Jammu and Kashmir Bank Limited

Corporate Headquarters
M A Road, Srinagar 190001 Kashmir, India
CIN: L65110JK1938SGC000048

T +91 (0)194 248 3775
F +91 (0)194 248 1928

W www.jkbank.com
E board.sectt@jkbmail.com

J&K Bank

Board Secretariat

Ref:-JKB/BS/F3652/2025/084
Date: 31st July, 2025

National Stock Exchange of India Limited
Exchange Plaza 5th Floor
Plot No. C/1 G-Block
Bandra Kurla Complex
Bandra (E) Mumbai – 400 051
Symbol: J&KBANK

The BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code:532209

Sub:- Transcript of Conference Call held on July 28, 2025

Dear Sirs,

In continuation to our letter no. JKB/BS/F3652/2025/083 dated July 28, 2025 and pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Conference Call held on July 28, 2025 by the Bank in relation to the Reviewed Financial Results of the Bank for the Quarter ended June 30, 2025 is enclosed and the same is also available on the website of the Bank under following link:

https://www.jkbank.com/investor/analystInteraction/investorConferenceCalls.php

This is for your information and appropriate dissemination.

Thanking you

Yours faithfully

For Jammu and Kashmir Bank Limited

Mohammad Shafi Mir

Digitally signed by Mohammad Shafi Mir
DN: c=IN, o=Personal, postalCode=191131, l=Ganderbal, st=Jammu and Kashmir, street=ganjipora batwina, Batvena, Ganderbal Jammu and Kashmir India 191131, title=5504, 2.5.4.20=f967bd71f559747b387d419e56605e9e342b989bde651ebf36672be670c15047, serialNumber=66e7c458fadfd58d0b1e3af6cfa93526782626d2f4a82a11e8de9af7cbcce6cd, email=shafi.mir@jkbmail.com, cn=Mohammad Shafi Mir
Date: 2025.07.31 13:03:47 +05'30'

Mohammad Shafi Mir
Company Secretary

"Jammu and Kashmir Bank Limited Q1 2026 Earnings Conference Call"

July 28, 2025

MANAGEMENT: **MR. AMITAVA CHATTERJEE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**
MR. SUDHIR GUPTA – EXECUTIVE DIRECTOR
MR. NARJAY GUPTA – HEAD (RETAIL CREDIT AND LIABILITY)
MR. RAKESH KOUL – HEAD (TREASURY)
MR. RAJESH MALLA TIKOO – HEAD (IMPAIRED ASSETS PORTFOLIO MANAGEMENT)
MR. KETAN KUMAR JOSHI – CHIEF FINANCIAL OFFICER
MR. ALTAF HUSSAIN KIRA – CHIEF RISK OFFICER

Moderator: Ladies and gentlemen, good afternoon, and welcome to the Q1 2026 Earnings Conference Call of Jammu and Kashmir Bank Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

We have with us from the Bank, Mr. Amitava Chatterjee – Managing Director and Chief Executive Officer along with his Management Team. I now hand the conference over to Mr. Chatterjee. Thank you, and over to you, sir.

Amitava Chatterjee: Thank you, Shruti. A very good afternoon to all of you and a warm welcome to all the participants to J&K Bank June 2025 Earnings Call.

Before starting with the results, let me introduce my fellow colleagues from the Bank's Senior Management who are accompanying me on this call. I have with me the Executive Director – Mr. Sudhir Gupta, Mr. Narjay Gupta – the Retail Credit and Liability Head, Mr. Rakesh Koul – the Treasury Head, Mr. Rajesh Malla Tikoo – the Impaired Assets Portfolio Management Head, our new Chief Financial Officer – Mr. Ketan Kumar Joshi, and the Chief Risk Officer – Mr. Altaf Hussain Kira.

We are pleased to share that we've begun the new financial year on a strong note, delivering another consistent performance with net profit of INR485 crores, up by 16.7% YoY. This is the highest ever net profit reported by the Bank for the first quarter of a financial year. The fact that this performance comes in the wake of the new financial year having begun with challenging circumstances, especially in our core territories due to the unfortunate and tragic Pahalgam terror incident, followed by heightened tensions and a brief conflict adds further weight to it. It reflects the strength and resilience of our institution, the unwavering commitment of our teams and the continued trust and support of our stakeholders.

