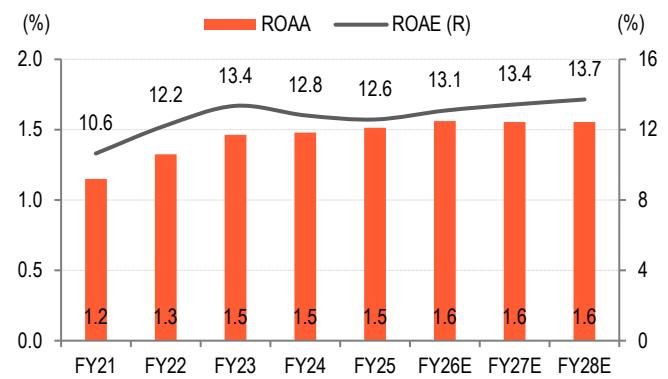
Source: Company, BOBCAPS Research

Fig 37 – CUBK's C/I ratio better vs peers and...


Source: Company, BOBCAPS Research

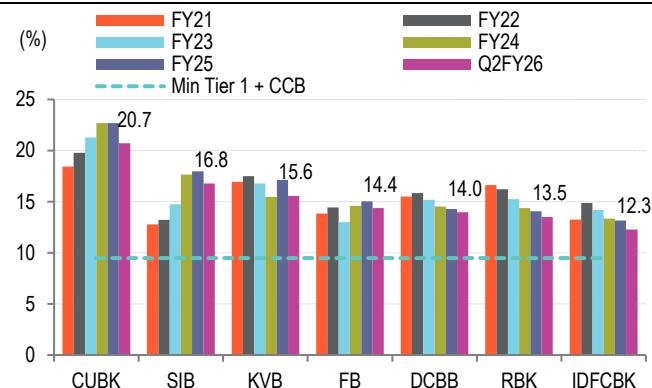
Fig 38 – ...opex/ ATA better vs peers...


Source: Company, BOBCAPS Research

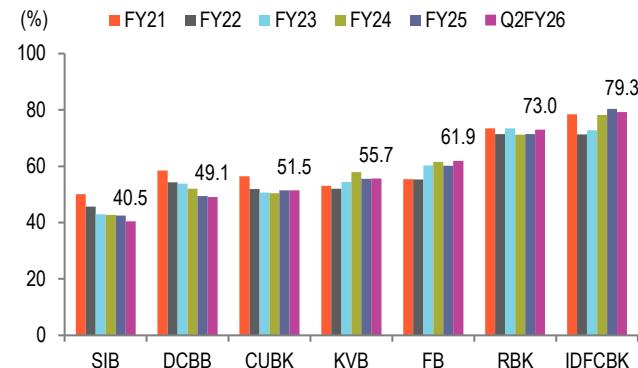
Fig 39 – ...leading to better operating profit/ ATA vs peers**Fig 40 – Credit cost has improved gradually****Fig 41 – Consistent ROA delivery of ~1.5% in last 3 years and remains better than peer average****Fig 42 – Return metrics to be supported by steady NIMs and lower credit cost**

Strong capital position on healthy return profile and high share of gold loans

CUBK's capital profile remains strong and better than peers with Tier I of 20.7% vs peer avg of ~14.4%, as of Sep'25. The strong capital position came on the back of healthy return ratios (RoE of 13.4% in Q2 FY26), coupled with its advance mix, wherein gold loans accounted for 28.4% of gross advances as of Sep'25, which attracts nil risk weights. Hence, the bank's RWA to total assets remains low at 51.5% as of Sep'25. Last capital raise was in FY2015, post which the bank's adequate internal accruals supported credit growth. We expect CUBK's capital profile to stay strong, supported by its return profile with no additional capital requirement in the near term.

Fig 43 – CUBK's Tier 1 best amongst peers; remains sufficient to fuel growth


Source: Company, BOBCAPS Research

Fig 44 – RWA/assets of CUBK stands at a better position vs peers, driven by loan mix


Source: Company, BOBCAPS Research

Company Overview

CUBK is one of the oldest private sector banks in India and was incorporated in 1904. The bank was incorporated by 20 citizens of Kumbakonam, Tamil Nadu as The Kumbakonam Bank Ltd. Headquartered in Kumbakonam, CUBK operates pan-India through 889 branches and 1,709 ATMs (as of September 30, 2025). However, ~83% of its branches are concentrated in South India. The bank holds a 0.3% market share in both net advances and total deposits as of Sept'25.

