Q2 2024

1. Loan disbursement growth
- **Narrative:** Management is focused on enhancing loan disbursement growth, particularly in the MSME sector. They have initiated a soft launch of a new product aimed at loans less than Rs. 3 Crores, which is currently being tested in select branches. This approach is indicative of a strategic move to boost loan disbursement by making the product widely available following the resolution of any initial implementation issues.
- **Management's Guidance:**
- Management indicates that the new MSME loan product will be available for all branches by the second half of November, following a successful soft launch phase and correction of any initial bugs.
- **Actual Results:**
['Q1', '2025']:
- Our advances closed over and above Q4 FY 2024. That is Rs. 46,481 crore and increased from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025.
['Q2', '2024']:
- We have seen about Rs.1,280 Crores or 3% credit growth during the Q2 2024.
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: The management's narrative about enhancing loan disbursement growth through a new MSME product was not only achieved but surpassed expectations, as evidenced by the substantial increase in advances from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025, indicating strong growth momentum beyond the initial guidance.

2. Regulatory compliance updates
- **Narrative:** Management emphasized the importance of adhering to regulatory frameworks and ensuring a seamless transition of responsibilities in compliance with regulatory limits. This includes strategic onboarding of personnel to facilitate a smooth handover and takeover process at the end of their term, which is crucial for maintaining regulatory compliance and operational continuity.
- **Management's Guidance:**
- Management plans to onboard key personnel within the regulatory limits to ensure a smooth transition of responsibilities, thereby maintaining compliance and operational efficiency in future quarters.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- N. Kamakodi [Yes, for us, this one we had been in compliance even before the arrival of that circular.]
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management's aim to maintain regulatory compliance and operational efficiency by onboarding key personnel was met, as evidenced by the statement in Q1 2025 that compliance was maintained even before the regulatory circular arrived.

3. Credit risk assessment
- **Narrative:** Management focused on maintaining robust credit risk assessment procedures in order to mitigate potential risks. The emphasis was on keeping credit costs at lower levels, similar to those achieved in the second quarter. This approach is part of a broader strategy to ensure financial stability and resilience in the face of potential economic fluctuations.
- **Management's Guidance:**
- Management expects credit costs to remain at lower levels in the second half of the year, consistent with the levels observed in the second quarter.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- 4849a43b89fc23abc2e013681e3f17dc --> [Credit cost E / F 0.54 i3l 1.34 0.89 0.90 —# 0.27]
['Q4', '2024']:
- The net credit cost has significantly decreased to 0.24% for the financial year '24 compared to 0.90% in the financial year '23. The credit cost has come down from 20 basis points to 24 basis points.
- **Evaluation:**
- Expectations Exceeded: The actual credit cost for the financial year '24 decreased significantly to 0.24%, surpassing management's guidance of maintaining credit costs at lower levels consistent with the second quarter, which was around 0.90%.

4. Digital lending expansion
- **Narrative:** Management has highlighted the initiation of a digital lending expansion strategy through the soft launch of digital lending products. This initiative is aimed at enhancing credit growth, with a particular focus on achieving double-digit growth for the entire year. The strategy is expected to significantly contribute to improved performance in the latter half of the year.
- **Management's Guidance:**

- Management anticipates that the introduction of digital lending processes, which have already commenced, will lead to improved credit growth in the second half of the year. They also noted that while there has been a 2% to 3% quarterly growth in Q2, the new digital lending strategy is expected to further bolster growth.
- **Actual Results:**
['Q1', '2025']:
- 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', '2024']:
- Data Not Available
['Q3', '2024']:
- bb2cdc7ca88ad9c0f71a47ebf6edf313 --> N. Kamakodi [Rolled out first phase of automated loan underwriting process.] 084cc3b0b6c45c281b31515c80dd3e66 --> [Unattributed] "first stage of digital lending process has started. And we also have started seeing about INR400-odd-crores growth in the last couple of months." 6535e68c207fad6027cce730149d7480 --> N. Kamakodi [First, the phase of proposals less than INR3 crores is already online fully.]
['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 management's strategy anticipated enhanced credit growth in the latter half of the year through digital lending expansion, which was realized as evidenced by the initiation of digital lending processes and achieving significant growth in credit, particularly with MSME loans being digitally processed within a 48-hour TAT by Q4 2024.

