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SECRETARIAL DEPARTMENT

November 15, 2025

HO/SEC/237/2025-26

To

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra-Kurla Complex
Bandra (E), Mumbai-400051
Scrip Code: KTKBANK

The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400001
Scrip Code: 532652

Madam / Dear Sir,

Sub: Transcript of Q2H1FY26 Earnings Audio Conference Call

Pursuant to Regulation 30 read with Clause 15(b) of Para A of Part A of Schedule III and Regulation 46 (2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith the transcript of the post results analysts / institutional investors audio conference call held on Monday, November 10, 2025, with regard to the unaudited, reviewed Standalone & Consolidated financial results of the Bank for the quarter and half year ended September 30, 2025.

The same is also made available on the Bank's website under the following web link:

<https://karnatakabank.bank.in/investors/quarterly-results>

This is for your kind information and dissemination.

Yours faithfully,

Sham K
Company Secretary &
Compliance Officer



“The Karnataka Bank Limited
Q2 FY 2025-26 Financial Results Conference Call”
November 10, 2025

MANAGEMENT: **MR. RAGHAVENDRA S. BHAT – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. VIJAYAKUMAR P.H. – CHIEF FINANCIAL OFFICER
MR. RAJA B.S. – CHIEF OPERATING OFFICER
MR. RAGHURAM H.S. – CHIEF RISK OFFICER
MR. VINAYA BHAT P.J. – CHIEF COMPLIANCE OFFICER
MR. JAYANAGARAJA RAO S. – HEAD OF INSPECTION AND AUDIT AND INTERNAL AUDIT
MR. NIRANJANKUMAR R. – CHIEF HUMAN RESOURCE OFFICER AND HEAD BRANCH BANKING DEPARTMENT
MR. NAGARAJA UPADHYAYA B. – HEAD CREDIT SANCTIONS DEPARTMENT
MR. CHANDRASHEKARA G. – HEAD CREDIT OF SANCTIONS DEPARTMENT
MR. SHAM K. – COMPANY SECRETARY AND HEAD OF OPERATIONS DEPARTMENT
MR. SREEDHAR S. – HEAD OF CREDIT MONITORING DEPARTMENT

Moderator: Ladies and gentlemen, good day, and welcome to Karnataka Bank's Q2 FY 2025-26 Financial Results Conference Call, hosted by Karnataka Bank.

We have with us today our top management team, Mr. Raghavendra S. Bhat, Managing Director and CEO; Mr. Vijayakumar P.H., Chief Financial Officer; Mr. Raghuram H.S., Chief Risk Officer; Mr. Vinaya Bhat P.J., Chief Compliance Officer; Mr. Jayanagaraja Rao S., Head of Inspection & Audit and Internal Audit ; Mr. Niranjankumar R., Chief Human Resources Officer and Head of Branch Banking Department; Mr. Nagaraja Upadhyaya B., Head of Credit Sanctions Department; Mr. Chandrashekara G., Head of Credit Sanctions Department; Mr. Sham K., Company Secretary and Head of Operations Department; Mr. Sreedhar S., Head of Credit Monitoring Department; Mr. Raja B.S., Chief Operating Officer, COO.

As a reminder, all participant lines will be in the listen-only mode. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raghavendra S. Bhat, Managing Director and CEO. Thank you, and over to you, Mr. Bhat.

Raghavendra S. Bhat: Good evening, everyone and thank you for joining Karnataka Bank's Q2 of FY '26 Earnings Call. It is always a privilege to connect with our valued investors and stakeholders. Today, we will review the bank's performance for the quarter ended September 30, 2025, share key financial highlights and provide insights into our strategic direction for the coming quarters.

In line with our previous quarter's earnings calls, we have allowed our investors ample time to go through the financial results and investor presentation, both of which have been uploaded post the conclusion of our Board Meeting held on 08th November, 2025. As you know, the first quarter of FY '26 was a period of significant transition for the bank. This quarter marks my first full quarter as Managing Director and CEO, and I am pleased to report that we have made steady progress in executing our strategy.

As we moved into the second quarter, the bank continued its journey with a business-as-usual approach, building on the momentum of the previous quarter as well as utilizing the advancements made by the bank in previous years in terms of IT infrastructure and products. During this period, we have successfully navigated several challenges while maintaining focus on our strategic priorities. Our mission and vision remain clear and steadfast as we continue to pursue, with renewed focus and energy, our commitment to disciplined growth, operational excellence and strategic execution aligned with our long-term goals.

Before diving into numbers, let me emphasize that our approach this quarter was guided by 3 priorities: enhancing retail and MSME growth to build a resilient and diversified portfolio; optimizing funding costs through CASA, retail churn and reduction of high-cost bulk deposits; and maintaining asset quality while improving profitability metrics such as ROA and ROE.

