Karnataka Bank

Operator: Ladies and gentlemen, good day and welcome to The Karnataka Bank Ltd. Q2 FY27 financial results conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Today, we have with us on the call the MD & CEO, Mr. Raghavendra S. Bhat, and ED, Ms. Biji S. S. from The Karnataka Bank Ltd.

I now hand the conference over to Mr. Raghavendra S. Bhat, MD & CEO. Thank you, and over to you, sir.

Raghavendra S. Bhat – MD & CEO: Good evening, Mr. Alaric. A very pleasant evening to everyone, and thank you for participating in the Q2 FY27 earnings call of The Karnataka Bank Ltd., a banking institution that has successfully navigated the financial landscape for more than 102 years.

The journey began in 1924 with a simple purpose: to serve our customers with trust, prudence, and a personal touch. As we now continue our journey in the second century of financial services, we have grown increasingly resilient and continue to serve as a dependable banking ally for millions worldwide.

Rooted in this legacy from the coastal city of Mangaluru in Karnataka, our Q2 FY27 performance showcases steady, consecutive quarterly expansion powered by our stakeholders, customers, and staff under the capable stewardship of our chairman and the board.

We have successfully delivered on our promises to the investors and secured substantial enhancements across every primary financial metric, demonstrating the impact of structured implementation and operational excellence. Our strong growth trajectory reflects substantial operational progress, which will become clear as we walk through the financial metrics.

I trust you have had the opportunity to walk through our financial results and investor presentation, which were circulated after yesterday's board meeting.

Turning to the broader financial system, the Monetary Policy Committee, or MPC, has unanimously voted to increase the policy repo rate by 25 basis points to 5.50% during its October '26 meeting. The MPC also decided to change the stance to calibrated tightening.

Global growth remained resilient in 2026 so far, supported by AI-related investment and fiscal stimulus measures, despite disruptions due to the ongoing West Asia conflict.

Renewed energy price pressures sparked inflation pressures and prompted a more hawkish stance from the regulator. Fiscal sustainability concerns, persistent inflation, and geopolitical uncertainty raised bond yields, while equity markets remained volatile amid lingering concern over the valuations of technology stocks.

The domestic economy showed resilience in H1 '26-'27 despite continued global uncertainty amid the conflict. Supply-side pressures were well managed by proactive policy measures by the

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government that ensured adequate supply of key inputs. Real GDP recorded growth of 7.8% in Q1 '26-'27, reflecting strong momentum in underlying economic activity. Aggregate demand remained strong on the back of both private consumption and investment.

Going forward, India's macroeconomic outlook remains resilient, supported by domestic demand and strengthening investment, despite persistent global uncertainties. The outlook remains vulnerable to geopolitical developments, volatility in global energy markets, and weather-related uncertainties. Weak monsoons, protracted geopolitical tensions, rising international commodity prices, additional frictions in global trade, and tightening of global financial conditions could adversely impact the growth outlook.

Let me now present the business highlights. The bank has achieved its highest-ever aggregate business, which stood at Rs.2,07,132 crore as of 30 September '26, up by 5% Q-o-Q from Rs.1,97,007 crore as on 30 June '26, and up by 17% Y-o-Y from Rs.1,76,461 crore as on 30 September '25.

Gross advances stood at Rs.92,015 crore as on 30 September '26, reflecting Q-o-Q growth of 6% from Rs.86,610 crore as on 30 June '26, and Y-o-Y growth of 25% from Rs.73,644 crore as on 30 September '25.

Our overall strategy is to continue our focus on growing the retail, agri, and MSME books. Our RAM portfolio has grown from Rs.53,172 crore as on June '26 to Rs.56,969 crore as on September '26, which is 7% {? Q-o-Y ?} Q-o-Q growth, and from Rs.47,958 crore as on September '25, which is 19% Y-o-Y growth. In absolute terms, MSME, housing, gold, agri, and car loans have contributed around Rs.3,598 crore to our retail segment during Q2 FY27.