Also, I would like to emphasize here that in Q1, our profitability has been impacted by a one-time impairment provision of INR87 crores related to our investment in J&K Grameen Bank necessitated due to erosion of the equity value on account of amalgamation of J&K Grameen Bank and Ellaquai Dehati Bank into a single RRB under our sponsorship in line with the directives issued by the Government of India for Phase-IV of amalgamation of RRBs under the "One State, One RRB" Concept. This is a non-recurring impact and non- reflective of our underlying earnings momentum. Excluding this one-time provision, our net profit growth would be upwards of 30% YoY.

Historically, first quarter has been considered lean for banks across the industry in terms of growth. The Bank has registered an above-average YoY growth of 12.1% in deposits, while all Scheduled Commercial Banks have registered a growth of only 10.1% during the same period as per latest data released by RBI. And breaking the trend of last four financial years, where we witnessed a degrowth in deposits in the first quarter, we have been able to maintain deposits at March 2025 levels. Despite the stable overall deposit levels, CASA ratio has witnessed a decline on a sequential basis from 47.01% to 45.71%. This reduction has been driven primarily by migration of CASA balances to term deposits for locking in of higher yields prior to the deposit interest rate cut, which has just begun. This trend reflects in the growth patterns also with the term deposits having grown by 21.1% YoY against a growth of just 2.9% in CASA deposits during the same period.

On the advances front, growth has been relatively muted at just 6.1% YoY with a degrowth of 2.7% in the first quarter. Though the Bank has witnessed almost similar loan growth in both JKL and ROI at 5.3% and 6% YoY respectively, however, in Q1 loan growth in JKL which contributes 70.6% of the total loan book of the Bank, has been 2%, whereas the Rest of India loan book has witnessed a de-growth. Even at an industry level, credit growth has witnessed a slow down with systemic credit growth declining to a three-year low of below 9% in May 2025 and being recorded at 9.5% YoY as on June 27, 2025, with marginal growth of just 0.40% for Q1.

While the overall muted loan growth is primarily attributable to the corporate loan book remaining almost flat on YoY basis, which is reflective of the broad industry trend of deceleration in corporate lending due to rising competition from alternative fund sources such as bond and equity markets, the degrowth in Q1 in our case can be additionally attributed to scheduled heavy repayments in certain corporate loans, selective participation to protect margins and some internal changes taking place, which we had indicated in the last call.

In terms of sectoral composition, personal finance and agriculture which contribute around 50% of our loan book have grown at 7.4% and 19.9% YoY respectively. Growth in personal finance in Rest of India at 13.4% YoY continues to outpace Jammu and Kashmir, Ladakh growth at 6.8% which is as per our strategy of enhancing our retail base in Rest of India. Within personal loans, housing loans have been the best performer at Bank level with YoY growth of 9.3%, whereas in ROI, both housing and car loans have witnessed an impressive double-digit growth of around 13% and 20% respectively. Lending to the manufacturing and financial market sectors has witnessed a YoY degrowth with a growth in industrial activity in India slumping to a nine-month low in May 2025 and banks remaining cautious in lending to NBFCs.

The income statement has multiple positives with the operating income increasing by 9.7% YoY, interest earned growing by 9.1% YoY and other income by 29% YoY despite taking a one-time hit on account of the impairment provision referred to earlier. While operating expenditure for the quarter shows a 7.7% YoY jump, the major constituent - employee expenditure, which contributes around 70% of the total operating expenditure of the Bank, has reduced by more than 4% on the back of moderating retiral costs, which we have talked about previously.

As has been forecasted especially for the first half of financial year 2026, NIMs have started contracting due to a faster transmission of rate cuts on the lending side and lagging relief on deposit costs. The transmission of rate cuts has resulted in the yield on advances reducing to 9.35%, whereas cost of deposits seems to have peaked at 4.83%, resultantly, Bank has recorded a NIM of 3.72% for the quarter. Due to the one-time impairment provision, the annualized Return on Assets and Return on Equity have been recorded below our guided range at 1.17% and 14.60% respectively for the quarter. However, on a normalized basis, both metrics remain broadly in line with our expectations.

Gross NPA has slightly increased to 3.5%, though the increase is majorly on account of a degrowth in gross advances rather than any substantial increase in NPAs. Consequently, NNPA has also slightly increased to 0.82%. PCR continues to be healthy above 90%. Even though there has been some increase in gross slippages during the quarter, however the Gross Slippages Ratio is still under control at 1% (annualized) for the quarter. Also, the Bank has been able to drastically reduce the overall SMA numbers with SMA-0 to Standard Advances Ratio declining from 15.91% to 9.01% sequentially, which has been enabled by the realignment of repayment dates with cash flows of borrowers.

