

August 1, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	245		210	
NII (Rs. m)	26,324	30,969	26,049	30,790
% Chng.	1.1	0.6		
Op. Profit (Rs. m)	18,171	21,552	18,296	22,152
% Chng.	(0.7)	(2.7)		
EPS (Rs.)	16.2	19.2	16.2	19.5
% Chng.	(0.2)	(1.3)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
NII (Rs m)	21,235	23,157	26,324	30,969
Op. Profit (Rs m)	15,168	16,786	18,171	21,552
PAT (Rs m)	10,158	11,236	11,984	14,253
EPS (Rs.)	13.7	15.2	16.2	19.2
Gr. (%)	8.3	10.6	6.7	18.9
DPS (Rs.)	1.0	2.0	2.1	2.5
Yield (%)	0.5	0.9	1.0	1.2
NIM (%)	3.2	3.2	3.3	3.3
RoAE (%)	12.8	12.6	12.0	12.8
RoAA (%)	1.5	1.5	1.4	1.5
P/BV (x)	1.9	1.7	1.5	1.3
P/ABV (x)	2.1	1.8	1.6	1.4
PE (x)	15.6	14.1	13.2	11.1
CAR (%)	23.7	23.8	23.3	23.9

Key Data

CTBK.BO | CUBK IN

52-W High / Low	Rs.233 / Rs.143
Sensex / Nifty	81,186 / 24,768
Market Cap	Rs.158bn / \$ 1,807m
Shares Outstanding	741m
3M Avg. Daily Value	Rs.453.97m

Shareholding Pattern (%)

Promoter's	-
Foreign	27.38
Domestic Institution	35.23
Public & Others	37.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.3)	23.0	24.4
Relative	0.6	17.4	25.2

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Levers in place for core earnings upgrade

Quick Pointers:

- Core earnings higher due to beat on NII and lower provisions.
- Loan growth momentum guided to sustain; retail growth trending well.

CUB saw yet another strong quarter since it reported superior loan growth, NIM, opex and provisions. While Q1 sees usually loans contract, Q1FY26 saw a 1.8% QoQ growth driven by gold. We expect loan CAGR of 16% over FY25-27E (10% CAGR over FY23-25). However, due to asset quality tailwinds, credit growth could surprise positively. Fee momentum may also sustain led by banca and processing fees due to aggressive sales focus. While we are factoring fee to asset ratio of 64/65bps for FY26/27E, it could be higher. Since asset quality risks have abated and PCR has touched 60%, provisions may not increase in near term (54bps in FY25). With core RoA profile of 1.4% there are upside risks to our estimates. We increase multiple to 1.5x from 1.4x but raise TP to Rs245 from Rs210 as we roll forward to Sep'27 ABV. Retain 'BUY'.

- Good quarter; core PAT beat due to better NII and asset quality:** NII was a beat at Rs6.3bn (PLe Rs6.1bn) as NIM (calc.) was higher at 3.48% (PLe 3.42%). Reported NIM fell by 6bps QoQ to 3.54% due to fall in loan yields. Credit and deposit growth were in-line at 16.3%/19.8% YoY. CASA ratio fell to 27.3% (28.5% in Q4FY25). Other income was higher at Rs2.44bn (PLe Rs2.35bn); lower fees was more than offset by higher TWO recovery and treasury. Opex at Rs4.2bn was 1.3% below PLe due to lower staff cost and other opex. Core PPOp at Rs3.9bn was 3.4% above PLe; PPOp was Rs4.5bn (PLe Rs4.2bn). Asset quality was steady; GNPA was 2.99% (PLe 3.01%) while net slippages were controlled. Provisions were better at Rs0.7bn (PLe Rs0.8bn). Core PAT was 9.3% above PLe at Rs2.5bn while PAT was Rs3.1bn.
- Loan growth to sustain led by gold and retail:** Considering Q1 (bank usually sees a QoQ fall), loan growth was healthy at 1.8% QoQ driven by gold, personal loans and housing. In terms of tariff, bank's textile exposure (Rs42.5bn or 8%) is at low risk since related export business is only Rs10-12bn of which US exposure is 20%. Hence, impact on profits would not be material. CUB has exposure in HL/LAP and plans to penetrate in affordable housing due to strong rural presence. Overall loan growth momentum is likely to sustain driven by (1) gold, which continues to offer favorable risk-reward and (2) retail secured lending that would support overall accretion; its share in advances is guided to reach 4.0-5.0% by FY26 end and 8-9% by FY27 end.
- NIM could be protected in FY26E; fee income growth to sustain:** Despite rate cut of 100bps, yield decline QoQ was lower at 12bps since bank was already lending at concessional rates. While there could be more compression in yields due to Jun'25 rate cut, overall fall in yields considering a 48% EBLR share, could be lower due to bank discretion in passing on rate cuts. While fees dipped QoQ due to quarterly lumpiness in banca fees, overall momentum in fees may sustain led by banca and processing fees. Although, we are factoring fee to asset ratio of 64bps (63bps in FY25), it could be higher.