The bank continues to reduce low-yield corporate exposure in accordance with our earlier stated strategy. We are systematically replacing the IBPC book with higher-yielding loans to drive margin expansion. The IBPC portfolio, which was at Rs.1,375 crore as on 30 June '26, has been brought down to Rs.1,309 crore as on 30 September '26. Accordingly, around Rs.66 crore has been replaced during Q2 FY27. Going forward, our strategy focuses on accelerating retail expansion and stabilizing the corporate portfolio by prioritizing high-quality, better-yielding assets.

Aggregate deposits as on 30 September '26 stood at Rs.1,15,117 crore, reflecting {? Q-o-Y ?} growth of 4% over 30 June '26 at Rs.1,10,396 crore, and Y-o-Y growth of 12% over 30 September '25 at Rs.1,02,817 crore. The CASA ratio as on September '26 was 31.80%, compared with 32.42% as on June '26 and 31.01% as on September '25.

The bank has continued to focus on shifting high-cost bulk deposits to granular retail deposits of less than Rs.3 crore. Retail term deposits, that is, deposits of less than Rs.3 crore, have grown by 4% from Rs.69,410 crore as on June '26 to Rs.72,197 crore as on September '26. On a Y-o-Y basis, retail term deposits have grown by 10% from Rs.65,531 crore as on September '25. The bank is actively striving to consciously lower its dependence on expensive bulk deposits while making sure that most renewals are carried out at established card rates, which allows for better management of the total cost of deposits.

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The CD ratio as on September '26 stood at almost 80%, that is, 79.93%, as compared to 78.45% as on June '26 and 71.63% in September '25.

Net interest income, or NII, for Q2 FY27 stood at Rs.982.44 crore as compared to Rs.938.29 crore in Q1 FY27, registering Q-o-Q growth of 5%. On a Y-o-Y basis, NII for Q2 FY26 stood at Rs.728.12 crore, recording 35% Y-o-Y growth.

Net interest margin stood at 3.17% for Q2 FY27 versus 3.20% in Q1 FY27 and 2.72% in Q2 FY26.

Loan yields. Yield on advances for Q2 FY27 stood at 8.76% as compared to 8.68% in Q1 FY27, recording an 8 bps improvement. Loan yields will be further strengthened by accelerating retail growth while stabilizing the corporate portfolio through high-quality and better-yielding assets.

Cost of funds stood at 5.15% for Q2 FY27 as compared to 5.16% for Q1 FY27, registering a 1 basis point improvement. The sequential quarter-on-quarter improvement in cost of funds is expected to be supported by our continued efforts to reduce dependence on bulk deposits and replace them with retail deposits at card rates, along with our focus on CASA buildup.

PAT. Q2 FY27 PAT stood at Rs.435.89 crore as against Rs.418.95 crore in Q1 FY27, with {? Q-o-Y ?} Q-o-Q increase of 4%. There is an increase in PAT from Rs.319.12 crore in Q2 FY26, with a Y-o-Y increase of 37%.

Stressed assets. Gross NPA percentage as on 30 September '26 stood at 2.27% as against 2.58% in June '26, thereby showing an improvement of 31 basis points. The gross NPA percentage as on September '25 was 3.33%, which is a 106 basis point Y-o-Y improvement. Net NPA percentage as on 30 September '26 stood at 0.74% as against 0.87% in June '26, demonstrating a 13 basis point {? Q-o-Y ?} Q-o-Q improvement. Net NPA percentage as on September '25 was 1.35%, recording a 61 basis point Y-o-Y improvement. The sustained quarterly improvement in both gross and net NPA ratios reflects the bank's standard efforts to curb slippages and enhance monitoring efficiency, supported by the functioning of regional collection centers and quality credit underwriting strictly following the guardrails.

Credit cost was 0.002% for Q2 FY27 as against 0.03% in Q1 FY27. Slippage was 0.11% for Q2 FY27 as against 0.14% in Q1 FY27.

Standard restructured advances, including related accounts, as on 30 September '26 were Rs.649.37 crore as compared to Rs.762.62 crore as on 30 June '26, recording a 15% quarter-on-quarter reduction. Standard restructured advances as on 30 September '25 were Rs.939 crore, registering a 31% Y-o-Y reduction.