CRAR has been recorded at 15.98% with CET-1 at 12.69%. This is without reckoning the net profits for Q1 which has an incremental impact of 48 bps. Though the Bank has sufficient capital buffers at the moment, the Board has already approved raising of equity and bonds to the tune of INR1,000 crores and INR500 crores respectively as growth capital.

Despite compression in NIMs and measured growth, we remain confident in our strong fundamentals, strategic priorities and with our continued evolution are well positioned to deliver consistent performances going forward and create long-term value for our shareholders.

We maintain the guidance for FY'25-26 given in our March 2025 call barring a downward revision for NIM, necessitated by the RBI’s surprise jumbo rate cut of 50 bps in June 2025 - its steepest move since the emergency 75 bps cut during COVID-19 in March 2020.

Market Guidance for 2025-'26:

Credit growth 12%, deposit growth 10%, CASA 48%, NIM 3.65% to 3.70%, ROA maintain around FY'24-25 levels, ROE 16% to 17%, GNPA below 3%.

Thank you very much for your time today. We appreciate your continued interest and support. We can start the questions now.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Namaskar, sir, and thank you for this opportunity. Sir, point is, firstly, about the other income component. I think, sir, for the March quarter, the other income got a boost because of some one-off line items to INR400 crores. The number is now towards INR250 crores and year-on-year, there is an increase of around INR56 crores, INR57 crores. So, what are the key components and what should one look for this number on a recurring basis?

Amitava Chatterjee: You want the entire breakup of other income, or you want what has changed?

Saket Kapoor: Sir, firstly, what has changed? And what should investors penciling in, in terms of this other income line item for the year as a whole or a quarterly basis?

Amitava Chatterjee: See, the other income if I give you the changes that have happened, there has been a decrease in commission exchange income by around INR11 crores, but there has been an increase in trading and treasury income by almost INR25 crores. There is a decrease in miscellaneous income by INR169 crores, that was on account of technically written-off recovery reduced by INR173 crores due to NARCL release of provisions in Q4, and this is as far as QoQ is concerned. And as for YoY, the decrease in treasury income by INR32 crores that is on account of INR87 crores impairment that I spoke of, increase in technically written-off recovery by INR45 crores, then there are some penal charges for SMA, INR12 crores, increase in the minimum balance charges by around INR9 crores, increase in the income on card business by INR7 crores, and increase in SMS charges by INR5 crores. This is the break-up. If you want a guidance for the future, we intend to have a very strong focus on the other income part for the Bank. We have been augmenting our treasury, and we had a consultant, I mean, identified for that and the report, it is now getting implemented. So, we have a very robust mechanism to see that we increase our treasury and FOREX income going forward. So, this will be something which we will be looking forward to. There is also some reason I can say that some technically written-off recovery that was expected this quarter has not happened. In due course, it is going to happen. The other thing is why it looks a little bleak is because of the INR87 crores impairment that has happened because of the amalgamation of our JK Grameen Bank with the Ellaquai Dehati Bank as per the government guidelines. So, the Bank that we inherited as a sponsor was not doing well and because of our investment in that amalgamated entity as per the revised guidelines of Reserve Bank of India we had to provide for. Otherwise, if you exclude that, the profit in fact is upwards of almost 30% YoY.

Saket Kapoor: Right. Sir, the second point which you and every Bank in this quarterly numbers have alluded to the fact of the compression on the NIM, and also going ahead, the new normal would be there for the NIMs going forward. Since the cost of funds is also going to reduce further with the 50 basis cut, which is to be implemented I think over the coming three months, so taking these factors into account and the current state of economic activities in the country, where we are hearing times of stress, including the tax collection part, including the PMI index, all factors, so what factors will rather keep the Bank's profitability up and going, the guidance that you gave, are these factors not acting as a hindrance of our reflection to the numbers going ahead?