Exhibit 1: PAT beat led by higher NII, lower opex/provisions.

P&L Statement (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Interest Income	16,053	13,886	15.6	15,319	4.8	15,327	4.7	66,675	58,340	14.3
Interest Expended	9,800	8,435	16.2	9,194	6.6	9,324	5.1	40,351	35,183	14.7
Net interest income (NII)	6,253	5,452	14.7	6,125	2.1	6,003	4.2	26,324	23,157	13.7
Other income	2,439	1,921	26.9	2,350	3.8	2,512	(2.9)	9,506	8,981	5.9
-Fee income	1,226	1,007	21.7	1,450	(15.4)	1,491	(17.8)	6,369	5,035	26.5
-Other non interest income	1,213	914	32.6	900	34.8	1,021	18.8	3,137	3,946	(20.5)
Total income	8,692	7,373	17.9	8,475	2.6	8,515	2.1	35,831	32,138	11.5
Operating expenses	4,182	3,638	15.0	4,238	(1.3)	4,106	1.9	17,659	15,351	15.0
-Staff expenses	2,006	1,744	15.0	2,044	(1.9)	1,965	2.1	8,333	7,330	13.7
-Other expenses	2,176	1,894	14.9	2,194	(0.8)	2,140	1.7	9,326	8,022	16.3
Operating profit	4,509	3,735	20.7	4,237	6.4	4,410	2.3	18,171	16,786	8.3
Core Operating Profit	3,865	3,563	8.5	3,737	3.4	4,147	(6.8)	17,745	16,303	8.8
Total provisions	700	390	79.5	792	(11.6)	780	(10.3)	3,065	2,620	17.0
Profit before tax	3,809	3,345	13.9	3,445	10.6	3,630	4.9	15,106	14,166	6.6
Tax	750	700	7.1	723	3.7	750	-	3,122	2,930	6.6
Profit after tax	3,059	2,645	15.7	2,722	12.4	2,880	6.2	11,984	11,236	6.7
Balance Sheet (Rs m)										
Deposits	6,57,344	5,48,569	19.8	6,58,141	(0.1)	6,35,260	3.5	7,47,567	6,35,260	17.7
Advances	5,30,378	4,55,950	16.3	5,29,146	0.2	5,20,813	1.8	6,05,529	5,20,813	16.3
Ratios (%)										
NIM	3.5	3.4	10	3.4	6	3.4	12.2	3.26	3.24	2
RoaA	1.6	1.6	6	1.5	17	1.6	8	1.43	1.51	(8)
RoaE	13.3	12.9	34	11.8	142	12.9	36	12.0	12.58	(60)
Asset Quality										
Gross NPL (Rs m)	16,170	18,064	(10.5)	16,218	(0.3)	16,382	(1.3)	16,151	16,382	(1.4)
Net NPL (Rs m)	6,346	8,535	(25.7)	6,325	0.3	6,531	(2.8)	5,976	6,531	(8.5)
Gross NPL ratio	2.99	3.88	(89.08)	3.0	(2)	3.09	(10)	2.62	3.09	(15.0)
Net NPL ratio	1.20	1.87	(67.19)	1.2	0	1.25	(5)	0.99	1.25	(21.3)
Coverage ratio (Calc)	60.8	52.8	800	61.0	(24)	60.1	62	63.0	60.1	4.8
Business & Other Ratios										
Low-cost deposit mix	27.3	29.5	(221)	27.8	(50)	28.5	(121)	27.0	28.5	(5.4)
Cost-income ratio	48.1	49.3	(122)	50.0	(188)	48.2	(10)	49.3	47.8	3.2
Non int. inc / total income	28.1	26.1	200	27.7	33	29.5	(144)	26.5	27.9	(5.1)
Credit deposit ratio	80.7	83.1	(243)	80.4	28	82.0	(130)	81.0	82.0	(1.2)
CAR	23.1	23.6	(48)	-	-	23.8	(65)	23.3	23.8	(2.1)
Tier-I	1.0	1.0	(2)	-	-	1.1	(4)	22.8	22.7	0.6