PCR. In line with the bank's commitment to increase PCR, the bank has continued making accelerated provisioning, and PCR stood at 68.05% as of September '26 as against 67.03% as of June '26. PCR, including technically written-off accounts, stood at 85.78% as of September '26 as against 84.70% as of June '26.

Cost to income. For the quarter ended 30 September '26, the cost-to-income ratio stood at 52.68% as against 55.14% for the quarter ended 30 June '26 and 58.93% for the quarter ended 30 September '25. The bank's focus on low-cost deposits, along with an emphasis on RAM and

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high-yield portfolios to enhance loan yields, would be expected to further improve our net interest income and support sustained control over the cost-to-income ratio in the coming quarters.

Return on Equity. In Q2 FY27, return on equity stood at 12.51% as against 12.48% in Q1 FY27 and 10.14% in Q2 FY26.

Return on Assets. In Q2 FY27, return on assets stood at 1.26% versus 1.29% in Q1 FY27 and 1.03% in Q2 FY26.

Liquidity Coverage Ratio. That is LCR. As on 30 September '26, LCR stood at 164% versus 169% as on 30 June '26, and as against the statutory mandate of 100%.

Capital Adequacy Ratio. It stood at 20.36% as on 30 September '26, of which Tier 1 was 19.20% and Tier 2 was 1.17%, in comparison to 21.10% as on 30 June '26. For the calculation of CRAR for September '26, eligible profits as required under extant RBI guidelines have been considered.

Products. We remain on track with our product development and launch initiatives, with a continued focus on bridging the remaining gaps in our product offerings.

Agri schemes. We are actively exploring the introduction of input finance and other agricultural credit products across various crops covered under the respective boards: Spices Board, Coffee Board, Tobacco Board, Tea Board, Rubber Board, and others, supported by structured repayment arrangements. This is expected to enhance the bank's core agriculture portfolio, increase advances to small and marginal farmers, and ensure assured repayment and recovery through board-supported payment mechanisms.

MSME products. Products launched during the period include the GST overdraft facility, loan against property for MSMEs, and drop-line overdraft for MSMEs. Some of the products that are in various stages of implementation and in the pipeline are the incorporation of drop-line OD features into key MSME products, end-to-end digitization of key MSME products, and KBL Startup Finance, a dedicated credit scheme for startups and emerging enterprises.

Retail products. Express Digi Gold Loan was launched on September 21 '26. It marks a strategic milestone in the bank's digital transformation, delivering a seamless, secure, and faster gold loan experience. This initiative is poised to expand customer reach, accelerate business acquisition, enhance operational efficiency, and unlock scalable growth opportunities, strengthening the bank's competitive position in the gold loan segment.

There is up to 90% funding on project cost for the purchase of ready-built and under-construction residential units. Products that are in the pipeline include limit enhancement in housing loan schemes, surrogate-based lending for housing and mortgage loans, 3, digital document execution for vehicle loans, and 4, an end-to-end portal for channel partners.

Liability products. Capital Gain Account Scheme: a specialized account scheme to park capital gain funds to claim tax exemptions. 2, a project in the pipeline is the launch of a marketplace FD.

ADC channels, or Alternative Delivery Channels. Products launched include UPI Help and MyUPI. This unified platform enables customers to view their transaction history, raise and track

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complaints, manage UPI mandates, and so on. 2, PIN-less CBDC transactions: customers can carry out CBDC transactions of up to Rs.500 per transaction without a PIN, offering a hassle-free experience. Trade Connect is a digital platform for import, export, and outward remittances. Projects in the pipeline under the ADC channel are the revamp of retail internet banking with a new UI and UX, 2, UPI for NRI customers, and 3, {? Soulabhya ?} Plus deposit enablement through digital channels.

Digital and technology. The bank is leveraging IT investments through modular and faster implementation of solutions. The bank is also exploring the use of AI tools for improving internal efficiencies, including improving processes. A few major solutions that have been launched and are now live are the digitization of gold loans, interest-bearing credit lines on UPI, SD-WAN, that is, software-defined wide area network, SD-WAN implementation, CDP, or common data platform, MuleHunter, and Sales Buddy, which is an AI assistant. A few major solutions that are in progress are loans against mutual funds, shares under digital channels, secured credit cards, implementation of a DPDP solution, a new treasury application, and a new NPA management solution.