Amitava Chatterjee: In fact, I should thank you, Saket, for asking this question. There are certain specific things that I want to mention which is apart from the general trend that is there in the industry, which is related to our Bank. I will mention the things. You have to collate them, and then you can understand what we are aiming at and what we intend to do. First of all, the position of J&K Bank is better than most of the other banks because it has a very high CASA ratio of above 45%. Now, it is 45%, it has come down a bit, but then it was not supported with the kind of IT we now have. And through IT and technology we already have plans to improve our CASA and take it up to 48%. We already have a measured plan for this and we are already working on it. So, this is one advantage Jammu and Kashmir Bank has. So, that is the reason why you see, even when you talk about compression of the margins, it is hardly noticeable as far as Jammu and Kashmir Bank is concerned. So, that is the advantage we have and what we want to do and what we are planning to do to further improve it. Now, as far as the cost of deposits, now, the cost of deposits, we actually can leverage on the position of our CASA by improving our maturity profiles in the Bank. This is a conscious decision we have taken. Had we not done that, our NIMs would have been slightly better than what it is today. But we know that even after taking this conscious decision, the NIMs will still be better than many of the other banks. So, we have that buffer available… that leverage available with us so that we can improve the maturity profile of the deposits that we have. So, it is something we are correcting, we are improving the position so that going forward the impact on NIM will be much lower in our Bank than any other Bank. This is something you can say a course correction that we have engaged in and we are very confident of being successful in this.

Saket Kapoor: Sir, can you give us some color on the bid pipeline especially in terms of the corporate book building up going ahead?

Amitava Chatterjee: See, corporate, the pipeline is close to around INR5,000 crores to INR6,000 crores. To be very honest, we are focusing more on the fundamental retail growth in our Bank so that it is sustainable. And you know that generally, the clients that we look at, they are very tough on the margins, they demand rates which sometimes banks like us we are not able to provide. So, going forward our base efforts would be to increase our retail portfolio further, not only in Jammu and Kashmir, but with select products in the rest of India so that we can have a strong baseline support in the advances, and wherever and whenever we find good opportunities, we will definitely work on the corporate side also.

Saket Kapoor: I will join the queue, sir.

Moderator: The next question is from the line of Solanki from RFPN Ventures. Please go ahead.

Solanki: I have actually two questions. So, one is about the technical recoveries. So, you just mentioned in your above speech that there was some technical recovery expected in Q1 but not happened. So, is there expectations about Q2 or a full year you can give about?

Amitava Chatterjee: See, there are times when the recovery in technical written-off accounts, they do not follow the time lines many times. So, something which we were expecting to happen in the first quarter has not happened. So, we still have around INR250-odd crores recovery expected in technical written-off accounts this year. I am not very sure. I mean I expect them to come in the next quarter, but I am not very sure because at the last moment, there are certain glitches, but then they are all resolved accounts, I mean it is not that the resolution is still pending, they are all resolved accounts. So, the repayments are going to come. Since we hardly have any loan where we are the major lender or the prime lender or the sole lender, they are all consortium advances. So, there are many factors which lead on to the actual recovery when it happens. So, we expect around INR250 crores more to come this year.

Solanki: Okay. And the second question is about the cost of funds. If I see that Quarter 1 almost 25 bps decrease in a repo rate and also in February there was 25 bps decrease. But if I see in a Quarter 1, it is even 3 bps, but you have increased the cost of funds by 3 bps, so is there any reason why it has not decreased for our guidance?

Amitava Chatterjee: I think I mentioned about the course correction that we are having. See, first of all, the decrease in interest rates passes on to the borrowers much sooner than the effect happens on the bankers as far as the depositors are concerned. So, there is a lag. That is one thing. Second, I just now said that we are doing some course correction related to the residual maturities of our deposits. So, for that reason, we have consciously kept certain rates in deposits slightly higher than the market rates of longer maturities so that we can improve our maturity profile. So, that I think will be taken care of by this quarter. So, that from next quarter, you will witness a reduction in the cost of deposits as well.

Solanki: Okay. Thank you, sir.

Amitava Chatterjee: Thank you.

Moderator: The next question is from the line from Sneha Ganatra from Star Union. Please go ahead.

Sneha Ganatra: Sir, just a couple of questions from my side. First question is, how much are we confident that we would be able to deliver a growth of 12% considering the vis-à-vis Q1 muted numbers? Second question is, any major slippages are we expecting either from the corporate or from the retail, could you guide us? And how do you see your overall credit cost to be kicking up over the next upcoming quarters also? And fourth question is, how do you see the overall cost-to-income ratio, any ballpark number you would like to share because considering a little bit fee income remain muted and you have already given the clarity and how do you see the overall treasury income to be performed over a period of time?