Source: Company, PL

Q1FY26 Concall Highlights

Assets/Liabilities

- Tariff impact: Bank's clients in textile industry have export business of Rs10bn-12bn of which US exposure is 20%, a 2-3% impact is expected on margins thus the same is not of material in terms of bank's lending to the textile sector.
- Bank has HL/LAP exposure and is planning to penetrate affordable housing due to strong presence in rural areas; blended yield for would be 9.80-9.85%.
- In gold loan category existing to new customer ratio at 85:15.
- Repo rate has been passed on to all customers. Major part of book will get repriced by Q3FY26E.
- Loan book mix: EBLR – 48%, Fixed – 30%, MCLR – 17%.

Fees/NIMs

- Impact of rate cut brought down loan yields by Rs1.35bn while deposit repricing gave a benefit of Rs0.64bn. Thus, net impact was Rs0.71bn which translates to 11bps.
- NIM is guided at 3.5% for FY26. NIM guidance for Q2/Q3/Q4 at 3.45%-3.5%/3.5%-3.55%/3.55%-3.6%.
- Bank had earlier partnered only with LIC for insurance but later on-boarded multiple insurance companies which gave a push to bank assurance fees in Q4FY25; same should not be extrapolated and further increase in fee business would happen as and when business grows.
- Branch addition for FY26 could be 75-80.
- Cost to income is guided at 48-50% in the near to medium term.

Asset Quality

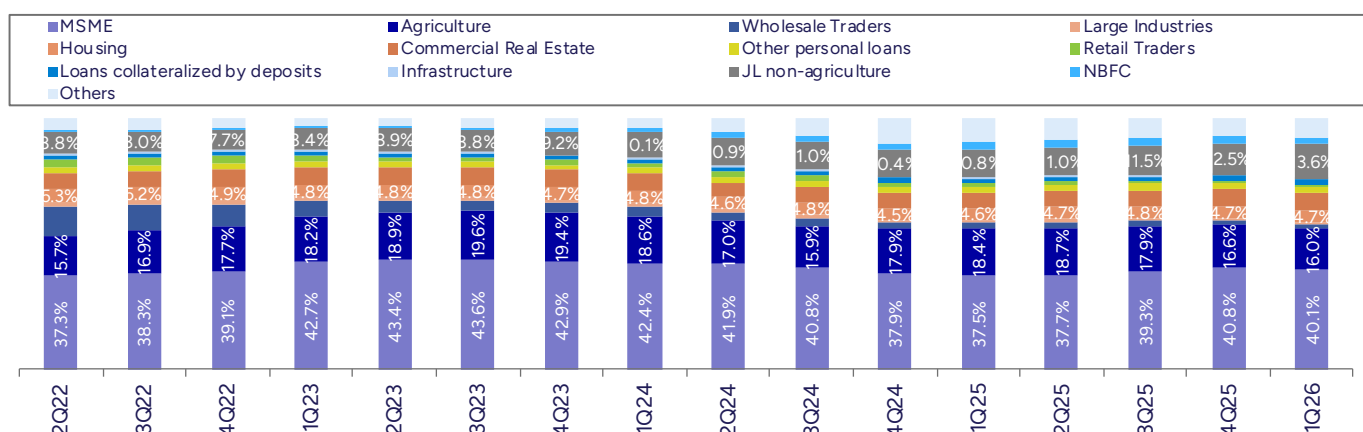
- SMA to total advances at 1.59% in Q1FY26 (2.22% in Q1FY25)
- MSME book is completely secured and there are no signs of any stress.
- Slippage breakup: MSME – 75%, Agri -3%, CRE – 2%, Edu – 0.7% and rest is to other sectors.
- Recovery might surpass slippage for the full year.
- PCR is targeted at 63% for FY26.
- Credit cost net of TWO could be in the range of 0.20-0.25% for FY26.