The structural cornerstone of The Karnataka Bank Ltd. remains its resilient framework and capacity to capitalize on emerging growth opportunities. Over recent periods, we have secured meaningful milestones by scaling our retail and MSME business lines, optimizing deposit and borrowing expenses, and strengthening the overall health of our credit portfolio, thereby establishing a powerful baseline for persistent advancement. Our approach remains heavily anchored in practical execution, with modern digital adoption combined with a human touch and tailored solutions already securing significant market traction. As these programs expand in scope, they are positioned to systematically enhance our interest spreads, bottom-line returns, and core operational metrics in the coming quarters.

In the face of international disruptions stemming from global friction and logistical blockages, the bank distinguishes itself by maintaining conservative risk boundaries, operational flexibility, and a deep focus on customer relationships. Armed with strong capital reserves, comfortable cash positions, and focused strategic implementation, we remain distinctly prepared to generate long-term value for our stakeholders. Moving ahead, our defined blueprint and escalating commercial traction provide absolute certainty in our ability to maintain healthy expansion. Further, the bank is taking all required steps to efficiently mitigate risk in cyber and AI-related domains. We remain deeply committed to shaping a forward-looking, corporate governance-anchored enterprise. As we honor our historical roots and steer through this rapidly transforming landscape, I want to express my sincere appreciation for your ongoing reliance and collaboration as we co-author the next phase of The Karnataka Bank Ltd.

I would now like to hand over the call to the moderator for any questions and feedback from our callers, which we would be glad to take.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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The first question comes from the line of Chirag Singhal with First Water Fund. Please go ahead.

Chirag Singhal – First Water Fund: Am I audible?

Management: Yes. Good evening.

Chirag Singhal – First Water Fund: Good evening, sir. Congratulations on a very good quarter. I have a couple of questions from my end. The first is on the NIM and ROA guidance for the rest of the year. If I look at the benchmark, the six-month T-bill, the yields have gone up in the last 1 to 1.5 months. Is it fair to assume that the NIMs will be closer to the upper end of your target 3% to 3.4% range that you have given in the presentation? Will it be closer to that range, the upper end of the range?

Management: That is one. You had said there were 2 questions.

Chirag Singhal – First Water Fund: I also wanted the ROA guidance for the rest of the year. What are you seeing in terms of ROA in H2? The second question was on the NIMs, which have declined on a sequential basis. If I look at the yields and cost of funds, they have improved on a sequential basis. Seemingly, the fall is only due to the other line under your interest income. What is there in that other line item under interest income? I just wanted to understand that.

Management: Regarding NIM, as I mentioned earlier, last year I was categorical in saying that the focus is on improving the NIM to 3% plus and ROA to 1% plus. You are aware that when I met you, I also told you very clearly that NIM had dropped to 2.72% and ROA had dropped to 0.72%, from where we have taken it to 3% plus in March and are continuously maintaining that. Some dips here and there happen because of average figures. Average figures change in CASA, average cost of deposits, and borrowings. This dip is just a 3 basis point difference, and there is a similar movement in ROA. But we are always committed to improving it further. However, quarter-on-quarter, there will be some increases and decreases here and there. In Q1, there was an item relating to interest on income tax paid. That was one of the items in Q1. Otherwise, barring that, NIM is always increasing. The same applies to ROA. Regarding the other question you asked, was that about the decline?

Chirag Singhal – First Water Fund: No, the NIM decline has been answered—the interest income tax item in the previous quarter. My question is about the guidance for H2, the NIM and ROA guidance for H2.

Management: ROA and NIM, as I mentioned, are targeted at 3% plus and 1% plus, with continuous improvement every time. That much I can tell you. We are continuously maintaining it. As I told you earlier also, it is 3% to 3.4%; similarly, I said ROA would be 1.1% plus. It will be between 1.1% and 1.3%, or 1.35%.

Chirag Singhal – First Water Fund: All right. That would be it from my end for now. I will get back in the queue. Thank you.

Management: Thank you, Chirag.