Management

CUBK's board of directors consists of 11 directors, of which 8 are independent directors (including a women director) as of March 2025. A brief profile of the key management personnel is as below.

Fig 45 – Management profile

Name	Position	Background & Experience
Mr. G. Mahalingam	Non - Executive Part-time Chairman (Independent)	A seasoned professional with 39 years of experience (34 years in RBI and 5 years in SEBI). He served as Whole-time member at SEBI and earlier as Executive Director at RBI, overseeing market operations, banking regulation, and supervision. He has deep expertise in monetary policy, capital markets, mutual funds, FPIs, and securities law enforcement. Academically, he holds a Masters in Statistics and Operations research from IIT Kanpur and an MBA in International Banking from the UK.
Dr N. Kamakodi	MD & CEO	He is associated with CUBK for more than 2 decades; joined as the DGM in the year 2003, was promoted to the position of GM in 2005 and later as Executive Director in 2006; now serving as MD & CEO of the bank from May 2011. He holds a Ph.D. in e-Banking, MBA from The Chinese University of Hong Kong, B.Tech in Chemical Engineering and a CAIIB. He will be vacating office by April 2026.
Mr. R. Vijay Anandh	Executive Director	Mr. Anandh has 28+ years of extensive experience in Banking, spanning retail assets, risk management, portfolio analysis, credit appraisals, recoveries, legal collections and portfolio due diligence. He joined CUBK as ED in Mar'24. He previously served as the Business (excluding cards) and Collections Head for all retail asset products at RBL Bank. He has expertise in building and monitoring high-quality retail portfolios. In his previous roles, he has worked with Barclays Finance and ICICI Bank, among others. He holds B.Sc and MBA degrees.
Mr. Ramesh Venkataraman	Executive Director	M.Sc. (Physics) graduate with A.C.S. and JAIIB qualifications and has been associated with the Bank for 38 years, having joined as a Clerk in 1986 and risen to the level of Senior General Manager. Over this long tenure, he has held three key leadership positions—CS, CFO, CCO; reflecting his critical role in the Bank's governance and control framework. He possesses extensive knowledge and deep experience of Banking, Finance and Accounts, Law, Investor Relations, Investments, Risk Management, International Banking and Treasury operations, with core expertise in these areas built through his professional competency and long, dedicated service with the Bank.
Dr. T. S. Sridhar	Independent Director	A retired IAS officer with over 3 decades of extensive experience in all levels of administration at the Secretariat level including planning, execution and monitoring of various government schemes. He is well versed in Banking, Rural Economy, MSME, Small Savings, Industry & Finance and Agriculture & Co-operatives sectors.

Source: Company, BOBCAPS Research

Key Risks

- **MD & CEO succession plan:** Dr. N. Kamakodi will retire from the position of MD & CEO by April 30, 2026. CUBK invited applications for the position of MD & CEO by November 7, 2025, and will share the list of eligible candidates to the RBI by December 31, 2025 (4 months before the end of tenure of Mr. Kamakodi). We note that the transition introduces an element of management risk, given the importance of leadership continuity for the bank's strategic direction and operations.
- **Regional concentration and low visibility beyond South India:** Around 83% of CUBK's branches were in South India with Tamil Nadu accounting for ~63% of total branches, as of Sep'25. As a result, the bank remains exposed to regional concentration and is vulnerable to any adverse changes in the local economic and political environment.
- **High share of jewel loans:** Jewel loans account for 28.4% of gross loans as of Sep'25. In case of any sharp correction in gold prices, it may lead to delinquency issues; however, it remains cushioned by comfortable LTV currently. Also, any regulatory changes pertaining to gold lending could impact the segment's growth prospect.

Valuation Methodology

CUBK's strong capital position (Tier I of 20.7% as of Sep'25), above-system credit growth, and improving AQ metrics — resulted in an improvement in its return profile. Transformation initiatives in its core MSME segment and the focus on retail vertical augur well for high business growth. We expect the bank to deliver advances CAGR of ~16.7% over FY25-FY28E and report healthy return ratios with RoA/ RoE of 1.6%/ 13.7% by FY28E. Initiate coverage with BUY & TP of Rs 313, set at 1.8x Dec'27E ABV vs its 5Y average of 1.6x.