Exhibit 2: MSME growth increased 24.0%YoY, JL loan non-agri grew 10.4% QoQ

Advances break-up (Rs m)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
MSME	2,16,653	1,74,771	24.0	2,16,696	(0.0)
Agriculture	86,673	85,439	1.4	87,872	(1.4)
Wholesale Traders	7,956	10,942	(27.3)	8,976	(11.4)
Large Industries	5,617	5,951	(5.6)	4,772	17.7
Housing	25,564	21,529	18.7	25,153	1.6
Commercial Real Estate	35,813	27,173	31.8	36,513	(1.9)
Other personal loans	13,743	13,116	4.8	12,137	13.2
Retail Traders	5,680	7,022	(19.1)	6,436	(11.7)
Loans collateralized by deposits	8,701	7,520	15.7	8,845	(1.6)
Infrastructure	3,197	3,096	3.3	3,371	(5.2)
JL non-agriculture	73,338	50,214	46.1	66,453	10.4
NBFC	13,653	14,034	(2.7)	14,173	(3.7)
Others	43,615	44,672	(2.4)	39,267	11.1
Total Advances	5,40,203	4,65,479	16.1	5,30,664	1.8

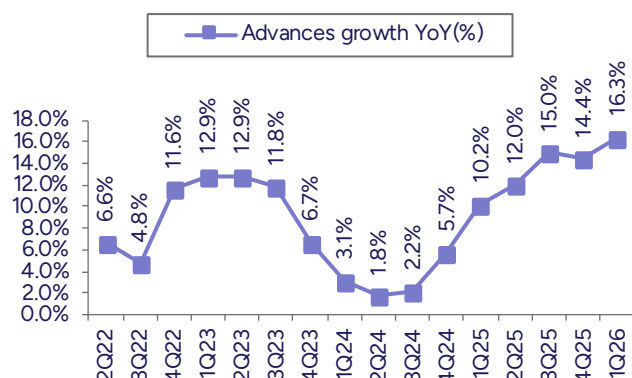
Source: Company, PL

Exhibit 3: MSME maintained dominant share at 40.1%, share of agri loans decreased to 16.0%



