

June 12, 2026

## Stock turns ex-bonus following 1:3 bonus issue

**About the stock:** City Union Bank is an old private sector bank with focus on MSME and agri loans that form ~54% of overall advances.

- Strong presence in South India with 770 out of total 949 branches
- Advance comprises of MSME (38%) and Agri (16%) segment. Diversifying focus towards other retail segment – home loan, personal loan etc

**Key Development:** City Union Bank's 1:3 bonus issue has come into effect, with the stock turning ex-bonus on June 12, 2026. Under the issue, shareholders will receive one bonus equity share for every three equity shares held.

### Investment Rationale

- **Healthy growth with sustenance likely going into FY27:** Strong business momentum continued in Q4, with advances surging 25.7% YoY (9.5% QoQ), largely led by gold loan portfolio (36% YoY), while deposits grew 23% YoY (11% QoQ), supported by granular CASA (19% YoY) and term deposits (24.8% YoY), keeping CD ratio comfortable at ~85%. Management reiterated its guidance of mid-to-high teen credit growth (2–3% above system), with portfolio mix broadly stable at MSME (55–60%), gold loans (~30–32%) and secured retail, ensuring a well-diversified yet secured book. We bake in credit growth of ~17–18% for FY27–28E.
- **Stable margins and improving asset quality to support RoA expansion:** Margins remained stable at 3.87% (vs 3.89% Q3FY26), supported by strong loan growth (9.5% QoQ) and favourable asset mix, including ~29% fixed-rate gold loan portfolio, despite full rate transmission. Management expects NIM to remain stable within  $\pm 5$ –10 bps band, aided by LCR flexibility, CD ratio optimisation and asset mix. Asset quality continues to improve, with GNPA/NNPA declining to 1.91%/0.68%, total SMA at 2.47% (vs 3.68% QoQ), and recoveries exceeding slippages, indicating a benign credit cost outlook. While opex growth is expected to remain at ~15–17% due to branch expansion, management has guided for ~10 bps improvement in RoA to ~1.65–1.67%, supported by better income mix. Additionally, leadership transition to R. Vijay Anandh is expected to be smooth, ensuring continuity in strategy and execution.

### Rating and Target Price

- Healthy growth momentum, stable margins supported by favourable asset mix and continued improvement in asset quality provide comfort on earnings visibility, with management guiding for RoA improvement to ~1.65–1.67% in FY27E.
- Factoring stock bonus, we revise our target price to ₹240, and continue to maintain valuation multiple at 1.7x FY28E BV. Maintain Buy rating on the stock.

### Key Financial Summary

| ₹ crore | FY25 | FY26  | 3 year CAGR (FY23–26) | FY27E | FY28E | 2 year CAGR (FY26–28E) |
|---------|------|-------|-----------------------|-------|-------|------------------------|
| NII     | 2316 | 2830  | 9%                    | 3424  | 3970  | 18%                    |
| PPP     | 1679 | 2014  | 3%                    | 2402  | 2777  | 17%                    |
| PAT     | 1124 | 1326  | 12%                   | 1561  | 1750  | 15%                    |
| BV (₹)  | 95.6 | 106.6 |                       | 124.0 | 141.5 |                        |
| ABV (₹) | 88.8 | 102.3 |                       | 120.5 | 137.3 |                        |
| P/ABV   | 2.4  | 2.0   |                       | 1.7   | 1.5   |                        |
| P/BV    | 2.2  | 1.9   |                       | 1.6   | 1.4   |                        |
| P/E     | 18.3 | 15.2  |                       | 12.9  | 11.6  |                        |
| RoA     | 1.6  | 1.5   |                       | 1.7   | 1.6   |                        |
| RoE     | 13.6 | 13.2  |                       | 14.7  | 14.4  |                        |

Source: Company, ICICI Direct Research



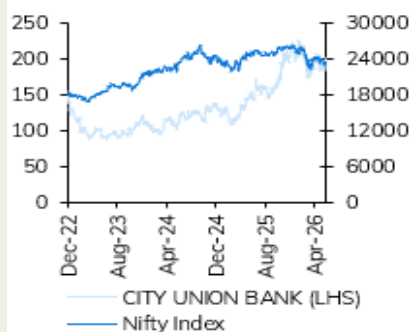
### Particulars

| Particulars           | Amount         |
|-----------------------|----------------|
| Market Capitalisation | ₹ 20,034 crore |
| 52 week H/L           | 243 / 138      |
| Network               | ₹ 10,565 crore |
| Face value            | 1              |
| DII Holding (%)       | 40.7           |
| FII Holding (%)       | 23.4           |

### Shareholding pattern

|          | Jun-25 | Sep-25 | Dec-25 | Mar-26 |
|----------|--------|--------|--------|--------|
| Promoter | -      | -      | -      | -      |
| FII      | 27.4   | 26.0   | 23.5   | 23.4   |
| DII      | 35.2   | 36.8   | 40.2   | 40.7   |
| Others   | 37.4   | 37.2   | 36.3   | 35.9   |

### Price Chart



### Key risks

- Slower than expected business growth
- Decline in asset quality amid geopolitical uncertainty

