

Q4 2024

1. Loan disbursement growth

- **Narrative:** Management has outlined a strategic focus on expanding the loan disbursement growth through targeted initiatives. This includes aiming for a substantial increase in loan growth and capturing a larger portion of the existing retail lending market. The company plans to leverage internal assessments to tap into opportunities where their customers have loans with other financial institutions.

- **Management's Guidance:**

- Management expects to achieve a loan growth of 15% in the upcoming fiscal year. They are also in the process of aligning their retail lending to the RBI limit of INR7.5 crores. Additionally, the company aims to tap into INR7,000 crores worth of products like housing loans or LAP or other vehicle loans that their customers currently have with other financial institutions.

- **Actual Results:**

['Q1', '2025']:

- In Q1 FY2025, the advances registered a growth of 10% from Rs. 424 Bn to Rs. 465 Bn Y-o-Y.

['Q2', '2025']:

- Our advances have increased by more than INR2,100 crores, representing a 5% growth in Q2 of the financial year 2025.

['Q4', '2024']:

- In Q4 2024, advances registered a growth of 6% from INR 440 Bn to INR 465 Bn year-over-year. Gross Advances as of March 2024 were reported at INR 446,815 crores.

- **Evaluation:**

- **Expectations Not Met:** Management aimed for a 15% loan growth for the fiscal year, but the actual increase was only 10% in Q1 and an additional 5% in Q2, indicating that the overall growth target fell short of expectations.

2. Digital lending expansion

- **Narrative:** Management has highlighted the ongoing progress in their digital lending initiatives, emphasizing that the process is on track and aligning with their strategic objectives. The focus has been on expanding the digital lending model across various segments, including MSME and secured retail lending like housing and LAP, which are expected to be operational shortly.

- **Management's Guidance:**

- The company anticipates enhanced credit growth in forthcoming quarters due to the digital lending process. Additionally, the digital lending implementation for MSME is expected to be finalized by mid-June, with an expansion into secured retail lending segments expected to be completed by the end of Q1.

- **Actual Results:**

['Q1', '2025']:

- N. Kamakodi [A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.]

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Mona Khetan [All our MSME loans today up to INR5 crores are digitally dispersed with TAT at 48 hours or thereabout.]

- **Evaluation:**

- **Expectations Met:** The digital lending process for MSME was successfully implemented with loans up to INR5 crores being digitally disbursed within the anticipated timeframe, aligning with management's guidance for completion by mid-June.

3. Tier 1 capital ratio

- **Narrative:** The management has discussed potential fluctuations in the Tier 1 capital ratio, indicating a strategic focus on maintaining a balanced and robust capital structure. This involves monitoring and adjusting the Tier 1 capital ratio within a specified range to ensure financial stability and regulatory compliance.

- **Management's Guidance:**

- Management is looking at potential changes in the Tier 1 capital ratio by approximately 5 to 10 basis points, which suggests a cautious approach to capital management in response to market conditions.

- **Actual Results:**

['Q1', '2025']:

- Tier I Q1 FY 2025: 22.55%

['Q2', '2025']:

- Strong Capital Adequacy ratio of 22.98% out of which Tier 1 constitutes 21.98%

['Q4', '2024']:

- CRAR – 23.84% (Basel III) of which core CRAR – 22.80%

- **Evaluation:**

- **Expectations Exceeded:** The actual Tier 1 capital ratio remained significantly above the specified range, with strong figures reported in Q1 FY 2025 (22.55%) and Q2 FY 2025 (21.98%), surpassing the management's guidance of a 5 to 10 basis points fluctuation, indicating robust capital management.

4. Profit margin trends

- **Narrative:** Management has emphasized their expectation of achieving significant profit after tax (PAT) growth for the financial year '24, aiming for a milestone in four-digit PAT for the first time. There is also a focus on improving key financial metrics such as the net NPA, coverage ratio, and a return on assets (ROA) close to their long-term average of 1.50%. Additionally, there is an acknowledgement of maintaining or potentially enhancing the ROA level for FY '25 despite potential challenges such as a higher cost-to-income ratio.

- **Management's Guidance:**

- They anticipate closing the financial year '24 with strong PAT growth, a notable reduction in net NPA, improved coverage ratio, and an ROA nearing their long-term average of 1.50%. Management is confident in achieving a four-digit PAT growth for the first time in financial year '24. For financial year FY '25, the expectation is to improve upon an ROA of 1.52% despite facing a higher cost-to-income ratio.

- **Actual Results:**

['Q4', '2024']:

- For Q4 financial year '24, City Union Bank Limited recorded a Profit After Tax (PAT) of INR 255 crores with a growth of 17% compared to Q4 financial year '23. The Return on Assets (ROA) for Q4 FY24 was reported at 1.48%. For the full financial year '24, the PAT stood at INR 1,016 crores, registering an 8% growth compared to the previous year, and the ROA for the year was 1.52%.

['Q1', '2025']:

- Our ROA stood at 1.51% for the Q1 FY '25 compared to 1.40 for the corresponding period last year. We had achieved a PAT growth of 16%, and our PAT stood at Rs. 264 crore against Rs. 227 crore in Q1 FY '24.

['Q2', '2025']:

- Return on Assets (ROA) for Q2 FY25 is reported at 1.59%.

- Evaluation:

- **Expectations Met:** Management expected a four-digit PAT growth and aimed for an ROA close to their long-term average of 1.50% for FY '24. The actual results showed a PAT of INR 1,016 crores and an ROA of 1.52%, aligning with these goals.

5. Cost-to-income ratio management

- **Narrative:** Management has articulated a strategy focused on optimizing the cost-to-income ratio through digital lending and other growth initiatives. They anticipate that these measures will gradually reduce the cost-to-income ratio as the benefits of these initiatives are realized in the upcoming quarters.