Fig 46 – CUBK trades at 1YF P/ABV of 1.8x

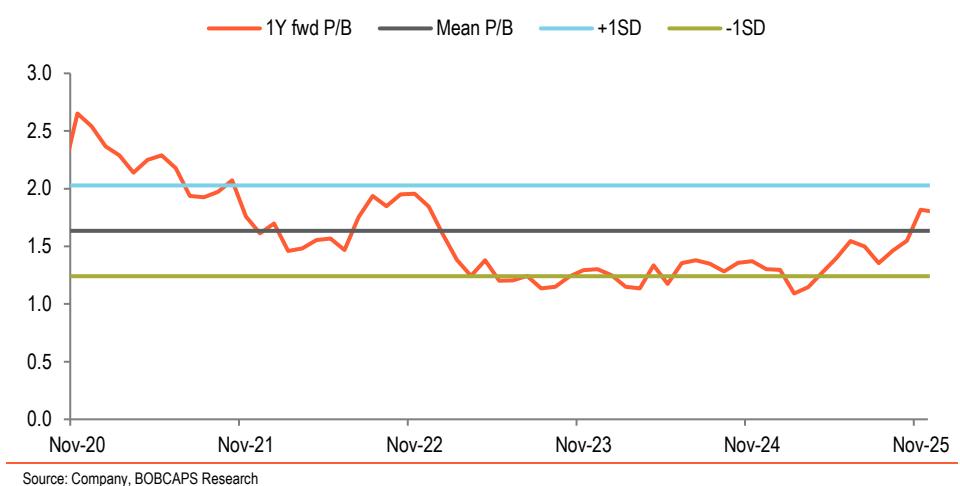


Fig 47 – Key assumptions

Parameter	FY24	FY25	FY26E	FY27E	FY28E
Advances (Growth YoY %)	5.7	14.4	17.9	16.0	16.1
Net Interest Income (Growth YoY %)	(1.8)	9.1	16.4	18.7	15.6
PPoP (Growth YoY %)	(16.6)	10.7	15.7	17.6	15.9
PAT (Growth YoY %)	8.3	10.6	16.9	15.5	15.2
NIM (%)	3.7	3.6	3.6	3.7	3.8
GNPA (%)	4.0	3.1	2.1	1.9	1.8
CAR (%)	23.7	23.8	22.6	21.4	20.5

Source: Company, BOBCAPS Research

Fig 48 – Valuation summary

Gordon growth model	Assumptions
Cost of equity (%)	12.2
Blended ROE (%)	14.9
Initial high growth period (yrs)	15.0
Payout ratio of high-growth phase (%)	15.0
Long-term growth (%)	4.5
Long term dividend payout ratio (%)	70.0
Justified P/BV Multiple (x)	1.8

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	21,235	23,157	26,952	32,003	36,988
NII growth (%)	(1.8)	9.1	16.4	18.7	15.6
Non-interest income	7,417	8,981	10,349	11,526	13,166
Total income	28,651	32,138	37,301	43,529	50,153
Operating expenses	13,484	15,351	17,887	20,705	23,710
PPOP	15,167	16,786	19,414	22,823	26,444
PPOP growth (%)	(16.6)	10.7	15.7	17.6	15.9
Provisions	2,860	2,620	2,780	3,714	4,310
PBT	12,307	14,166	16,634	19,110	22,134
Tax	2,150	2,930	3,493	3,937	4,648
Reported net profit	10,157	11,236	13,141	15,173	17,486
Adjustments	0	0	0	0	0
Adjusted net profit	10,157	11,236	13,141	15,173	17,486

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity capital	741	741	741	741	741
Reserves & surplus	83,274	93,925	1,05,489	1,18,993	1,34,555
Net worth	84,014	94,666	1,06,230	1,19,734	1,35,296
Deposits	5,56,566	6,35,260	7,53,418	8,70,198	10,06,819
Borrowings	47,242	21,694	25,816	30,721	36,097
Other liab. & provisions	20,436	24,612	21,075	26,336	25,335
Total liab. & equities	7,08,259	7,76,232	9,06,539	10,46,988	12,03,547
Cash & bank balance	69,435	52,905	64,921	74,280	82,589
Investments	1,56,641	1,73,361	1,93,885	2,22,620	2,52,698
Advances	4,55,257	5,20,813	6,14,038	7,12,284	8,26,962
Fixed & Other assets	26,925	29,153	33,695	37,804	41,298
Total assets	7,08,259	7,76,232	9,06,539	10,46,988	12,03,547
Deposit growth (%)	6.2	14.1	18.6	15.5	15.7
Advances growth (%)	5.7	14.4	17.9	16.0	16.1