5. Cost-to-income ratio management
- **Narrative:** Management has acknowledged the challenges posed by the current interest rate environment, which limits treasury profit opportunities. In response, they are focusing on maintaining operational efficiency to manage the cost-to-income ratio effectively.
- **Management's Guidance:**
- Management anticipates that the cost-to-income ratio will remain within the range of 42% to 45%, even as they navigate through the constraints of the rising interest rate scenario.
- **Actual Results:**
['Q4', '2024']:
- In Q4 FY24, the actual cost-to-income ratio was reported as 47% for the current year, which exceeds the management guidance range of 42% to 45%. Additionally, the cost-to-income ratio for the last quarter was 51%.
['Q3', '2024']:
- Cost to Income: 48.64%
['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.
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio consistently exceeded the management's guidance range of 42% to 45%, with values reported at 47%, 48.64%, and 49.34% in subsequent quarters, indicating an inability to meet the anticipated operational efficiency targets.

6. Technology adoption initiatives
- **Narrative:** The management emphasized the importance of digital transformation through the implementation of a Loan Origination System (LOS), which is expected to significantly enhance operational efficiency.
- **Management's Guidance:**
- Management projects double-digit growth in advances, primarily in the second half of the year, driven by the efficiencies gained from digitization and the launch of the LOS.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Tier 1 capital ratio
- **Narrative:** Management has consistently maintained a robust Tier 1 capital ratio, indicating a strong capital position. This level of capital adequacy ensures that the company is well-prepared to meet regulatory requirements and absorb potential losses, contributing to financial stability.
- **Management's Guidance:**
- The management indicated that the Tier 1 capital ratio remains steady at approximately 200%, and this information will be updated on the company's website soon.
- **Actual Results:**
['Q4', '2024']:
- The actual Tier 1 capital ratio for FY 2024 was reported as 22.80%, which is lower than the management's guidance of approximately 200%.
['Q1', '2025']:
- Tier I Q1 FY 2025: 22.55%
['Q2', '2024']:
- Data Not Available

['Q3', '2024']:
- In Q3 2024, the reported Tier 1 Capital Ratio was 20.83%, which is below the management's guidance of approximately 200%. This discrepancy indicates a significant variance from the projected target.
- **Evaluation:**
- Expectations Not Met: The actual Tier 1 capital ratios reported for FY 2024 and Q1 FY 2025 (22.80% and 22.55% respectively) were significantly below the management's guidance of approximately 200%, indicating a substantial shortfall from expectations.

8. Profit margin trends
- **Narrative:** Management is optimistic about achieving significant profit growth despite facing some growth challenges. The company aims to mark a milestone by achieving a profit after tax (PAT) in the four-digit crore range for the fiscal year 2024, reflecting a strong focus on enhancing profitability.
- **Management's Guidance:**
- Management anticipates closing the fiscal year 2024 with a PAT exceeding a four-digit crore figure, marking the first time the company would achieve such a level of profitability.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- For Q4 FY24, City Union Bank Limited reported a Profit After Tax (PAT) of INR 255 crores, reflecting a 17% growth compared to Q4 FY23. For the full fiscal year 2024, the PAT stood at INR 1,016 crores, marking an 8% growth over the previous year.
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Our PAT has grown by 16% in Q3 financial year '24 and stood at INR 253 crores compared to INR 218 crores in Q3 financial year '23.
- **Evaluation:**
- Expectations Met: Management aimed for a four-digit crore PAT for fiscal year 2024, and the actual results showed a PAT of INR 1,016 crores, meeting their expectations.

9. Long-term growth strategies
- **Narrative:** Management has set a target for substantial growth in the fiscal years 2023-2024, aiming for a 12% to 15% growth rate with expectations of stronger performance towards the end of the year. Additionally, they are progressing towards full operational capability, with a significant portion of their products expected to be in full production by the next quarterly results.
- **Management's Guidance:**
- Management anticipates achieving a 12% to 15% growth rate for FY2023-FY2024, with performance skewed towards the yearend. They expect that by the Q3 results, 50% to 60% of their products will be in full production, with the remainder in soft launch or beginning to produce results.
- **Actual Results:**
['Q1', '2025']:
- Puneet - Growth performance: Flat on a low base for FY24, disappointing outcome.
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: Management expected a growth rate of 12% to 15% for FY2023-FY2024, but actual results showed flat growth for FY24, indicating that expectations were not met.