- Management's Guidance:

- The company aims to maintain the cost-to-income ratio between 47% to 51% for the fiscal year 2024-25, indicating a strategic focus on operational efficiency and cost management.

- Actual Results:

['Q1', '2025']:

- Our cost to income ratio for Q1 FY '25 stood at 49.34% as compared to 51.26% in the Q4 FY '24. Overall for the year, we should be having somewhere in between and we had about 49 odd percentage for the current quarter.

['Q4', '2024']:

- 47% is our annual current cost-to-income ratio for the current year and 51% is for last quarter

['Q2', '2025']:

- Data Not Available

- Evaluation:

- **Expectations Met:** The management aimed for a cost-to-income ratio between 47% to 51% for FY 2024-25, and the actual result for Q1 FY '25 was 49.34%, which aligns with their strategic goals.

6. Regional market focus

- **Narrative:** Management highlighted their commitment to expanding the company's presence by significantly increasing the number of branches across various regions.

- Management's Guidance:

- Management is planning to open 20 new branches by the end of the calendar year and an additional 50 to 75 branches during the current financial year.

- Actual Results:

['Q2', '2025']:

- Today, we have 550-odd branches in South. Pan India presence with 812 branches. Strong presence in South India (700 branches) of which 528 are in Tamil Nadu alone.

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Long-term growth strategies

- **Narrative:** Management has expressed a strong commitment to achieving significant growth in the financial year 2024-2025, with a target figure of 12 to 15 percent. They are poised to enter a growth phase as they progress through the year, indicating a strategic focus on expanding market reach and enhancing performance metrics.

- Management's Guidance:

- Management anticipates achieving a growth rate of 12 to 15 percent during the financial year 2024-2025, signaling a robust growth phase as they advance through the year.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Slippage ratio reduction

- **Narrative:** The management emphasized their commitment to improving asset quality through a consistent reduction in slippages and enhanced recovery efforts. This strategy is aimed at maintaining a healthier balance sheet and mitigating potential risks associated with non-performing assets (NPAs).

- Management's Guidance:

- Management anticipates a reduction in the slippage amount, forecasting slippage figures to be between INR 700 crores to INR 800 crores for the current financial year. They also aim to reduce the NPA ratio by 50 basis points over the next six months while continuing the trend of reduced slippages and improved recovery throughout the current financial year.

- Actual Results:

['Q2', '2025']:

- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year. The net NPA has also decreased by about 25 basis points in this quarter.

['Q1', '2025']:

- For the current quarter, the total slippage is Rs. 178 crores.

['Q4', '2024']:

- The total slippage for financial year '24 is INR 1,013 crores as against INR 1,276 crores in the financial year '23. This indicates a reduction, although it is higher than the forecasted range of INR 700 crores to INR 800 crores.

- Evaluation:

- Expectations Not Met: Although there was a reduction in slippage and NPAs, the actual slippage figures for the financial year exceeded the management's forecasted range of INR 700 crores to INR 800 crores, indicating that expectations were not fully met.

9. NPA recovery focus

- **Narrative:** Management has indicated a focused strategy on improving asset quality, particularly through the recovery of non-performing assets (NPAs). They are anticipating a steady reduction in net NPAs by the end of the current fiscal year.

- Management's Guidance:

- Management expects the net NPA to be in the range of 1 to 1.25%, plus or minus, by the end of the current year.

- Actual Results:

['Q1', '2025']:

- The net NPA percentage for Q1 FY 2025 was reported at 1.87%, which is above the management's guidance range of 1% to 1.25%.

['Q2', '2025']:

- Our net NPA number has reduced to INR775 crores and the net NPA to 1.62% in Q2 financial year '25 from 2.34 in Q2 financial year '24.

['Q4', '2024']:

- The net NPA declined to 1.97% as on 31st March 2024, compared to 2.95% on the corresponding period last year.

- Evaluation:

- Expectations Not Met: The net NPA percentage remained above management's guidance range of 1% to 1.25% throughout the period, with Q1 FY 2025 at 1.87% and Q2 FY 2025 at 1.62%, not aligning with the anticipated reduction.

10. Net interest margin stability

- **Narrative:** Management emphasized their focus on maintaining a stable net interest margin as a key financial target, reflecting a strategic commitment to sustaining profitability amidst varying interest rate environments.

- Management's Guidance:

- Management stated their target to maintain the net interest margin above 3.5% for the next quarter.

- Actual Results:

['Q4', '2024']:

- The actual net interest margin for Q4 FY24 is reported to be 3.66%, which is above the management's guidance target of maintaining it above 3.5%.

['Q1', '2025']:

- Net Interest Margin for Q1 FY 25 is 3.54%.

['Q2', '2025']:

- In Q2 FY25, the net interest margin improved to 3.67%, which is above the management's target of maintaining it above 3.5%.

- Evaluation:

- Expectations Exceeded: The net interest margin consistently remained above the management's target of 3.5% across multiple quarters, reaching 3.66% in Q4 FY24, 3.54% in Q1 FY25, and 3.67% in Q2 FY25, indicating performance above expectations.

11. New product offerings

- **Narrative:** Management highlighted the strategic move to introduce new financial products aimed at enhancing the company's competitive position in the market. This initiative is part of a broader strategy to diversify the product portfolio and capture emerging market opportunities.

- Management's Guidance:

- Management indicated that the introduction of these new products is expected to significantly contribute to revenue growth and strengthen customer engagement in the coming quarters. The anticipated approval from the Reserve Bank of India (RBI) is a critical step for these initiatives to proceed as planned.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- The new product line launched last month and has already generated \$200,000 in revenue.

- Evaluation:

- Insufficient Info: Data not available.