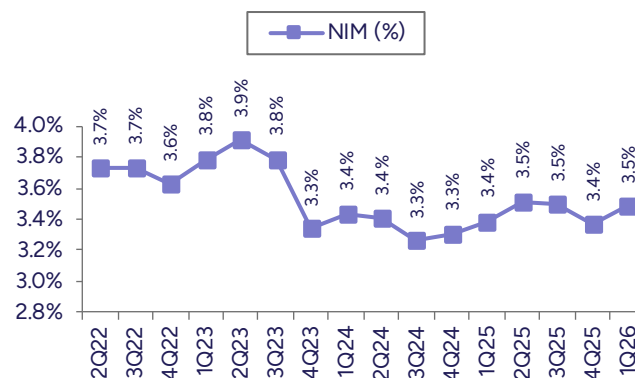
Source: Company, PL

Exhibit 4: Advances growth at 16.3% YoY



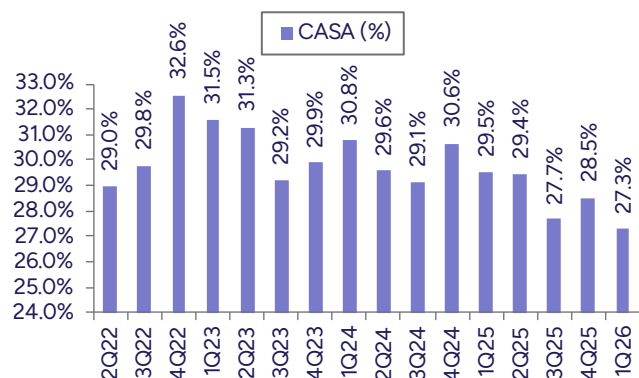
Source: Company, PL

Exhibit 5: NIMs increased to 3.5% due to higher yields



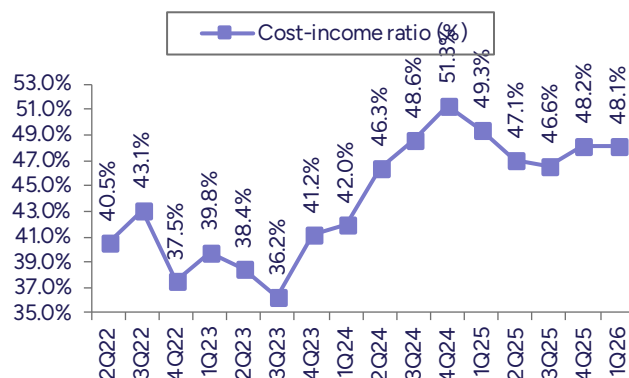
Source: Company, PL

Exhibit 6: CASA mix decreased to 27.3%



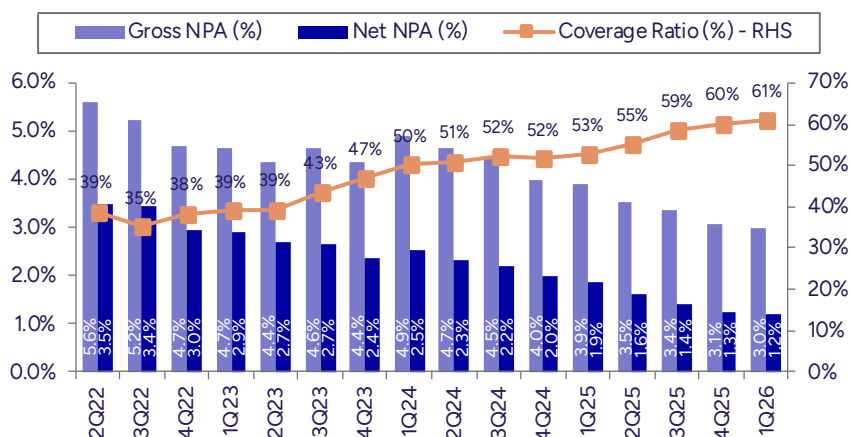
Source: Company, PL

Exhibit 7: C/I remain stable at 48.1%



Source: Company, PL

Exhibit 8: GNPA fell by 10bps QoQ to 3.0%, whiles PCR increased to 61%



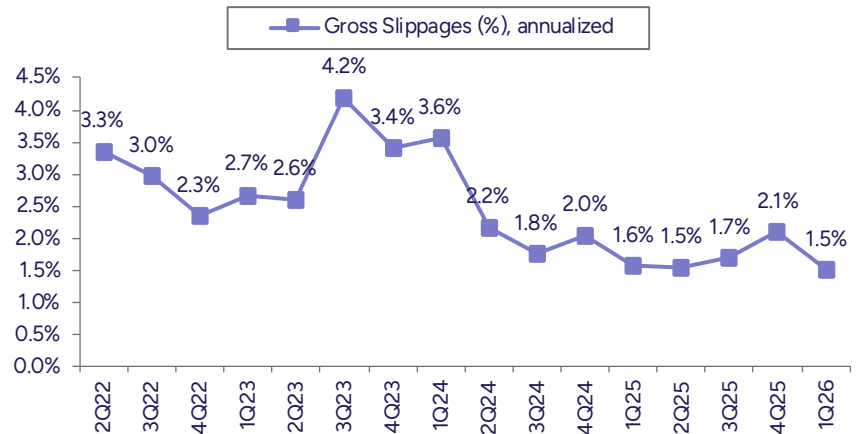
Source: Company, PL

Exhibit 9: Slippages decreased sequentially to 1.61%

Movement of NPL	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)
Opening	16,382	18,544	(11.7)	16,930	(3.2)