The banking environment continues to evolve, influenced by macroeconomic factors such as interest rate movements and liquidity conditions. During Q2, the repo rate reduction impacted yields across the

industry. For Karnataka Bank, this meant recalibrating our lending mix to protect margins, while continuing to serve our customers effectively.

Our strategy remains clear. Retail, Agri and MSME, we call it as RAM. These segments are the cornerstone of our growth. Corporate portfolio rationalization continues, reducing exposure to low-yielding large corporates and replacing opportunistic IBPC advances with higher-yielding direct loans. Digital transformation is accelerating with new products and platforms under development to enhance customer experience and operational efficiency.

Let me now present the business highlights. Aggregate business stood at INR1,76,461 crores as of September 30, 2025, marginally down by 0.6% Q-on-Q from INR1,77,509 crores in June 2025. While this reflects a temporary slowdown, it is aligned with our strategic shift towards quality over quantity.

Regarding, Profit After Tax, Q2 FY '26 PAT of INR319.12 crores as against INR292.40 crores in Q1 FY '26. Q-on-Q increase of 9.1%. Y-o-Y, there is a decrease in PAT from that of INR336.07 crores in Q2 of FY '25. Further, in line with the bank's commitment to increase PCR, the bank has continued making accelerated provisioning and the PCR presently stands at 60.22% excluding technically written-off accounts.

Gross advances stood at INR73,644 crores as on 30th September 2025, reflecting a Q-on-Q degrowth of 0.8% from INR74,267 crores as on 30th June 2025. Our overall strategy is to continue to focus on growing Retail, Agri and MSME, where the growth was led by MSME, housing and gold loan portfolio with a net book accretion of INR392 crores Q-on-Q in the RAM segment. The bank has been committed to reduce its exposure to low-yielding large or mid-corporates that were opportunistically deployed for better yields than treasury.

As conveyed during previous calls, we have started replacing IBPC book with higher-yielding loans. IBPC portfolio as on 30th September 2025 was INR1,860 crores as against INR3,315 crores as on 30th June 2025. Accordingly, around INR1,455 crores of IBPC advances have been replaced in Q2.

On a Y-o-Y basis, Retail, Agri and MSME segment in Q2 FY '26 has grown by 4%, while corporate advances have degrown by around 12%. This is very much in tune with the overall strategy of the bank to create a robust retail segment, wherein the business per account will also be on a higher side. Thus, as we move forward, we will be continuing the strategy to accelerate retail growth while also stabilizing our mid-corporate and large corporate portfolio with good quality and better yielding loans.

Aggregate deposits of the bank stood at INR1,02,817 crores as on September 2025, reflecting a Q-on-Q degrowth of 0.4% over June 2025 from INR1,03,242 crores. CASA deposits stand at 31.01% of aggregate deposits as against 30.84% in June 2025. It is to be noted that in absolute terms, our CASA deposits have grown 0.15% Q-on-Q over June 2025. CASA accretion remains a focal point for us, and the bank has come up with focused strategies to further improve CASA buildup during the current year.

The bank has continued to focus on shifting high-cost bulk deposits to granular retail deposits of less than INR3 crores. Bulk deposits as a percentage of total deposits have come down from 5.4% as on 30th June 2025 to 5.3% as on 30th September 2025.

Similarly, bulk deposits as a percentage of term deposits have come down from 7.9% as on 30th June 2025 to 7.6% as on 30th September 2025. Bank, going by the well-stated strategy, is reducing the focus on accepting costly bulk deposits and majority of the deposits are renewed at the pre-fixed card rates. This helps the bank to have a control on the cost of deposits.

Retail term deposits, that is less than INR3 crores, have seen a marginal degrowth by 0.4% on Q-on-Q basis from INR65,786 crores as on 30th June 2025 to INR65,532 crores as on September 30th, 2025. On Y-o-Y basis, retail term deposits has grown by 8.2%. Our focused new product development and launches continue to be on track to fill in some remaining gaps in our product offerings.

The launches planned in the coming quarters are PM Vidyalakshmi product for education loan, preapproved personal loans for salaried employees, surrogate-based lending for retail and MSME, supply chain finance, SHG (Self Help Group) lending to launch a dedicated product for lending to SHG's, Green Deposit, Merchant payment app.

Net interest income reported as INR728 crores for the Q2 of FY '26 as against INR756 crores in Q1 FY '26, showing a Q-on-Q degrowth of 3.6% and INR833.56 crores in Q2 of FY '25. Though the cost of deposits and cost of funds have reduced, the fall in yield on advances has put a pressure on our overall NII on a Q-on-Q basis.

Owing to our reduction in composition of bulk deposits in total deposits, our cost of deposit has reduced on a Q-on-Q basis from 5.73% for Q1 FY '26 to 5.54% for Q2 FY '26. In conjunction with our added focus on RAM segment, we should see an improvement in NII during the second half of the year.