Operator: The next question comes from the line of Yashwant Tippeswamy, an individual investor. Please go ahead.

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Yashwant Tippeswamy – Individual Investor: Hi, sir. Good evening.

Management: Good evening, Yashwant.

Yashwant Tippeswamy – Individual Investor: I am sorry, I am driving, so you might hear some noise in the background. I just want to ask a couple of questions. The first is with respect to provisioning. This quarter, I think around Rs.20 crore was provided. Having said this, looking at the West Asia conflict and inflation, I was wondering whether there was any reason why we did not undertake aggressive provisioning. Do you see asset quality in good shape? Is that the reason why we are not undertaking aggressive provisioning? That is the first question. The second question is with respect to the number of branches. Do you foresee us reaching 1,000 branches by this financial year?

Management: Yashwant, with regard to the aggressive provisioning you mentioned, we are always aggressive with provisioning. Last year around this time, in March '25, if I remember correctly, it was 58% and 1% every quarter we had committed. Taking that into account, in the last 6 quarters, a 6% increase means that it should have been 64% or 64% plus, whereas we are at around 68%. Therefore, we are continuously providing to the best possible extent, taking into account the overall requirements, audit requirements, and our internal strength to provide additional provisioning.

Regarding the number of branches, yes, we have gone a little slow in H1 because we are very cautious with regard to premises rent. We do not want to compromise on the location. We want to select the best location, with commercial advantage and economically suited to the bank's requirements. Therefore, we have finalized around 24 centers and fixed the premises as well, and 17 premises are at various stages of construction of safe rooms, interiors, and so on. Before the end of December, we will be adding a minimum of 15 branches. As per the approved corporate plan, we want to have 31 branches during this financial year. I am confident that all these 31 branches will be opened before 31 March. This also signals the ambition we have of crossing 1,000 branches. This will happen during this financial year. Thank you for all the support from investors and all well-wishers. Thank you, Mr. Yashwant.

Yashwant Tippeswamy – Individual Investor: Thank you, sir, for putting the bank on a growth path. We continue to want to see similar consistency in the results, with you driving the bank through difficult times of higher inflation and West Asia-related economic issues. Thank you so much, sir.

Management: Thank you very much.

Operator: Participants, in the interest of time and fairness to others, please restrict yourselves to one question. For any more questions, you may rejoin the queue.

The next question comes from the line of Sarvesh Gupta with Maximal Capital. Please go ahead.

Sarvesh Gupta – Maximal Capital: Good evening, sir, and congratulations on a good set of numbers. On fee income, we saw some moderation in Q2 despite disbursements going up. On a year-on-year basis, I think it is still flat. How do we see our fee income going forward?

Management: Fee income has not actually come down; we have been able to maintain it. However, taking Q1 into account, there was a one-off item. Q1 and Q4 will have one-off items. I will tell you this in advance. In Q1, there was locker income, and in Q4, there will be income from the card

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business we are conducting. Barring that, we have by and large maintained it. Maintaining other income is not adequate. We are finding various solutions and bringing out various solutions that will add value through fee-based income. All the other income streams that traditionally exist are still there. In addition to that, the mutual fund business platform, advances against shares, and other such initiatives will add value to the business. We are very focused on fee-based income. Going forward, we are definitely very optimistic that this will also improve.

Sarvesh Gupta - Maximal Capital: On a year-on-year basis also, it is flat at Rs.206-207 crore, while we have seen a significant increase in disbursements. Have we taken a decision not to charge fees on the disbursements we are making, or is there any other reason why it should be flat on a year-on-year basis as well?

Management: No, that is what I said. A lot of initiatives are at various stages. As I mentioned, I will add 2 more points: we also have other solutions such as the credit card business. Unless and until it is implemented, there will initially be various stages of implementation. Some will happen immediately as per our target, while some will be postponed to the next quarter. We are focused on that, and we are working on it. Flat income cannot be accepted at all. We have to grow. Traditional income has lost its importance. We are in a competitive market. We are definitely exploring all these new areas, and I am confident.

Sarvesh Gupta - Maximal Capital: Sir, can you break up the advances book into fixed and floating, and within floating, how much is T-bill-linked and how much is repo-linked?