Additions	1,963	1,783	10.1	2,595	(24.4)
Reduction	2,175	2,262	(3.8)	3,143	(30.8)
Closing	16,170	18,065	(10.5)	16,382	(1.3)
Slippages (%)	1.61	1.61	(0)	2.34	(73)

Source: Company, PL

Exhibit 10: Gross slippages decreased to 1.5% QoQ



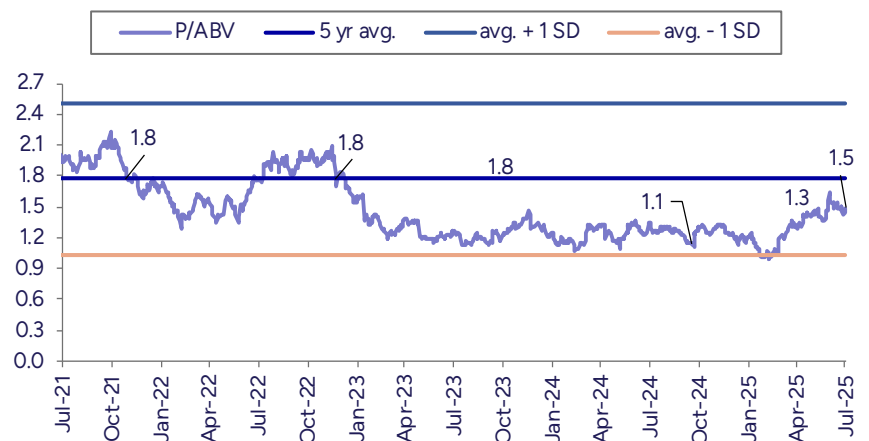
Source: Company, PL

Exhibit 11: Return ratios to range around 12-13%

Du-pont Analysis	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
NII/Assets	3.5	3.6	3.3	3.4	3.1	3.1	3.1	3.2
Other inc./Assets	1.4	1.3	1.3	1.3	1.1	1.2	1.1	1.1
Net revenues/Assets	5.0	4.9	4.7	4.6	4.2	4.3	4.3	4.3
Opex/Assets	2.1	2.0	1.9	1.8	2.0	2.1	2.1	2.1
Provisions/Assets	1.6	1.5	1.1	1.0	0.4	0.4	0.4	0.4
Taxes/Assets	0.2	0.2	0.4	0.4	0.3	0.4	0.4	0.4
ROA (%)	1.0	1.2	1.3	1.5	1.5	1.5	1.4	1.5
ROE (%)	9.4	10.6	12.2	13.4	12.8	12.6	12.0	12.8

