MIRAE ASSET Sharekhan

City Union Bank Ltd

Strong performance on all fronts

CUB

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Banking

COMPANY DETAILS

Market cap:	Rs. 21,469 cr
52-week high/low:	Rs. 320 / 144
NSE volume: (No of shares)	27.4 lakh
BSE code:	532210
NSE code:	CUB
Free float: (No of shares)	72.0 cr

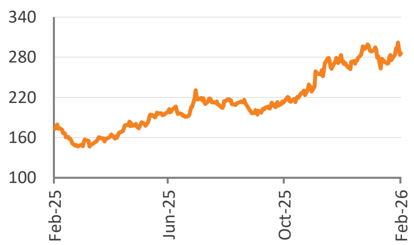
Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	-
FII	23.5
DII	40.2
Others	36.3

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.1	26.3	39.3	72.3
Relative to Sensex	4.1	26.6	36.4	63.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **BUY**	CMP: **Rs. 298**	Price Target: **Rs. 350**

Quick Snapshot

- NII grew 28% y-o-y as NIMs expanded by 26 bps q-o-q to 3.89%, beating our estimates on the back of deposit repricing and yield improvement.
- Provisions rose due to balance sheet strengthening and write-offs. Net profit was up 16% y-o-y at Rs. 332 crore.
- Loan and deposit growth at 21% y-o-y was healthy and outlook remains sanguine.
- We upgrade our rating to Buy from Hold with a revised PT of Rs. 350.

Result overview

- NII showed sharp jump of 28% y-o-y and 13% q-o-q as margins rose 31 bps y-o-y and 26 bps q-o-q. NIMs rose as cost of funds fell 15 bps q-o-q to 4.62%, impact of term-deposit repricing came into play, yields increased owing to higher gold loans also benefit of CRR cut was seen.
- Core fee income growth was robust at 38% y-o-y, while treasury gains were up 19% y-o-y. Opex growth at 27.4% y-o-y was due to increased business, salaries and tech expenses.
- Operating profit was up 18% y-o-y and 9% q-o-q, ahead of estimates, provisions increased 28% y-o-y due to write-off, and improving PCR.
- PAT thus was up 16.1% y-o-y and ROA was healthy at 1.53% for Q3FY26.
- Advances grew 21% y-o-y to Rs 60,892 crore, led by a robust 33% growth in gold loans, 20% uptick in MSME and healthy traction in secured retail.
- Deposits were up 21% y-o-y to Rs 70,516 crore, in which CASA growth was at 19% YoY, CASA ratio stood at 27.3% versus 27.7% y-o-y. Going ahead the management expects loan growth to be mid-to-high teens and deposit growth to align with overall credit growth.
- Overall asset quality improved as GNPA and NNPA reduced by 25 bps and 12 bps QoQ to 2.17% and 0.78% respectively. Slippages were slightly higher q-o-q owing to seasonality but remained under control.

Our Call

Q3 results were underpinned by a multi-year high loan growth and significant improvements in NIMs, prompting an upward revision of future earnings estimates. The bank is well placed to deliver an over 1.5% RoA on a sustainable basis along with ~18% CAGR loan growth for FY25-FY28E. We upgrade our rating to Buy with a revised PT of Rs. 350.

Key Risks

Higher-than-expected credit cost due to ECL may affect earnings.

Valuation Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	2,123	2,316	2,786	3,249	3,736
Net profit	1,016	1,124	1,345	1,539	1,736
EPS (Rs)	13.7	15.2	18.1	20.7	23.4
P/E (x)	21.7	19.6	16.4	14.4	12.7
P/BV (x)	2.9	2.5	2.1	1.9	1.6
RoE	12.8	12.6	13.3	13.3	13.1
RoA	1.5	1.5	1.6	1.5	1.5

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Feb 02, 2026

Concall Highlights

Financial Performance and Margins

- **Net Interest Margin (NIM):** Increase was driven by repricing of deposits (a 14-basis point sequential drop in cost) and an increase in the gold loan portfolio with fixed rates.
- **Return on Assets (ROA):** For Q3FY26, the number stood at 1.53%, with the 9-month figure at 1.55%. Management aims to maintain this level above 1.5%.