Management: By and large, it is all floating. The fixed-interest portion is very, very small. Around 70% is EBLR. There are deposit loans and other kinds of loans where the interest is fixed. Other than that, by and large, the T-bill rate is also there. You can take around 70%, or 70% plus, as being linked to the EBLR rate. MCLR is around 5% as well. But the majority is linked to the T-bill rate.

Sarvesh Gupta - Maximal Capital: So, is the entire 70% T-bill-linked?

Management: Yes.

Sarvesh Gupta - Maximal Capital: Going forward, because we have seen a huge spike in the T-bill rate, when do you see your reset occurring as per the reset clause? When does the interest rate increase on the yield side? In October, we have seen a huge spike in the T-bill rate.

Management: Last year also, everything had bottomed out. Assets are repriced immediately, within a gap of around 3 months, whereas liabilities are not. Naturally, this will have an impact on NIM, but it had already bottomed out during last year. Now, since it is at rock-bottom levels, whatever increase occurs will definitely be repriced within 3 months. I do not think it will affect us significantly. When it is increasing, a trend has already begun, and it is increasing as you are aware. Therefore, I do not think it will go down further. Whatever repricing was to happen has already happened completely. Now, it will either remain stagnant or go up. The signs have already shown that it has started moving up.

Sarvesh Gupta - Maximal Capital: So, we will see the impact of the October spike in the T-bill rate in December or January, is that right?

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Management: Normally, on various dates, with a 3-month gap, it happens within 3 months.

Sarvesh Gupta – Maximal Capital: Okay, sir. Thank you, and all the best. Congratulations again.

Management: Thank you, Sarvesh.

Operator: The next question comes from the line of Pranay Dalia with Panchatantra Advisors LLP. Please go ahead.

Pranay Dalia – Panchatantra Advisors LLP: Sir, many congratulations on the best set of numbers that we have seen in a couple of years. You have performed at all operating levels that you promised when you took over. Regarding the future progress of the bank, I have one small question. All private banks have a very strong retention plan for employees through ESOPs. We have found The Karnataka Bank Ltd. lacking in that area. Good people will stay only if you have a good ESOP plan. Has the board discussed this?

Management: Pranay, good evening. You have raised a valid point, but the attrition rate at The Karnataka Bank Ltd. is very low. I guarantee you that we are focused on retaining the talent, and we will not allow it to leave. We have a talented pool with regard to human resources. With regard to incentivization and related matters, it is already there. As and when these matters come to us, they are definitely discussed; it is a matter for discussion at the board.

Pranay Dalia – Panchatantra Advisors LLP: That is all I had to ask on the question front. The first half has been fantastic. Will the second half be better than the first half, sir?

Management: You had raised this doubt earlier also, about whether this growth is stable. Somewhere in Q3 or Q4, you asked, and I said you should wait for Q4 completion. You waited, and again you asked the same question in Q1 of the current year. I said, let the quarter be over. We gave better numbers than Q4 of last year. In Q2 of this year, we have given still better numbers. Please have confidence in us. We will give better results in the coming quarters as well.

Pranay Dalia – Panchatantra Advisors LLP: Definitely, sir. Thank you so much. Thank you very much. I wish you all the best and wish a happy Festival of Lights to the entire board.

Management: Thank you. Thank you to you and your family as well. Thank you very much.

Operator: The next question comes from the line of Jyoti Khatri with Ambit Wealth. Please go ahead.

Jyoti Khatri – Ambit Wealth: Thank you for taking my question, and congratulations, sir, on delivering a very strong set of numbers. First, regarding the drought-related issue, Maharashtra and Karnataka, along with one more state, have been declared drought-affected. Do you anticipate any impact from this on your agri book or agri-gold loan book? How do you assess the current scenario and the impact on your loan book?

Management: Good evening, Jyoti. Thank you very much for coming online. You are right to ask that question. There has been scanty rainfall this year, with no doubt about it. Some of our investors asked the same question in the previous quarter. I told them then also that this is not new to us.