Net Interest Margin stood at 2.72% for Q2 FY '26 versus 2.82% in Q1 FY '26 and 3.23% in Q2 FY '25. The fall in NIM is mainly on account of reduction of external loan benchmark rates driven by repo rates cut to 5.5% from 6.5%. 77% of our loan book is EBLR based, thus having an impact on NIM levels. We are expecting a bounce back of yield on advances supported through our focus on higher-yielding retail and direct to corporate advances and combined with expected easing in cost of funds, which should see us going back to the previous level of around 3% plus.

As a result of recent cuts in repo rates owing to reduction in external benchmark rates, partially offset by the changes in product mix, yield on advances for Q2 FY '26 stood at 8.98% as compared to 9.28% in Q1 FY '26 and 9.55% in Q2 FY '25. As mentioned during the previous quarters, the bank remains committed to its strategy of replacing the bulky opportunistic advances with direct to corporate and retail advances.

Considering the potential churn to higher-yielding segments, we expect to see an improvement in the overall portfolio during the second half of the year. CD ratio remains our focal attention, but for the quarter ended, it stood at 71.63% as compared to 71.93% in June 2025 and 75.41% in September 2024.

Gross NPA percentage as on 30th September 2025 stood at 3.33% that is INR2,453 crores as against 3.46% in June 2025, thereby showing an improvement of 13 basis points. The gross NPA percentage as on September '24 stood at 3.21%. Net NPA as on 30th September 2025 stood at 1.35% as against 1.44% in June 2025, thereby showing an improvement of 9 basis points. Net NPA as on September '24 stood at 1.46%, amounting to INR1,083 crores.

The quarterly improvement in both gross NPA and net NPA shows our bank's intensified efforts to control slippages and improve monetary efficiency through regional collection centers. Credit costs showed a remarkable improvement at 0.03% in Q2 FY '26 as against 0.16% in Q1 FY '26. Gross slippages at 0.35% in Q2 FY '26 as against 0.53% in Q1 FY '26 and 0.33% in Q2 of FY '25. Recoveries for the quarter, excluding upgraded accounts, stood at INR193.25 crores in Q2 FY '26 versus INR107.29 crores in Q1 FY '26 and INR148.01 crores in Q2 of FY '25.

Standard restructured advances stood at INR939.35 crores on September 30th, 2025 as compared to INR888 crores as on 30th June 25 as against INR1,268 crores as on 30th September 2024. Though there is an increase in the standard restructured portfolio during the quarter, the bank has increased collection efforts, recovering around INR33 crores post quarter end.

Further, around 48% of the restructured advance portfolio amounting to around INR447 crores comprises of loans that requires a 30% recovery for upgradation. Bank is focusing on recovering the same, post which the same would be moved out of the restructured portfolio. These efforts underline the bank's commitment to reducing the restructured portfolio.

Including technical write-off, Provision coverage ratio is at 81.05% in September 30th, 2025 compared to 81.11% in June 2025 and 80.14% in September 2024. Excluding technical written-offs, PCR improved to 60.22% as compared to 59.18% in June 2025 and 55.15% in September 2024, in line with the bank's commitment to improving PCR. Liquidity coverage ratio as on 30th September 2025 stood at 188.16% against 200.72% as on 30th June 2025, and as against the statutory target of 100%.

Cost of funds stood at 5.58% in Q2 FY '26 compared to 5.77% in Q1 FY '25 and 5.58% in Q2 FY '25. The sequential Q-on-Q improvement in cost of funds is expected to continue in the coming quarters as the benefits of the cut in repo rates materializes. This would be better supported by our continued endeavours to reduce the dependence on bulk deposits and replacing the same with retail deposits at card rates and focus on CASA buildup.

Cost-to-income ratio for the quarter ended 30th September 2025 stood at 58.93% as against 58.05% for the quarter ended 30th June. The operating expenses of the bank have reduced by around 2% Q-on-Q, which comes because of multiple cost rationalization and monitoring initiatives undertaken by the bank in a bid to renegotiate rents and vendor commercials and keep operating expenses under check.

But the fall in yield on advances has put a pressure on our overall NII on a Q-on-Q basis, which in turn has adversely affected the cost to income for the quarter. Owing to a reduction in composition of bulk deposits in total deposits, along with our added focus on RAM segment, we should see an improvement in NII, which will favourably impact cost to income, which is expected to come down to 55% plus in the coming quarters.

Q2 FY '26 return on equity stood at 10.14% versus 9.58% in Q1 FY '26. Q2 FY '26 return on assets stood at 1.03% versus 0.97% in Q1 of FY '26. We expect to end the year with the ROA between 1.1% to 1.2%. We expect improvement in ROA and ROE in the coming quarters in FY '26, supported by accretion in the higher-yielding RAM segment and movement from bulk to retail deposits, leading to improvement in NII, increase in other income and consequent improvement in PAT.