Amitava Chatterjee: First of all, cost-to-income, this is a one-time impact of I said the amalgamation of the RRBs, the impairment provision that we needed to do. That is the reason why it has gone up this quarter. So, definitely if you would have listened to the presentation, we have already said that the employee cost which constitutes 70% of our expenditure is coming down. So, we have been seriously working on the cost-to-income. In fact, each vertical head has a role to ensure that in his vertical, he earns maximum and spends less. That is the guidance given to all the vertical heads. So, cost-to-income ratio is something which is on the top of our agenda. As far as NPAs are concerned, yes, because of the geopolitical situation that prevailed in this geography, there has been some stress related to the tourism sector and the allied sectors corrected with tourism in this area. As I mentioned, the slippages have been less than 1%. And the credit cost will remain low compared to other banks as it has been for this Bank for the past several quarters. First of all, there is no major large corporate account which is under any kind of stress at the moment. So, that fortunately that portion is no longer a threat to us. As far as credit growth is concerned, 12% is a bare minimum that I have mentioned. I will not be surprised if it is more than 12%. I said the plan is to grow the retail in such a way that retail itself can give us a growth of 10% to 12% and then we have the opportunities that come our way in the corporate loan book segment which we will be ready to take up. So, 12% is something I mentioned is the bare minimum that I expect as far as credit growth is concerned. I hope I have answered all the four questions to you.

Sneha Ganatra: Sir, one, you mentioned that 12% credit growth is bare minimum, do you expect that the growth will be coming from within J&K or outside the J&K?

Amitava Chatterjee: See, I have already mentioned before and I am repeating it, my credit growth will come 50% from Jammu and Kashmir region and 50% from rest of India. This is for this financial year. Going forward, my portfolio I want the portfolio to be 50:50. At the moment, it is 70:30. I expect the portfolio to become 50:50. So, obviously target of growth from rest of India would be higher in the coming years.

Sneha Ganatra: And you mentioned on the deposit side; you are focusing more and the tech-related you would be able to focus on this. So, what are the tech-related expenses you would like to incur that will also have an impact on the cost-to-income ratio, anything you can just share on that front?

Amitava Chatterjee: See, on the technology front, we have already done most of the investments that were needed to take the Bank to that level where it can compete with any other Bank in the country. So, there are a very few things which requires major expenses. So, the expenses on IT will not have that impact if I look at the return that we expect from those applications, that will be much more than the expenses that we make in IT. So, expenses in IT will not be a threat to the cost-to-income ratio.

Sneha Ganatra: Okay. Got it, sir. Thank you.

Moderator: Our next follow-up question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Yes. Sir, over the last year, there has been significant investment that has been planned by the corporates in the region of Jammu in particular. So, in all these investment agreements and the investor meet, are they inclined to have our Bank for any share on the lending program or they can arrange the funding for the project from any of the Bank at competitive rates?

Amitava Chatterjee: Again a very good question, Saket. Thank you for that. See, lot of investments are happening in the Jammu region. You are right, especially in the Kathua belt. There are two aspects to it. One, I have made it very clear to the UT government here that any clearances that they give for any project to be set up, they should always give us an opportunity, as Jammu & Kashmir Bank, to participate in all the projects that happen in any region in Jammu & Kashmir. So, we would definitely want to be a part of all the viable projects that are started in this region, that is as far as the intent is concerned. Now, since most of these investments are happening and the promoters do not happen to be from within the state, they are mostly from outside the state. So, they already have banking arrangements with their banks where they are banking within their core activities or outside Jammu & Kashmir. So, when they come here, they already come here with their lines ready with the banks they are already banking with. So, there I think I have been trying to get connected with the banks they are banking with, and I have got very good responses from most of the banks who have funded projects in Jammu & Kashmir, and I think there is no issue, no problem for us to get share in all these projects. So, I am very hopeful for getting share in almost all the projects that happen in this region.

Saket Kapoor: Sir, when you alluded to the fact that you spoke to the banks who have lended to the project, so how will we get our pie when they are already tied up with their existing relationships with the other banks? I did not get the correlation, sir.

Amitava Chatterjee: I think you would not have asked this question if you had known my background. So, I have been in this industry for long enough to understand how to get our share from a consortium. And there is hardly any Bank in the country with their project finance teams who would not agree to give me a share. So, I mean, this is something I do not think I need to boast about, but that is the truth.

Saket Kapoor: Okay, sir. Sir, when we look at IT as the enabler for every aspect in banking, today, people are not visiting branches, they are doing their transactions sitting at the workplace with internet-enabled services. So, over the last few years, sir, you are at the helm for now some time, what have been the major changes and major investments which you have brought about in the IT infrastructure, and how is our Bank going to benefit from it, especially in the recognition of stress in the NPA generation, how fast are we to get the alerts in the system that things may turn murkier for an account, so if you could just throw some light?