Source: Company, PL

Exhibit 12: On one-year forward basis, CUBK trades at 1.5x



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Earned from Adv.	41,534	46,721	53,949	60,573
Int. Earned from invt.	9,589	10,733	11,672	13,284
Others	1,583	886	1,054	1,095
Total Interest Income	52,706	58,340	66,675	74,953
Interest Expenses	31,471	35,183	40,351	43,984
Net Interest Income	21,235	23,157	26,324	30,969
Growth(%)	(1.8)	9.1	13.7	17.6
Non Interest Income	7,417	8,981	9,506	10,900
Net Total Income	28,652	32,138	35,831	41,869
Growth(%)	8.8	12.0	13.2	12.7
Employee Expenses	6,138	7,330	8,333	9,606
Other Expenses	6,592	7,206	9,326	10,711
Operating Expenses	13,484	15,351	17,659	20,316
Operating Profit	15,168	16,786	18,171	21,552
Growth(%)	(16.6)	10.7	8.3	18.6
NPA Provision	3,270	2,550	2,656	3,052
Total Provisions	2,860	2,620	3,065	3,510
PBT	12,308	14,166	15,106	18,042
Tax Provision	2,150	2,930	3,122	3,789
Effective tax rate (%)	17.5	20.7	20.7	21.0
PAT	10,158	11,236	11,984	14,253
Growth(%)	8.4	10.6	6.7	18.9

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Face value	1	1	1	1
No. of equity shares	741	741	741	741
Equity	741	741	741	741
Networth	84,014	94,666	1,05,439	1,18,135
Growth(%)	12.7	12.7	11.4	12.0
Adj. Networth to NNPA's	8,987	6,531	5,976	6,233
Deposits	5,56,566	6,35,260	7,47,567	8,56,823
Growth(%)	6.2	14.1	17.7	14.6
CASA Deposits	1,70,502	1,81,189	2,01,732	2,30,955
% of total deposits	30.6	28.5	27.0	27.0
Total Liabilities	7,08,259	7,76,232	9,00,522	10,39,581
Net Advances	4,55,257	5,20,813	6,05,529	7,02,595
Growth(%)	5.7	14.4	16.3	16.0
Investments	1,56,641	1,73,361	1,98,630	2,31,342
Total Assets	7,08,259	7,76,232	9,00,522	10,39,581
Growth (%)	6.4	9.6	16.0	15.4

Asset Quality

Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs (Rs m)	18,544	16,382	16,151	17,312
Net NPAs (Rs m)	8,987	6,531	5,976	6,233
Gr. NPAs to Gross Adv.(%)	4.0	3.1	2.6	2.4
Net NPAs to Net Adv. (%)	2.0	1.3	1.0	0.9
NPA Coverage %	51.5	60.1	63.0	64.0

Profitability (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	3.2	3.2	3.3	3.3
RoAA	1.5	1.5	1.4	1.5
RoAE	12.8	12.6	12.0	12.8
Tier I	22.7	22.7	22.8	23.3
CRAR	23.7	23.8	23.3	23.9

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Interest Income	14,339	14,787	15,327	16,053
Interest Expenses	8,515	8,910	9,324	9,800
Net Interest Income	5,825	5,877	6,003	6,253
YoY growth (%)	8.2	13.9	9.8	14.7
CEB	1,046	1,114	1,491	1,226
Treasury	-	-	-	-
Non Interest Income	2,263	2,284	2,512	2,439
Total Income	16,603	17,071	17,839	18,492
Employee Expenses	1,835	1,785	1,965	2,006
Other expenses	1,971	2,016	2,140	2,176
Operating Expenses	3,806	3,801	4,106	4,182
Operating Profit	4,282	4,360	4,410	4,509
YoY growth (%)	10.8	19.8	25.3	20.7
Core Operating Profits	3,065	3,190	3,389	3,296
NPA Provision	700	750	780	700
Others Provisions	700	750	780	700
Total Provisions	700	750	780	700
Profit Before Tax	3,582	3,610	3,630	3,809
Tax	730	750	750	750
PAT	2,852	2,860	2,880	3,059
YoY growth (%)	1.6	13.0	13.0	15.7
Deposits	5,73,691	5,82,713	6,35,260	6,57,344
YoY growth (%)	8.8	10.5	14.1	19.8
Advances	4,77,715	4,94,178	5,20,813	5,30,378
YoY growth (%)	12.0	15.0	14.4	16.3