CRAR stood at 20.84% as on 30th September 2025 in comparison to 20.46% as on 30th June 2025. I want to reaffirm that Karnataka Bank stands on a strong foundation and is fully prepared to capitalize on emerging opportunities. The progress we have made in strengthening our retail and MSME portfolio, optimizing funding costs and improving asset quality positions us for sustainable growth in the coming quarters.

Our strategic initiatives ranging from digital transformation to innovative product launches are not just plans on paper. They are actionable steps that will translate into tangible results. We expect to see steady improvement in margins, profitability and return ratios as we move forward. The banking landscape may continue to evolve, but our resilience, adaptability and customer-centric approach give us a clear competitive edge.

With robust capital adequacy, strong liquidity and a disciplined execution framework, Karnataka Bank is well equipped to deliver consistent value to our stakeholders. We remain confident that FY '26 will be a year of transformation and acceleration, and we look forward to sharing even stronger results in the quarters ahead. Thank you for your trust and continued support.

I would now like to hand over the call to the moderator for any questions and feedback that we would be glad to take. Thank you.

Moderator: The first question comes from the line of Rajesh Kamat, an Individual Investor.

Rajesh Kamat: Happy to see the stable balance sheet. What are the future plans for growth in the Bank? We observe you have a good capital adequacy in the system also.

Raghavendra S. Bhat: Rajesh, as I mentioned earlier also, now also I stand by my word that our focus is only on RAM, that is Retail, Agri and MSME. This no doubt will help us in building further stronger balance sheet. Therefore, I'm confident that we will further expand our area in those sections.

Secondly, the gold loan portfolio, as I was mentioning earlier also, under this RAM, gold loan also is an important area. Last year also, it has contributed well. This year also, we are focusing on that. In between, some guidelines have come that made us go a little slow, because we have to comply all the requirements also. Therefore, there was degrowth in the agri portfolio also over March figure, and it has come down.

Almost around INR600 crores gold loan has come down in between. Now it started picking up and around INR350 crores plus over the March figure has already come, and we are confident that we have already told our regional heads and all the branches in the recently concluded conference that though all branches may not contribute, but out of around 950 branches, around 800 branches can contribute INR1 crore per month per branch.

That whatever mantra has been told, our people, they are on the action mode. They will contribute, I'm quite confident. In the month of October itself, around INR400 crores of growth in gold loan has come. Therefore, in the remaining months, that growth will further accelerate and that gold loan is one more strong area for us along with retail and MSME.

Moderator: Next question comes from the line of Sushil C. Choksey with Indus Equity Advisors.

Sushil C. Choksey: Congratulations to team Karnataka Bank for stable numbers in very much challenging time at your team level and management level. Sir, my couple of questions is for your guidance for the full year or maybe next 1 year basis. What is estimated growth on credit, ROA, ROE, NIM, RAM to corporate advances and cost to income?

Raghavendra S. Bhat: Mr. Choksey, you have asked all questions put together simultaneously. Because as a team, we are also working on that system because we are all focusing on increasing the CD ratio. The CD ratio as of last September or even for the month of March, for the financial year ended March, it was 75%. It has dropped to 71% plus as of today.

For various reasons, the CD ratio has dropped. Now we are focusing to improve the CD ratio. Minimum CD ratio, our aim is to take it to 80%, but it maybe very aggressive target. But unless and until we increase our CD ratio to that level, as I mentioned earlier also, I stand by my commitment, therefore, we want to take that CD ratio high.

Immediately, the growth started happening. To build that, we had certain plans of action and RLPCs, regional loan processing and sanctioning centers have been set up in all the regions, which initially started with 3 regions. Now it is extended to all the regions. Added to that, regional heads are empowered now with the delegated power. Earlier, they were not having the delegated power. Priority is to increase the CD ratio. It is over a period of time, by the end of March, I'm very much confident that it will be increased. At least to that extent, I am focusing.

Secondly, you are aware that once the CD ratio is improved, all our other ratios will start improving, be it increase in the NII, NIM spread or ROA, ROE, including the cost-to-income ratio, because one important agenda along with the increase in the CD ratio is to keep the cost-to-income ratio under control. So all these issues what we have perceived and it is really a challenge for us. Therefore, priority is to increase the CD ratio, Mr. Choksey, that I think if you ask me, CD ratio is 80%. NIM, as I was always telling 3% plus, ROA 1% plus, and cost-to-income ratio to between 55% - 56%. With all these actions, that will happen.

Sushil C. Choksey: Sir, if you look at your own guidance, 72% of your loans are linked to EBLR. And now we are focusing further on RAM led by housing loan, auto loan, gold loan, various other things. Entire public sector advances published results for first 6 months and even peer banks in South, everybody wants to grow RAM at 16%- 18%, and balance growth is on a lower number.