Amitava Chatterjee: Okay. There are three aspects to this. One is the Bank at the moment is fully equipped in two areas. One, it is core banking which at the moment, we have the latest version of the core banking solution that we are using. The second is the customer interface that the mobile app that we have is perhaps one of the best and most user-friendly apps that I have seen at least till date. If you are specifically asking about what are the steps that have been taken, well, to enlighten everybody here, we now have the entire loan journeys of the Bank, starting from retail, agri, corporate, MSME, everything end-to-end digitization is complete, it has been rolled out now, and the structure has been changed so as to enable this end-to-end digital journeys. We are also planning to have BRE journeys going forward so that all our products can be delivered through these end-to-end loan journeys. And we are also in the process of introducing the customer relationship management and data analytics as well as AI into our IT systems so that I mean, at least one part which you mentioned to identify the stress in the system and take corrective actions and get the alerts as quickly as possible so that we can work on them and prevent the slippages from happening. So, all in all I think what I had mentioned earlier also the entire Bank's vision at the moment is to take this Bank to a position where it can be called an IT-led Bank.

Saket Kapoor: Sir, can you explain the BRE journey? I am able to decode this.

Amitava Chatterjee: BRE is the Business Rule Engine. Business Rule Engine is something where there is minimum manual intervention. All the inputs in the loan journey is captured from either directly from the financials available from the borrower or from the systems, I mean, the data that is available universally. So, through that, the system itself gives you an indication of how much loan can be given to that particular borrower. So, this is something which is being used by most of the fintech companies as well as banks now. It reduces manual intervention and I think the lag in capacity of handling loan proposals is being taken care of by the Business Rule Engine.

Moderator: The next question is from the line of Sonal from Prescient Capital. Please go ahead, ma'am.

Sonal Minhas: Hi, sir, this is Sonal Minhas. Sir, my first question is with regard to let us say one or two year guidance for your gross NPA, I see the credit cost being low, I see the slippages being low, but the opening amount is fairly significant, so I just wanted to understand what are we doing this number of around INR3,600-odd crores, what is the direction for this number?

Amitava Chatterjee: If you want to know what steps we have taken, well, we have taken very significant steps where the loans of INR25 lakhs and above will not remain with the branches anymore. We have created special impaired assets branches. We call them IAPM branches where all loans above INR25 lakhs from the branches would be transferred, and these units will be specialized outfits to take care of loan recoveries and loan resolutions only. See, the loan portfolio that we have, now majorly constitutes of small value loans that need focused attention, small value, I mean, below INR1 crore. So, that is the reason we have created zone-wise IAPM branches, where they will be taken care of exclusively, that branch will not do any other work other than loan recovery and loan resolution of impaired assets. So, this is the process that we have devised, this is a new thing that we have started only this financial year. And going forward, I expect a lot of recoveries happening in accounts which otherwise we could not focus on because of the other work pressures in the branches. So, that is a step that has been taken. So, I believe a lot of recovery in the existing accounts are going to happen this year. And second, I do not feel that the new accounts have a tendency to slip that much. The slippages will be contained, recoveries will happen, so automatically, the overall NPA position is bound to improve.

Sonal Minhas: Got you, sir. Sir, in that light, I just wanted to also understand what have we done to reduce the SMA-0? Is there a fair bit of play of tech there in SMA-0, SMA-1? I just want to understand what steps we have taken to reduce the numbers there as well.

Amitava Chatterjee: In fact, very happy to say that SMA-0s have come down by more than 50%, I mean, which used to be very, very high for this Bank. So, it was not a very difficult task. The identification had been done. What we needed to do was to align the repayments, the EMI dates of the borrowers with their cash flows. Earlier, it was not there. Traditionally, the EMI dates were the last day of the month or the second last day of the month, and essentially, the cash inflows used to happen in the first week of the month. So, we have now aligned the repayments with the cash flows. So, that has resulted in SMA-0s at least, so most of the accounts were perennially SMA, they would not default, but they will remain SMA because the repayment won't come within the time it was supposed to come. Now that the EMIs have been aligned with the cash inflows, that problem has been solved. That is one. Other than that, the SMA-2 and SMA-1 that we have, the advantage now that we have is the technical nature of the SMAs are gone now. Whatever SMAs now we will be looking at, are the actual SMAs. So, now we have a better chance of focusing on recovery and handling of these SMAs. Initially, the overlap was there and we were not able to actually identify the accounts which we needed to focus on. So, both ways, it has been advantageous for us.