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## Financial Summary

### Exhibit 1: Profit and loss statement

|                         | ₹ crore |         |         |         |
|-------------------------|---------|---------|---------|---------|
| (Year-end March)        | FY25    | FY26    | FY27E   | FY28E   |
| Interest Earned         | 5,834.0 | 6,869.8 | 8,000.1 | 9,470.9 |
| Interest Expended       | 3,518.3 | 4,039.9 | 4,575.8 | 5,500.5 |
| Net Interest Income     | 2,315.7 | 2,829.8 | 3,424.3 | 3,970.3 |
| growth (%)              | 9.1     | 22.2    | 21.0    | 15.9    |
| Non Interest Income     | 898.1   | 1,038.8 | 1,119.9 | 1,240.5 |
| Net Income              | 3,213.8 | 3,868.7 | 4,544.2 | 5,210.8 |
| Staff cost              | 733.0   | 889.8   | 1,047.5 | 1,227.6 |
| Other Operating expense | 802.2   | 964.6   | 1,094.3 | 1,206.7 |
| Operating profit        | 1,678.6 | 2,014.2 | 2,402.3 | 2,776.6 |
| Provisions              | 262.0   | 343.0   | 426.0   | 561.9   |
| Taxes                   | 293.0   | 345.0   | 415.0   | 465.1   |
| Net Profit              | 1,123.6 | 1,326.2 | 1,561.3 | 1,749.6 |
| growth (%)              | 10.6    | 18.0    | 17.0    | 12.1    |
| EPS (₹)                 | 11.3    | 13.4    | 15.8    | 17.7    |

Source: Company, ICICI Direct Research

### Exhibit 2: Key ratios

| (Year-end March)                  | FY25 | FY26  | FY27E | FY28E |
|-----------------------------------|------|-------|-------|-------|
| <u>Valuation</u>                  |      |       |       |       |
| No. of Equity Shares              | 99.1 | 99.1  | 99.1  | 99.1  |
| EPS (₹)                           | 11.3 | 13.4  | 15.8  | 17.7  |
| BV (₹)                            | 95.6 | 106.6 | 124.0 | 141.5 |
| ABV (₹)                           | 88.8 | 102.3 | 120.5 | 137.3 |
| P/E                               | 18.3 | 15.2  | 12.9  | 11.6  |
| P/BV                              | 2.2  | 1.9   | 1.6   | 1.4   |
| P/ABV                             | 2.4  | 2.0   | 1.7   | 1.5   |
| <u>Yields &amp; Margins (%)</u>   |      |       |       |       |
| Net Interest Margins              | 3.3  | 3.5   | 3.5   | 3.5   |
| Yield on assets                   | 8.3  | 8.3   | 8.3   | 8.4   |
| Avg. cost on funds                | 5.6  | 5.5   | 5.4   | 5.4   |
| Yield on average advances         | 9.6  | 9.4   | 9.4   | 9.4   |
| Avg. Cost of Deposits             | 4.9  | 5.3   | 5.2   | 5.2   |
| <u>Quality and Efficiency (%)</u> |      |       |       |       |
| Cost to income ratio              | 47.6 | 48.3  | 47.0  | 46.6  |
| Credit/Deposit ratio              | 82.0 | 84.1  | 84.5  | 85.8  |
| GNPA                              | 3.1  | 2.0   | 1.5   | 1.3   |
| NNPA                              | 1.3  | 0.7   | 0.5   | 0.5   |
| RoE                               | 13.6 | 13.2  | 14.7  | 14.4  |
| RoA                               | 1.6  | 1.5   | 1.7   | 1.6   |

Source: Company, ICICI Direct Research

### Exhibit 3: Balance sheet

|                                | ₹ crore  |          |           |           |
|--------------------------------|----------|----------|-----------|-----------|
| (Year-end March)               | FY25     | FY26     | FY27E     | FY28E     |
| <u>Sources of Funds</u>        |          |          |           |           |
| Capital                        | 99.1     | 99.1     | 99.1      | 99.1      |
| Reserves and Surplus           | 9,367.7  | 10,465.8 | 12,188.4  | 13,914.6  |
| Networth                       | 9,466.8  | 10,564.9 | 12,287.4  | 14,013.7  |
| Deposits                       | 63,526.0 | 78,308.0 | 89,027.7  | 105,208.6 |
| Borrowings                     | 2,169.4  | 5,326.8  | 4,061.8   | 4,395.9   |
| Other Liabilities & Provisions | 2,461.2  | 2,824.8  | 2,821.9   | 3,042.4   |
| Total                          | 77,623.2 | 97,024.4 | 108,198.6 | 126,660.4 |
| <u>Applications of Funds</u>   |          |          |           |           |
| Fixed Assets                   | 322.3    | 468.5    | 410.7     | 474.1     |
| Investments                    | 17,336.1 | 18,986.9 | 20,987.2  | 23,092.9  |
| Advances                       | 52,081.3 | 65,875.2 | 75,199.0  | 90,226.6  |
| Other Assets                   | 2,592.9  | 2,766.7  | 3,075.4   | 3,396.3   |
| Cash with RBI & call money     | 5,290.5  | 8,927.1  | 8,526.3   | 9,470.5   |
| Total                          | 77,623.2 | 97,024.4 | 108,198.6 | 126,660.4 |

Source: Company, ICICI Direct Research

### Exhibit 4: Growth ratios

| (Year-end March)    | FY25 | FY26 | FY27E | FY28E |
|---------------------|------|------|-------|-------|
| Total assets        | 9.6  | 25.0 | 11.5  | 17.1  |
| Advances            | 14.4 | 26.5 | 14.2  | 20.0  |
| Deposit             | 14.1 | 23.3 | 13.7  | 18.2  |
| Total Income        | 12.0 | 20.0 | 19.3  | 15.6  |
| Net interest income | 9.1  | 22.2 | 21.0  | 15.9  |
| Net profit          | 10.6 | 18.0 | 17.7  | 12.1  |
| Net worth           | 12.2 | 11.6 | 16.3  | 14.0  |
| EPS                 | 11.3 | 18.0 | 17.7  | 12.1  |

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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