Money market, specifically treasury is not likely to support. Every bank is changing CASA. First is our TAT needs to have a fantastic improvement from where we stand. So I'm not complaining on the current TAT. But if you want a better milestone, our TAT needs to improve. So to enable all these points, which you have the aspiration for in 4.5 months to reach, because we're already on November 10. So looking at that, what dramatic changes have we done in terms of executing the exuberance in the aspiration what we have?

Raghavendra S. Bhat: Yes, you are 100% right. While focusing on improving the CD ratio, TAT is the important factor, which if I'm ignoring, CD ratio improvement will not happen. Therefore, as I mentioned earlier, along with the restarting of RLPCs, regional heads are also empowered, I have mentioned earlier. Along with that, empowering the regional office sufficiently has strengthened their hands now. It has now started

producing results in October. Therefore, I'm quite confident that addressing the TAT issue also is very important to me, along with the decentralization of credit sanctions.

I'm quite sure that it will produce the results, because some time back or in my previous concall also I have told that there were cases where growth has come to the extent of 27%, particularly in 2017-18; and 2018-19, 19% Y-o-Y growth has come. I'm quite sure that with that action, strengthening the regional office and the RLPC, improving the TAT is also important in my agenda and the team KBL is working in that direction.

Sushil C. Choksey: So have you changed the sanctioning power or it's just a processing order?

Raghavendra S. Bhat: No. Delegated power has been given even to the regional heads, which was not there earlier. A small portion was there earlier, small amount was there. Now they have been delegated with adequate powers.

Sushil C. Choksey: In our balance sheet, what INR10 crores, INR20 crores is adequate power or a larger number?

Raghavendra S. Bhat: Our regional heads rely on Deputy General Managers and Assistant General Managers who have been given delegated powers. However, if a matter goes beyond their authority, it will not be held up in a three-tier process. Instead, it will move directly from the branch to the head office, ensuring there is no delay. That's an important point, as you rightly highlighted, and we will make sure to address that. We will address that issue also.

Sushil C. Choksey: Sir, my one humble request, when you're analyzing all this, in 2023, Karnataka Bank was trading at a premium to South Indian Bank by INR500 crores, and INR2,500 crores below Karur Vysya Bank. I'm not even going to City Union, Tamilnad Mercantile, CSB and others. Kindly have a look on comparative ratios where we stand today and where we need to strengthen.

Do we need more digital capability or human resource or execution capability is our internal challenge. But if we showcase that, the gap which has been created in the last 3 years, we need to catch up. And that can only happen if team management of Karnataka Bank empowers them.

Raghavendra S. Bhat: Sure, sir. All those suggestions are definitely taken into account. And the team is also of the same opinion. And your suggestions are also very valuable to us. We will take it forward.

Sushil C. Choksey: Sir, good luck to team Karnataka Bank for very good result for coming quarters and the years to come.

Raghavendra S. Bhat: Thank you, sir.

Moderator: Next question comes from the line of Priyank with Vallum Capital.

Priyank: This is Priyank from Vallum. Sir, good to connect again, but let me focus back before getting into the specific numbers. My question is you have started this responsibility at the stage where the ship was not at all stable. My question is that is the stability around us, is everyone now single-headedly focused on the growth which you are sharing with us?

Because at least in the month of October or in the recent months, I do find a lot of notifications coming out around the resignations of the senior leadership. So my first question to the Board is, is the leadership

stable now? Are everyone right now focused on the growth? Or is there more leadership spaces yet to be filled?

Raghavendra S. Bhat:

Good afternoon, Priyank. Yes, these challenges are also there, no doubt about it. But as I have mentioned during my visit to Mumbai, the management is always on the right track, taking adequate steps to handle this type of eventuality.

And the people who have come and joined Karnataka Bank, along with them, the top management under DGM cadre and all, they have been posted with the sole objective and idea of transforming those ideas or experience to the second line.

These resignations or whatever is not a threat to the bank. I'm confirming that to you. Because the transformation and experience has come or our experience are equipped with to handle that kind of situation. The resignations have happened, no doubt about it. It is because of personal reasons, they have quoted. And we cannot have any control over that.

Whoever resigns, we have to make alternative arrangements. Management is totally aware of that to meet these kind of challenges. As of now, I have no such challenges. People have been in the respective positions wherever required and internal promotions also have happened. I will assure you that this will not come in the way of my growth.

Priyank:

Sure. My second question is on the yields. I think the whole show of the P&L has taken off with the yields falling 30 bps higher than even the 20 bps benefit coming from the cost of funds or cost of deposits. And now it has fallen down even below your targets of 9%, right? And this is despite the IBPC book going down, retail book shoring up.