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Either there will be floods or there will be drought. We are not free from either. Wherever there is total dependence on rainfall, the rainfall has been very minimal. In today's scenario, irrigation facilities are available, but rainfall itself has reduced drastically this time. There has also been excessive rain in the northern part in some areas. All these situations are common. But we are very watchful and on our guard. We have put the entire monitoring system in place. Right now, I am not foreseeing any serious problem. However, the question is how long this drought condition will continue, or whether there may suddenly be heavy rain and a flooding situation during the northeast monsoon. We cannot predict that right now. But at present, I do not think there is any immediate serious problem.

Jyoti Khatri – Ambit Wealth: Great, sir. Secondly, on the ECL provisioning side, have you assessed how much incremental provision you will be required to make? Is there any assessment on that side?

Management: We have a CRAR of 20.36% comfortably. When this is going to come into effect from April 1, 2027, we are continuously studying it. This question was also raised on an earlier occasion. There may be an impact of 1% to 1.5%, or 1.75%. That is what we are continuously working on. We have taken enough measures in this regard. You must have seen from the presentation also that recovery under NPA and control of stress have improved considerably. To the extent that stress improves, the burden from ECL will come down. We are guarding ourselves against that. In addition, as per the guidelines, even if the percentage is 1% to 1.75%, the entire hit can be taken as required by the bank, or it can be spread over 5 years as well. We are working on that. Depending on the best numbers available, we will plan it accordingly.

Jyoti Khatri – Ambit Wealth: Is it possible that this amount can also be adjusted against net worth?

Management: Pardon? Sorry?

Jyoti Khatri – Ambit Wealth: Is it possible that, as per the RBI guidelines, this incremental provisioning that is required can be adjusted against net worth?

Management: It will be done as per the applicable guidelines, based on what is available and what is best, depending upon the bank's policy, the regulator's prescription, and the auditor's requirements. It has to be done accordingly. We have no choice in that. It is a provision.

Jyoti Khatri – Ambit Wealth: Just one last question from my side. Your term is ending in November. Has the board decided whether you will continue or whether a new person is coming in? What is the status on that side? I think we will get much more clarity on that.

Management: The board is always proactively deciding whatever is required to be decided. They are taking the decision. Kindly wait and see. The decision will follow soon.

Jyoti Khatri – Ambit Wealth: Okay. Thank you, sir.

Management: Thank you. Bye.

Operator: The next question comes from [cut off] the line of Sushil Choksey with Indus Equity Advisors. Please go ahead.

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Sushil Choksey – Indus Equity Advisors: Congratulations to the team at The Karnataka Bank Ltd. for its excellent performance. Sir, can you [crosstalk]

Management: Good evening. Thank you.

Sushil Choksey – Indus Equity Advisors: Good evening. Sir, can you throw some light on the pipeline emerging for Q3 and Q4 between the RAM and corporate books? Secondly, Developed India means new businesses emerging out of India, including defense, space, significant R&D in pharma, and many such areas. Karnataka and Tamil Nadu are leading the manufacturing hub for EVs and many other startups. All your peer banks are focusing on lending more in the same states. How are we emerging stronger? What are we doing with our HR and digital processes to underwrite the business we garner and secure a better share compared with our peers?

Management: Good evening, and thank you, Sushil. What you said definitely makes sense for us. As I told you with regard to growth in Q3 and Q4, whatever we have planned, we are quite sure of achieving. I said earlier also, and I stand by it today, that we are targeting 15% to 20% growth in advances.

The sectors I mentioned, particularly the RAM sector, including agri, MSME, and other sectors that fall within the definition of RAM, are our focus. With regard to our guidance, we are at 56% under retail as of now, mid-corporate is 20%, and large corporate is 24%. The guidance given earlier was to take retail from 56% to 60%, mid-corporate from 20% to 22%, and reduce large corporate from 24% to 18%.

While focusing on these various sectors, whether pharma or other industries, if we want to focus on industries, we have to go to the Tamil Nadu belt, as you rightly said. Trading and other sectors are in the north, while agri and other sectors are in Karnataka. All these are focused areas. I am quite confident. For the past 6 to 9 months, whatever we have been targeting has by and large moved in the same direction. I am quite sure that we are meeting the guidance we have given.