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	214	214	214	214
EPS (Rs)	13.7	15.2	16.2	19.2
Book Value (Rs)	113	127	142	159
Adj. BV (Rs)	101	119	134	151
P/E (x)	15.6	14.1	13.2	11.1
P/BV (x)	1.9	1.7	1.5	1.3
P/ABV (x)	2.1	1.8	1.6	1.4
DPS (Rs)	1.0	2.0	2.1	2.5
Dividend Payout Ratio (%)	17.2	19.5	20.0	20.8
Dividend Yield (%)	0.5	0.9	1.0	1.2

Efficiency

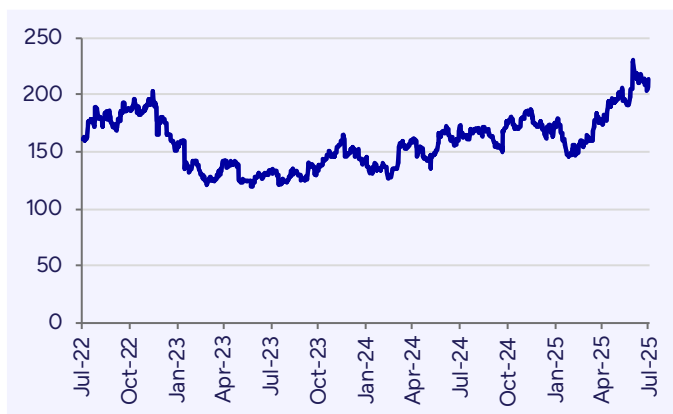
Y/e Mar	FY24	FY25	FY26E	FY27E
Cost-Income Ratio (%)	47.1	47.8	49.3	48.5
C-D Ratio (%)	81.8	82.0	81.0	82.0
Business per Emp. (Rs m)	-	-	-	-
Profit per Emp. (Rs lacs)	-	-	-	-
Business per Branch (Rs m)	-	-	-	-
Profit per Branch (Rs m)	-	-	-	-

Du-Pont

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	3.09	3.12	3.14	3.19
Total Income	4.17	4.33	4.27	4.32
Operating Expenses	1.96	2.07	2.11	2.09
PPoP	2.21	2.26	2.17	2.22
Total provisions	0.42	0.35	0.37	0.36
RoAA	1.48	1.51	1.43	1.47
RoAE	12.81	12.58	11.98	12.75

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-25	BUY	210	219
2	23-Jun-25	BUY	210	191
3	05-May-25	BUY	210	174
4	08-Apr-25	BUY	200	160
5	01-Feb-25	BUY	200	171
6	08-Jan-25	BUY	190	171
7	22-Oct-24	BUY	190	150
8	07-Oct-24	Accumulate	185	158

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	2,072	1,974
2	Axis Bank	BUY	1,375	1,161
3	Bank of Baroda	BUY	270	243
4	Can Fin Homes	BUY	875	813
5	City Union Bank	BUY	210	219
6	DCB Bank	BUY	155	142
7	Federal Bank	BUY	220	215
8	HDFC Asset Management Company	BUY	5,700	5,357
9	HDFC Bank	BUY	2,150	1,957
10	ICICI Bank	BUY	1,730	1,426
11	IndusInd Bank	Hold	780	808
12	Kotak Mahindra Bank	BUY	2,350	2,121
13	LIC Housing Finance	BUY	725	605
14	Nippon Life India Asset Management	BUY	860	794
15	State Bank of India	BUY	960	807
16	Union Bank of India	BUY	150	146
17	UTI Asset Management Company	BUY	1,300	1,329

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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