I'm unable to figure out the core reason of yields going down. 77% of the book, if it's EBLR, the external benchmark, if it's short-term yields, or if it's a 2-year treasury bill, that has seen a quarter-on-quarter increase at least according to our view. So why the yields on the book has fallen down?

Raghavendra S. Bhat:

Yield, see, over a period of 1 year, this repo rate has reduced almost 100 basis points. And the 75 basis points, whatever has happened earlier, the entire repricing has happened on the EBLR portfolio. So there was this drop, particularly highest hit in the previous quarter. I think you agree with me, it is almost in the bottom line now.

And going forward, of course, ifs and buts are there depending upon the market condition. But I am confident, based on the study, even after this 30th September also, I'm very closely observing even the October month also, I'm quite confident that this yield or NIM will improve, number one.

Number two, we had accepted a particular deposit of 555 days around a year back or so, which was at a high cost rather, depending upon the market condition then. So that is proved to be a little bit costly. And it is all maturing and that cost benefit also we are going to get now.

The liabilities are not getting repriced immediately. It is happening only on the due date, but assets are immediately, as you are aware. Therefore, I'm quite confident that this NIM will improve further. Benefit of reduction in cost, though less compared to the drop in the yield, definitely, it will help us now when we are going forward.

- Priyank:** So for H2, should we at least consider 9.25% or 9.5% kind of a yield, for H2?
- Raghavendra S. Bhat:** Yes, 9 plus.
- Priyank:** 9 plus, okay. All right. My second question is on the recovery. So what I fail to understand is that we have seen a recovery from a standard restructured book of around INR193 crores. At the same time, standard restructured closing book has gone up quarter-on-quarter by, I think, around INR60 crores. How does this match it up? I mean, we see a recovery and then too, the closing book goes up?
- Raghavendra S. Bhat:** You mean to say under restructure?
- Priyank:** Yes.
- Raghavendra S. Bhat:** Yes. Restructure is one account that has in the last moment, it has added. We are quite confident that, that will be resolved before November end or December 15. Because of some technical issues, it has been added under restructure. So we have added that. And going forward, that action when it is fulfilled, that will come back.
- Priyank:** What was the size of that one account which got added, which moved the whole book by INR50 crores, INR60 crores ?
- Vijayakumar P.H.:** Approximately INR101 crores...
- Priyank:** Or maybe due to that one account which technically went into a restructuring, ex of that what would be the restructured book if that account had not filled in the restructured book?
- Raghavendra S. Bhat:** It is INR101 crores.
- Priyank:** Okay. Given this, should we confirm that we are on a target to achieve this standard restructured book towards the goal of INR700 crores by March end?
- Raghavendra S. Bhat:** No. See, as I told you, with regard to this particular account, when it is remote, definitely, it will be much better, number one. Number two, our recovery machinery is on the action front. And you must have seen the stress level also coming down, SMA also coming down. And NPA also, by and large, it is under control. Therefore, I'm quite confident that this will help in producing better results in the coming quarters.
- Priyank:** And sir, 48% of the restructured portfolio, which requires 30% recovery upgradation, what is the time line of this?
- Raghavendra S. Bhat:** That continuously, we are following it up, because you must be aware, you are seeing Karnataka Bank from the past several years, the restructured portfolio once upon a time, it was INR4,000 crores plus. We have brought it down through continuous efforts. Today, it is less than INR1,000 crores.
- Priyank:** Sure. Definitely. One last thing on the technical return of book in H1, and I feel proud about the recovery that we are looking at it. We have recovered almost INR80 crores in H1. What would be the closing technical return of book today? And by how much the gross book has reduced in this recovery process of INR80 crores in last 6 months?

- Raghavendra S. Bhat:** One second. My CFO will answer that.
- Vijayakumar P.H.:** As on 30th September, the write off book was INR2,700 crores. We have sold during the September quarter a portfolio of INR490 crores, realizing INR42.5 crores by way of sale to ARC.
- Priyank:** So you sold INR355 crores worth of book and realized INR44 crores, right?
- Vijayakumar P.H.:** Yes.
- Priyank:** Okay. And what's the plan for this balance INR2,700 crores, what kind of yield and the timeline we should consider?
- Raghavendra S. Bhat:** No. In the technically written off account, continuous efforts are on. And recovery made under technical written-off account, the CFO will inform.
- Vijayakumar P.H.:** INR100 crores.
- Raghavendra S. Bhat:** Around INR100 crores, we have recovered under technically written-off account. Continuous efforts are there on technically written-off accounts also like NPA. NPA and technically written-off, both are same to us as far as recovery is concerned, because it is contributing to the bottom line.
- Priyank:** Yes. Certainly, sir. This is what I would like to add. So most of the other regional or your peer banks who are listed, you just need to reconcile their technical written-off and the recoveries that they have seen over the last 2, 3 years from the technical written off, it has almost contributed 20 bps to their ROA, and this should certainly also contribute to us. In case if the Board becomes more vigilant around the faster recovery process, it can be a path towards what we are also looking forward and a path which we are sharing together.
- Raghavendra S. Bhat:** We have targets how business targets are there to the regions, even we have the target for technically written-off accounts also, it is getting continuously monitored.
- Moderator:** The next question comes from the line of Sarvesh Gupta with Maximal Capital.
- Sarvesh Gupta:** So sir, first question is on the cost to income. Now earlier, if I see FY '23, '24, we were averaging around 50-odd percent on the cost to income. Then under the erstwhile management, there was a lot of hiring to promote growth in the loan book, which never happened actually. So now that you have taken over, what are these excess costs that you see in the system which can be taken out?
- If you can quantify a little bit on that, because we are also seeing a lot of employee resignations. We are seeing employee cost coming down this quarter, although other opex has gone up. So what is our path on reduction on the opex? And would it impact our loan growth? Or how are you seeing to grow without increasing our cost to income?
- Raghavendra S. Bhat:** Yes. See, this cost-to-income ratio also is the derivative of our main other income like CD ratio when it improves, one that is direct hit here also. If it is improved, this will come down, number one. Number two, it does not mean that we have totally lost focus on controlling the expenditure. Other expenditures,