10. NPA recovery focus
- **Narrative:** Management is focused on improving asset quality by reducing net Non-Performing Assets (NPA) to pre-COVID levels. The strategy involves achieving a net NPA within the comfort zone of 1% to 1.5% over the upcoming quarters, which is expected to significantly contribute to the targeted Return on Assets (ROA) of 1.5% for FY2024.
- **Management's Guidance:**
- Management anticipates closing FY2024 with an ROA of 1.5%, with NPA recovery being a major contributing factor. The expectation is to return net NPAs to between 1% and 1.5% as they progress. There is a target to reduce net NPA to pre-COVID levels, aligning with their strategic objectives. The internal goal is to first achieve pre-COVID net NPA levels, followed by reaching a comfort zone of 1% to 1.5% over the next few quarters. The current scenario of NPA recovery is expected to persist for another couple of years, providing opportunities for recovery.
- **Actual Results:**
['Q4', '2024']:
- The net NPA declined to 1.97% as on 31st March 2024, compared to 2.95% on the corresponding period last year. Net NPA has come down below Rs.1,000 Cr and NNPA % below 2%, back to pre-covid level.
['Q1', '2025']:
- The net NPA percentage for Q1 FY 2025 was reported at 1.87%, which is above the target range of 1% to 1.5% set by the management for NPA recovery focus. This indicates that while there is a reduction from previous levels, the target has not yet been fully achieved.
['Q3', '2024']:
- The net NPA declined to INR 941 crores as on 31st of December 2023 and is 2.19% for Q3 financial year '24, compared to 2.67% in Q3 financial year '23. The net NPA is also on a decreasing trend in the current financial year, with 2.51% in Q1 FY '24, 2.34% in Q2 FY '24, and 2.19% in Q3 FY '24.
['Q2', '2024']:
- Net NPA: 2.34%
- **Evaluation:**
- Expectations Not Met: The management aimed for a net NPA in the range of 1% to 1.5% by the end of FY2024, but the actual net NPA was 1.97% at

the end of FY2024 and 1.87% in Q1 FY2025, indicating the target was not fully achieved.

11. Net interest margin stability

- **Narrative:** Management has discussed the stability of net interest margins (NIM) despite existing market pressures. They aim to maintain the NIM around current levels with minor fluctuations.
- **Management's Guidance:**
- Management anticipates that the net interest margins will remain stable with potential variations of plus or minus 10 basis points from the current NIM levels.
- **Actual Results:**

['Q1', '2025']:

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

['Q4', '2024']:

- The Net Interest Margin (NIM) for Q4 FY24 was reported to be 3.66%, which aligns with the management guidance of maintaining NIM stability with minor fluctuations around current levels.

['Q2', '2024']:

- The net interest margin for Q2 FY 24 is reported at 3.74%, which is within the management's guidance of maintaining the NIM with variations of ±10 basis points from the current levels.

['Q3', '2024']:

- Net Interest Margin Q3 FY 24: 3.50%
- **Evaluation:**
- **Expectations Met**: The net interest margin remained within the management's guidance of minor fluctuations around current levels, with variations of ±10 basis points, as seen in the reported NIMs of 3.74% in Q2 FY24, 3.50% in Q3 FY24, and 3.54% in Q1 FY25.

12. Rate pass-through effects

- **Narrative:** Management indicated that they do not foresee any further interest rate hikes, maintaining a stable outlook with a 75% probability of no rate increases. This reflects a strategic position to manage yield without anticipating additional upward adjustments in rates.
- **Management's Guidance:**
- Management conveyed that there is a 75% probability of not expecting any rate hikes in the upcoming quarters, with only a 25% probability for a possible 25 basis point increase.
- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2024']:

- N. Kamakodi [As I discussed with you all in the March quarter or two to three quarters back we missed in transmitting one or two rate transmissions in the last year which had some impact and further hikes we have already transmitted.]
- **Evaluation:**
- Insufficient Info: Data not available.