Sonal Minhas: Got it, sir. Sir, wanted to ask you for a guidance around credit cost or slippage. So, are we expecting to see similar numbers for the next two, three years or is this something which is building a new book because of which the base is a little low?

Amitava Chatterjee: See, it is very difficult to keep it at zero where it has been, I mean, this Bank because of the -

Sonal Minhas: Credit cost 1%, maybe, that is a better number to I think -

Amitava Chatterjee: It has been close to zero for quite some time. So, 1% will be what I am looking at essentially because we have a very strong focus on the recoveries, number 1. Number 2, we still have some amount which can be recovered in the technical written-off accounts and reversal of provisions can happen. So, all these things collectively put together I think we will be fairly around 1% only. I don't see the credit cost going beyond 1% in the near future.

Sonal Minhas: Got it, sir. Sir, I have a last question. I am a little new to I think the call. Just wanted to understand what all type of loans do we categorize under the financial markets head, what gets categorized under this head, because the NPAs are also higher, so I just wanted to understand -

Amitava Chatterjee: It is only the loans to NBFCs.

Sonal Minhas: Okay, sir. And can you just highlight which are the NBFC is there, is it HFC, is it SFC?

Amitava Chatterjee: It is a mix of all. We avoid unsecured loan NBFCs. Other than that, I think secured loan NBFCs are good enough who are well rated.

Sonal Minhas: Okay. So, all these loan of INR10,600 crores is largely secured?

Amitava Chatterjee: It is only secured.

Sonal Minhas: Okay. Sir, so secured, then the NPAs are a little higher, that is why I wanted to understand that the outstanding?

Amitava Chatterjee: The NPA that you see is the legacy of IL&FS, which we are in the process of recovering.

Sonal Minhas: Understand. Just to consider last two to three years, what percentage of book would we have written-off completely, like a percentage of book that we have written-off?

Amitava Chatterjee: In the last two years I think INR850 crores is the amount that we have written-off.

Sonal Minhas: Got it, sir. So, less than 1%?

Amitava Chatterjee: Less than 1%.

Sonal Minhas: And this is in the last two years, combined, right?

Amitava Chatterjee: Yes.

Sonal Minhas: Got it, sir. I will fall back in the queue, sir.

Moderator: The next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Hi, sir. I just wanted to follow up on the previous question related to infrastructure. Sir, could you talk about how the product wise or loan category wise underwriting compare to the industry standards, so basically, how much of it is scorecard base and automated, how much of it requires manual intervention? And if you could also talk about what are the areas of improvement that you see over there?

Amitava Chatterjee: I would like to say that apart from a little bit of agri loans, and that is also not because that we do not want to digitize the entire journey, but because the land records in this UT is still not digitized. So, in the absence of that, we are still not able to digitize the entire agri loan process. Other than that, all other loans, whether it is personal finance, trade, agri, financial market services, infra, manufacturing, everything, all the loan journeys we have now end-to-end digitized. So, there will hardly be any manual intervention as far as the loan journeys are concerned.

Chinmay Nema: Sir, I mean I just wanted to understand that the legacy NPAs that we are carrying on the book, operationally, I just wanted to understand what has changed from the time when those loans got disbursed?

Amitava Chatterjee: See, you would have noticed in the last I should say eight to nine quarters the legacy NPAs have steadily come down. I mean it used to be close to 12%, 13%, 14% sometime back and it has come down… I mean I am talking about gross NPAs, it has come down to 3% now. The recoveries that have happened and if you also analyze the provision write-back that has happened during this period because of these recoveries, the aging provisions and all, you would realize that there has been a very strong focus of the Bank on recovering the legacy loan NPA accounts, it will continue. The low-hanging fruit may not be there anymore. We would need more focused processes. And from time-to-time, we come out with one-time settlement scheme. So, through that also, even this year, we had a fairly successful OTS scheme, only that we had to extend the repayment period because of the event that happened in Pahalgam because of that, some people had problems in repaying in time, the deadline was 30th June. That is the reason I said in the beginning itself, some repayments in NPAs as well as TWOs could not happen before June because we had to extend the time period because of obvious difficulties people were facing. So, I would say going forward these are going to come down steadily. When I say that the NPA guidance is less than 3%, primarily I look towards recovery in the legacy loan accounts containing these slippages from happening and also some robust recovery in TWO.

Chinmay Nema: Understood, sir. Thank you.

Moderator: The next question is from the line of Kashyap Zaveri from EIML. Please go ahead.

Kashyap Zaveri: Just one book-question. What is the recovery number included in other income?