if you analyze whatever is published, there is a reduction in other expenditure also, which is under control.

Number three, normally, during the first quarter, this cost-to-income ratio will be slightly on the higher side also, still we have control.

Fourth one is how to control the cost-to-income ratio, you are also aware. One is increasing the income-fee-based income. Other one is cutting the cost. Added to that, the target which we have kept for improving the CD ratio. With all these things, it will come. But by and large, I have seen in the published results, which is very much available on the website, the cost is under control. I don't say everywhere it is better, but we have not lost focus there. Definitely, we will be focusing on that. One is reducing the cost and increasing the fee-based income. This is our main idea to control the cost and keeping the cost under control.

Sarvesh Gupta:

Sir, I understand CD ratio and everything, but my main point was that the cost-to-income ratio went up from 50% to more than 60% under the previous management. So after you have taken over, are there some low-hanging fruits in the reduction of costs that you see, which were excess costs, because the fruits of those costs never occurred to the bank. The advances growth was never happening. So now are there some excess costs that you have identified which can be taken out?

Raghavendra S. Bhat:

See, the same question you are asking in a different manner now. What I'm trying to tell you is, the 2, 3 areas are there, for example, it is under control. Under control in the sense, we are watchful. So say, for example, rent of the premises, we have 955, 956 branches. All are not happening on the same day, because this rental agreement every year, this cost is bound to go up once in 3 years or 5 years, depending upon the individual cases.

Now when these things are coming into picture, while we are focusing on reduction cost, reduction of rental also is there. Every year, there will be renewals, renewal of some premises which are falling due. There, we are reducing our cost rather than investment. Otherwise, we are shifting if the location is not good. Of course, if the location is excellent, we cannot shift because business also, we cannot compromise.

In addition to that, the costs which have already been incurred on IT, we are getting the reward now. It is all huge investment has gone during last year and last to last year. That benefit, when so many products are in the launching stage, when we are launching that, it will contribute by way of additional business, by way of income also, or it will help to reduce the operational cost. With all this put together, I'm quite confident that we should keep the cost under control and get the additional business.

Sarvesh Gupta:

Okay. And secondly, sir, on the NIM part, so now, in the last 2 quarters, we have slipped from 3% to 2.7% because of the fall in the EBLR, which we understand. But going forward if I look into it, you have repricing of deposits, which can happen. You have more of RAM mix in the advances, then you can have higher CD ratio. So given all of that, the aspiration to just reach 3% looks to be a very conservative one. So I mean, where do you aspire to sort of reach in 2, 3, 4 quarters in terms of NIM, because we have multiple levers. If we are able to execute it well, we can get far beyond 3%.

Raghavendra S. Bhat: Yes. Growth, you see, when we are trying to control some areas, some areas are also getting affected. Here, I think twice we have reduced the rate of interest on deposits, because our capital adequacy ratio is quite good. When the advance is not happening, we decided to control the cost, which has impacted the growth slightly on the liability side also. While focusing for the NIM, the profits, somewhere we have to take a corrective action. And taking that into account, one more thing I want to assure you, because it may look a bit aggressive or optimistic also, the growth.

Normally, this growth comes as I have told in my previous call also, this first quarter growth doesn't come normally if you analyze any bank for that matter. Second quarter also starts. Second quarter also, due to transformation changes and all this time, it has affected. Now, this second half is the crucial period for us.

No doubt, even I am also aware that 1 month has already gone. In the remaining months, we have to put our best, whatever turnout is possible is best. This second quarter normally gives growth in CASA, and I have analyzed the history for past 5, 6 years or 10 years for that matter, in my earlier tenure also, this growth comes, particularly in CASA during the second half.