Asset Quality and Provisions

- **NPA trends:** Gross NPAs fell to 2.17% (down from 2.42% in Q2FY26), and Net NPA dropped to 0.78% (below Rs. 500 crore at Rs. 469 crore). Recoveries (219 crores) continued to exceed slippages (193 crore).
- **SMA (Special Mention Accounts):** Total SMA numbers showed significant improvement, falling to 3.68% from 5.06% in the previous quarter. SMA-2 specifically dropped below 1% to 0.95%.
- **Provisions and credit cost:** The bank increased provisions for NPAs to 74 crores (from 40 crores in Q2) to improve coverage ratio. Standard asset provisions also rose to Rs. 22 crore, primarily due to balance sheet growth.

Business Growth (Loans & Deposits)

- **Loan growth:** The bank registered a 21% year-on-year growth. This is the highest credit growth for the bank since FY18. The focus remains on core MSME, gold loans, and secured retail.
- **MSME/LAP:** Portfolio has yield of ~9.5%, Affordable housing yield in double digits.
- **Deposits:** Management noted that while they tested the wholesale market with Certificate of Deposits (CDs), the focus remains on granular retail deposits.

Loan composition and EBLR

- **Rate transmission:** Approximately 48% of loans are linked to EBLR, while 17% are linked to MCLR. The management confirmed that the 25-bps RBI rate cut in December was fully transmitted to EBLR-linked customers.
- **Gold loans:** These constitute roughly 32% of the loan book and are primarily fixed-rate. The loan-to-value (LTV) at onboarding is approximately 65% but averages around 55% across the portfolio due to rising gold prices.

Guidance and outlook

- Management shifted its FY26 guidance from “low-to-mid teens” to “mid-to-high teen” growth.
- NIM is expected to remain stable in Q4FY26, with a potential bias of plus or minus 10 basis points. CRR cut to have positive bias in Q4FY26. For FY27 NIM can improve if there are no further rate cuts.
- Credit-Deposit ratio to be at 85-86%.
- ROA to remain above 1.5%.

Results | **Rs cr**

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net Interest Income	**752**	**588**	**28.0%**	**667**	**12.8%**
Other income	245	228	7.4%	259	-5.3%
Net Income	**998**	**816**	**22.2%**	**926**	**7.8%**
Opex	484	380	27.4%	455	6.4%
Operating Profit	**513**	**436**	**17.7%**	**471**	**9.0%**
Provisions	96	75	28.0%	57	68.4%
PAT	**332**	**286**	**16.1%**	**329**	**1.1%**
Advances	**60,892**	**50,409**	**20.8%**	**57,561**	**5.8%**
Deposits	**70,516**	**58,271**	**21.0%**	**69,486**	**1.5%**
			bps		**bps**
NIMs %	3.89	3.58	31	3.63	26
GNPA %	2.17	3.36	-119	2.42	-25
NNPA %	0.78	1.42	-64	0.90	-12
PCR %	64.44	58.56	588	63.19	126

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Asset Management Co Ltd	6.58
2	SBI Funds Management Ltd	5.75
3	Capital Group Cos Inc/The	5.20
4	Axis Asset Management Co Ltd/India	3.13
5	Franklin Resources Inc	2.92
6	HDFC Life Insurance Co Ltd	2.83
7	SBI Life Insurance Co Ltd	2.45
8	L&T Mutual Fund Trustee Ltd/India	2.33
9	Vanguard Group Inc/The	2.05
10	G Visalam	2.04

Source: Bloomberg

Key management personnel

Name	Designation
Dr. N. Kamakodi	MD & CEO
J. Sadagopan	CFO
Gurumoorthy Mahalingam	Non ED and Part time chairman

Source: Company Website

SOMIL RAMESH MEHTA

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address: Gigaplex IT Park, Unit No 1001, 10th Floor, Building No. 9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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