Amitava Chatterjee: It is INR74 crores.

Kashyap Zaveri: Sure. Thank you so much.

Moderator: The next question is from the line of Sonaal Singh Kohli from Bowhead.

Sonaal S Kohli: Thank you for this opportunity and congratulations on good numbers. Sir, broadly, my question is regarding your credit cost. When you talk about 1% credit cost, are you talking generally speaking from a longer-term perspective based on the industry experience? Are you speaking specifically based on what you are seeing today for the next 12-months perspective, because both could mean very differently; one would mean that generally speaking at some point of time credit cost will go 1% across cycles, while one would imply that like other banks we also started seeing like some of the banks reported really wide NPAs because of their mix we also expect because of certain signs which we are seeing we also expect the credit cost to become 1%? Thank you.

Amitava Chatterjee: So, thank you. In fact, your question is very, very pertinent. In fact, what I have answered is based on this Bank-specific the experience that I have had over the past six months looking at what has happened in this Bank for the last I think, six, seven, eight years. You are right, industry trends might change it, but then I have a belief that the resilience of the UT of Jammu & Kashmir has been much more because of the adversaries that this UT has faced over a period of time. So, the consistency that I expect from this UT regarding this particular aspect I think I can safely agree with what has happened in the last few quarters. But then as you say, it cannot be said as a general thing because the cycles do happen, the industry-related issues do come up. In fact, even after what has happened in the last quarter and the kind of steps that I could see in the book, it makes me further more confident that we will be able to keep it to the guidance level.

Sonaal S Kohli: Sir, actually what I was referring to was that 1% seems very high specifically speaking in the near-term. So, my question, what is that would it be much higher 1%? My question actually implies that

1% seems really high in the context of what we have seen in the Bank versus other banks so far. So, that is what I was looking at. Are you seeing any signs of 1% credit cost in near term?

Amitava Chatterjee: In fact I did not say 1%, I said it would be below 1%, it will be below 1%, it could be around 15 to 20 bps this year.

Sonaal S Kohli: Okay. Understood. That is what I was wondering that what has happened in the Bank that suddenly -

Amitava Chatterjee: No, I did not say 1%, I said it will be below 1%.

Sonaal S Kohli: 15, 20 basis points is what you expect this year. And sir, what kind of slippages do you see going ahead? Do you see the slippages in the near term increasing by any chance based on what has happened in Jammu & Kashmir compared to the quarter gone by?

Amitava Chatterjee: Some SMAs have creeped in. If you look at the SMA-2 numbers, it has gone up. But then through the UTLBC we have proposed to the UT government to notify this area because of these disturbances created in the last quarter as a disturbed area so that we can implement the master circular related to restructuring of Reserve Bank of India, and the government has agreed, and the note has already been put up I think in a few days we will have the notification. So, we will be able to rephase or restructure these accounts, of course, we will be doing it very selectively, it's not for everybody, we will do it for selective accounts only, and I am very sure we will be able to keep these accounts standard. There is one more aspect to it. Since this was announced, this proposal for notification at the UTLBC, there is a general tendency of people to wait and watch and maybe some people even if they were in a position to repay, they have held it back. So, that might have resulted in a slight upward movement in the SMA-2 and slight increase in the NPAs this quarter, but it is too small to be worried about at the moment. That is what I can say.

Sonaal S Kohli: And sir, how is the tourism activity right now in Jammu & Kashmir, has it seen any revival?

Amitava Chatterjee: Three things actually I would mention. One is the introduction of the Vande Bharat Express, the second is the Amarnath Yatra, and the third is a very strong support of the governments by having events in Jammu & Kashmir regularly, like we have had several parliamentary committees happening, where I mean, in one parliamentary committee, there were 31 parliamentarians who had come and visited Srinagar. Also, very recently, we had the Supreme Court Justices conference here. So, promoting the fact that people can freely and safely come to Srinagar has been one of the focus areas of the government, both the UT government as well as the central government. Although it is still muted, but I believe after the Amarnath Yatra is over, I believe the tourism will pick up again.

Sonaal S Kohli: Thank you so much for your detailed reply and wish you all the best with all the initiatives you are taking.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Amitava Chatterjee for closing comments. Over to you, sir.

Amitava Chatterjee: Thank you very much, Shruti, and thank you all the participants for joining in today. For any further questions or queries, you can contact our Investor Relations Desk. Thank you very much. Have a good day.

Moderator: On behalf of Jammu and Kashmir Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.