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS	13.7	15.2	17.7	20.5	23.6
Dividend per share	1.5	2.0	2.1	2.3	2.6
Book value per share	113.4	127.8	143.4	161.6	182.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
P/E	19.3	17.5	14.9	12.9	11.2
P/BV	2.3	2.1	1.8	1.6	1.5
Dividend yield (%)	0.6	0.8	0.8	0.9	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Net interest income	3.1	3.1	3.2	3.3	3.3
Non-interest income	1.1	1.2	1.2	1.2	1.2
Operating expenses	2.0	2.1	2.1	2.1	2.1
Pre-provisioning profit	2.2	2.3	2.3	2.3	2.4
Provisions	0.4	0.4	0.3	0.4	0.4
PBT	1.8	1.9	2.0	2.0	2.0
Tax	0.3	0.4	0.4	0.4	0.4
ROA	1.5	1.5	1.6	1.6	1.6
Leverage (x)	8.7	8.3	8.4	8.6	8.8
ROE	12.8	12.6	13.1	13.4	13.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Net interest income	(1.8)	9.1	16.4	18.7	15.6
Pre-provisioning profit	(16.6)	10.7	15.7	17.6	15.9
EPS	8.3	10.6	16.9	15.5	15.2
Profitability & Return ratios (%)					
Net interest margin	3.7	3.6	3.6	3.7	3.8
Fees / Avg. assets	27.0	30.2	30.8	29.5	29.3
Cost-Income	47.1	47.8	48.0	47.6	47.3
ROE	12.8	12.6	13.1	13.4	13.7
ROA	1.5	1.5	1.6	1.6	1.6
Asset quality (%)					
GNPA	4.0	3.1	2.1	1.9	1.8
NNPA	2.0	1.3	0.8	0.6	0.6
Slippage ratio	2.4	1.8	1.5	1.5	1.6
Credit cost	0.6	0.5	0.5	0.6	0.6
Provision coverage	50.5	59.4	63.5	65.4	66.1
Ratios (%)					
Credit-Deposit	81.8	82.0	81.5	81.9	82.1
Investment-Deposit	28.1	27.3	25.7	25.6	25.1
CAR	23.7	23.8	22.6	21.4	20.5
Tier-1	22.7	22.7	21.6	20.6	19.8

Source: Company, BOBCAPS Research

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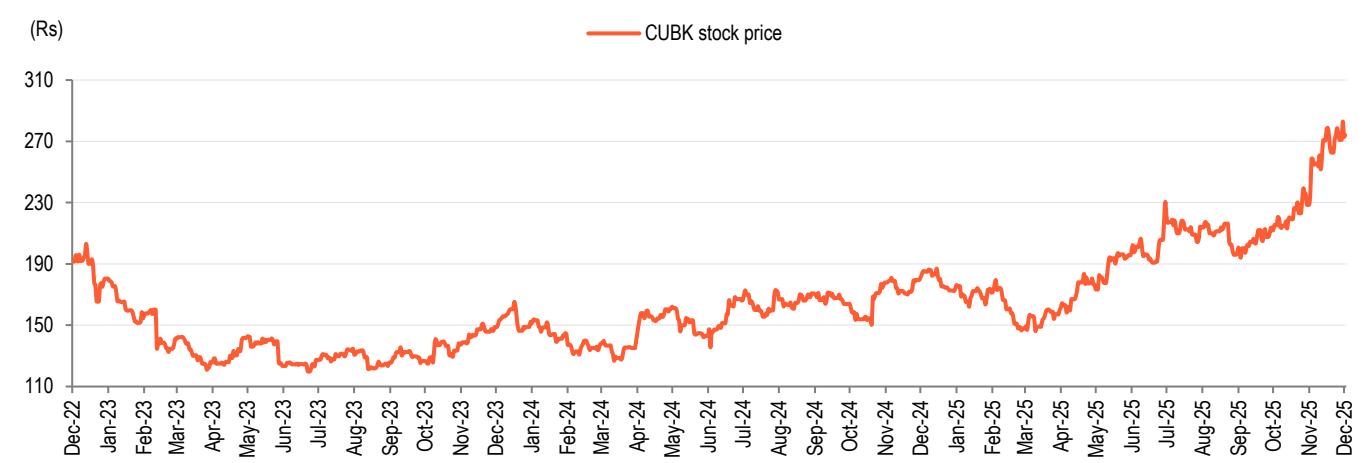
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): CITY UNION BANK (CUBK IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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