And we have a lot of competitions, plans and target achievements. So many things are there. Even, for your kind information, this CASA additional growth, no doubt it is not visible in the trial balance, but from the fresh additions of CA and SA put together, around INR870 crores has come in the balance sheet. Otherwise, it would have been further less. Why I'm telling this is, this 2 or 5 months remaining is a challenge for us. Along with the challenge, we have to put our best efforts.

I'm repeatedly telling, my strength is my team. My team has started working on it. And I have travelled also. A couple of regions also I had gone personally. A couple of regions, my general managers and CBO, COO have gone. Message has been conveyed very clearly, that the growth has to come from CASA. And when the CASA growth happens, I think best pricing or NIM will improve and competitive pricing is also possible.

But you mentioned about the growth aspiration. Yes, that challenge is not there. But with the confidence and the team spirit, whatever is built up, I'm quite optimistic. Though it looks a bit aggressive, but definitely, we want to maintain that. We want to prove that and this is my assurance to you also. And based on the assurance from my team, I am quite sure that this we want to make it a reality.

Moderator: Next question comes from the line of Pranay Dhelia with Panchatantra Advisors LLP.

Pranay Dhelia: Congratulations on a good set of numbers under the circumstances. I hope you're well. Sir, I don't have anything on the numbers. It is there for everybody to see. So you would see, everybody else in the call previously has also cited only one thing that vis-a-vis all our peers, our bank has not been taken with seriousness or the numbers have been applauded by the industry or any of the investors, which is a very worrying sign.

I have been a shareholder for more than 8 years, and I would say that the FD return of the bank has been better than the shareholder return. And any other bank which was a trifle compared to us has jumped up, moved ahead of us. So what is it the bank doing to try to change the image, get investor interest? I mean

it's better that you get delisted otherwise. I mean if you're making 5.5% on the share, the FD is giving a better rate, I assume?

Raghavendra S. Bhat: Yes. The situation at present, because there is excess liquidity in the market, the rate of interest on deposit, no doubt, it is less. But coming to our profitability, yes as far as profitability is concerned, it is flat. And we really want to build a stable portfolio which gives us better yield. Ultimately, main business, you are aware, you are quite experienced in the market also, main business of banking is accepting and lending. There we have to have the full control. Ultimately, we have to earn.

To earn, we have to build a credit portfolio. Whatever it is there now, the base figure, I can tell you that only. Only thing is kindly bear with us. You are with us for the past 8 years, you said. Yes, change has started happening, that you can see going forward, definitely, I assure you from that point of view. Today, the investor is not happy, even I am also not happy. But yes, that is also a commitment.

Pranay Dhelia: Have we got a better ESOP plan to get good talent, retain some way of the expansion? Can we guide for better profitability for the future?

Raghavendra S. Bhat: Yes, that, right now, we have not yet planned, because I joined 3 months back. And a lot of plans are happening. Board is also very positive with regard to the growth. Growth has to happen. This is the direction from the Board also. What you are doing, whatever support you want, you go ahead. And with that, we are planning total turnaround by way of business. We are working on it, Dhelia sir.

Definitely, a lot of things are there, which I'm not in a position to tell you right now. Yes, some serious discussions are going on, first, business has to happen. Then along with that, support is coming from the Board. With all these things, getting the people, right kind of people, right people at the right place, all these things we are working on it. Definitely, I will assure you that.

Pranay Dhelia: Okay, fine sir. I just hope that as shareholders, we don't have to wait. I mean long term also has its own frustrations.

Moderator: Next question comes from the line of Pratik Jain, an Individual Investor.

Pratik Jain: Sir, my only question is that last time, I guess, 1 month back, RBI had granted an extension to fill a position for the new CEO. Is there any update on that end, sir?

Raghavendra S. Bhat: Yes, Board has taken a call and Board has recommended the panel of names also to the regulator. It may come any time.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Raghavendra S. Bhat for closing comments.

Raghavendra S. Bhat: Yes. Good evening, everyone. And as I mentioned earlier, thank you very much. Investors are our strength and supporting us from the beginning all along as long-term investors. It is our duty to bounce back and meet their expectation also. With that, as I mentioned earlier also, at the cost of repeating, I'm telling you that our growth mantra is to grow in credit first, quality growth in liability side also, CASA, and ultimately to aim at NIM or ROA or controlling the cost to income and working within the framework

of the regulator, duly complying all the requirements. And to the satisfaction of the Board, to the satisfaction of the investors, and all the stakeholders, I'm quite confident that all this, whatever assurance I have given, definitely, we will try to meet that. Thank you very much. Kindly bear with us and support us, we'll be there with you. Thank you.

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

Note : This transcript has been edited for clarity and readability purpose and does not essentially purport to be a verbatim record of the conference call.