

Q1 2025

1. Loan portfolio expansion

- **Narrative:** Management has emphasized a strategic focus on expanding the loan portfolio by leveraging a well-calibrated risk-adjusted return on capital model. They aim to grow faster than the industry average, with particular emphasis on preferred segments like rural loans and small business banking, which have shown robust year-over-year growth. The growth strategy is anchored by the availability of quality deposits, which is a critical factor influencing the company's ability to surpass industry growth rates.

- **Management's Guidance:**

- Management expects deposit growth to closely influence the growth in advances, projecting system credit growth to align with deposit growth of approximately 13% for the fiscal year. The company anticipates that their advances could grow 300 to 400 basis points faster than the industry in the medium to long term. They aim for a 15% growth in their loan book by the end of the fiscal year. As long as deposits are sourced at the right price and quality, the company believes it has adequate distribution capacity to exceed industry growth by 300 to 400 basis points on the asset side.

- **Actual Results:**

['Q1', '2025']:

- Loan growth (gross of IBPC sold) at 15% YOY & 1% QOQ; Advances grew 14% YOY and 2% QOQ; Bank's focus segments grew by 24% YOY and 1% QOQ; Retail loans grew 18% YOY of which Rural loans grew 24% YOY, SBB book grew 26% YOY and 2% QOQ

['Q2', '2025']:

- In Q2 2025, the actual results showed that advances grew 11% YOY and 2% QOQ. Retail loans grew 15% YOY and 2% QOQ, with rural loans growing 20% YOY and 1% QOQ. The SBB book grew 23% YOY and 6% QOQ. Total deposits grew 14% YOY and 2% QOQ. The bank's focus segments grew by 20% YOY and 4% QOQ. Loan growth gross of IBPC sold was at 12% YOY and 2% QOQ.

- **Evaluation:**

- **Expectations Met:** The company's advances grew 14% YOY and focus segments like rural loans and small business banking exceeded the industry growth rate, aligning closely with the management's guidance of a 15% growth target and outperforming the industry by 300 to 400 basis points.

2. Interest income trends

- **Narrative:** Management discussed the impact of accretion and amortization on discounted securities under the new regulatory circular, highlighting an improvement in interest income trends.

- **Management's Guidance:**

- Management indicated that the accretion and amortization on discounted securities, which was previously unrealizable under the old circular, is now contributing approximately INR 78 crores to the interest income for the first quarter. This change is expected to positively influence the interest income trends moving forward.

- **Actual Results:**

['Q2', '2025']:

- Net Interest Income for Q2FY25 is 13,448 and for H1FY25 is 26,931.

['Q1', '2025']:

- Interest income for Q1FY25 was reported at 25,557 crores, showing an 18% growth.

- **Evaluation:**

- **Expectations Met:** The management expected the change in accretion and amortization to positively influence interest income, contributing INR 78 crores in the first quarter. This aligned with the actual results showing an 18% growth in interest income, indicating that the expectations were met.

3. Cost management strategies

- **Narrative:** Management discussed their approach to maintaining cost efficiency by leveraging their structural guidance strategy, which aims to sustain a margin cushion above the through-cycle margin. This reflects a focus on optimizing financial performance while managing costs effectively.

- **Management's Guidance:**

- Management indicated that their structural guidance is set at 3.80% on a through-cycle basis and that they have been operating with a 25-basis point cushion above this margin for several quarters. They emphasized their commitment to retaining as much margin as possible moving forward.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

4. Cost reduction initiatives

- **Narrative:** Management is focused on enhancing operational efficiency through cost reduction initiatives. They have outlined a strategic approach aimed at reducing operating costs significantly.

- **Management's Guidance:**

- Management has set a target to reduce operating costs by 10% over the next two years.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Geographic market penetration

- **Narrative:** Management outlined plans to significantly enhance the company's geographic reach through a strategic expansion of its branch network. This initiative aims to bolster market presence and drive growth across key regions.

- **Management's Guidance:**

- Management has committed to expanding the branch network by opening 50 new branches over the next 12 months.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- We have opened 150 new branches in the last three months, and 200 in the first half of this fiscal.

- **Evaluation:**

- **Expectations Exceeded:** The management aimed to open 50 new branches over 12 months, but exceeded expectations by opening 200 branches in just the first half of the fiscal year.

6. Liquidity management plans

- **Narrative:** Management highlighted their approach to liquidity management, emphasizing a disciplined quarterly planning and allocation process. This strategy is particularly crucial in navigating the current tight liquidity environment.

- **Management's Guidance:**

- The bank conducts RAROC and liquidity allocation on a quarterly basis, with a year-long outlook, adapting to the prevailing liquidity conditions each quarter.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.