Sushil Choksey – Indus Equity Advisors: Sir, for [crosstalk]

Operator: I am sorry to interrupt, Sushil. I would request you to rejoin the queue. Thank you. The next question comes from the line of Yash with Danti Equities. Please go ahead.

Yash – Danti Equities: Hi, sir. Congratulations on a great set of numbers. I have just 2 points from my end. First, H2 is always stronger for banks and all financial institutions. I think 55% to 65% of your business comes in H2, and since you have already delivered such great numbers in H1, as a banker, what are your expectations going forward in H2?

Management: We have committed to an approved AOP. We have said that we would grow from 83,000 to 98,000. By and large, in the first quarter, we added business of around Rs.5,000 crore, and in the second quarter, we added around Rs.10,000 crore. We had planned to add around Rs.33,000 crore of business for the entire year. We have already added Rs.15,000 crore, and we have Rs.18,000 crore of business to complete.

I still maintain that we are targeting 10% to 15% growth in liabilities and 15% to 20% growth in advances. Overall growth will ultimately be around 15%. We will stick to that and make every effort.

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Having achieved good numbers in H1, as you rightly mentioned, Q3 and Q4 are the most active quarters. I am quite sure that the progress in these remaining 2 quarters will exceed our expectations. That much I can tell you at this juncture.

Yash – Danti Equities: Are there any major recoveries that we are expecting or anticipating in H2? That is point number one. Can you also talk more about asset quality and credit cost moving towards H2? Based on your performance this quarter, things are looking great from an asset quality perspective. You have gradually increased your PCR to a decent level. Please give us more commentary on asset quality going forward in H2, because some participants have also raised concerns regarding agri and tractor loans in other banking calls. I would like more commentary on asset quality.

Management: As I mentioned in my previous quarters also, we have zero tolerance for NPA as well as stress. Taking that as a focused area, we have been working through our team, including the national team and 15 collection teams spread across 15 regions. We have effectively controlled the stress and slippage ratio.

GNPA and NNPA have improved substantially. GNPA was 3.40% as on 31 March '25, and it has come down to 2.27% as of date. Similarly, the NNPA ratio, which was 1.40% as on 31 March '25, has come down to 0.74%. There is an improvement quarter-on-quarter. The reason this was possible is that we controlled stress. When we control stress, slippage also automatically comes down. Therefore, the main focus area is controlling stress. When stress is controlled, slippage comes down.

That is why our gross slippage ratio has come down. In September '25, it was 0.86%, and it has come down to 0.11%. Similarly, the net slippage ratio, which was as high as 0.75% in September '25, has come down to 0.11%. In terms of absolute numbers also, stress has come down. The main focus area is controlling stress. Therefore, going forward also, I am quite sure that there is no threat as far as stress is concerned.

Something beyond our control will always be there. You asked one more question with regard to recovery. Some recoveries are expected in the same quarter, but they sometimes get migrated to the next quarter. Sometimes this happens for various reasons. In the previous quarter also, we were expecting some major recoveries. Had they happened, the results would have been much better. If they have not happened in Q2, they will definitely happen in Q3. The numbers will further improve. One or two major accounts are also there, and with those, GNPA and NNPA will also improve further.

Yash – Danti Equities: Is it possible for you to talk about the size of these recoveries in Q3?

Management: [hesitates] See, recovery is a continuous effort. Sometimes, a recovery that we have not anticipated also happens suddenly. Whatever we expected to happen in Q2, as I told you, will happen in Q3. Sometimes it happens immediately, and sometimes it takes a little longer. A big number will happen in Q3. Kindly wait and watch. Whatever assurance I have given, I have been able to maintain it. Kindly wait and see.

Yash – Danti Equities: That is great. I think I got all the assurance that I wanted, and based on your [crosstalk]

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Operator: I am sorry to interrupt, Yash. I would request you to rejoin the queue. Thank you. The next question comes from the line of Shruti Agarwal with Narnolia Financial Services. Please go ahead.

Shruti Agarwal – Narnolia Financial Services: Hello. Congratulations on a good set of numbers, sir.

Management: Good evening, Shruti.

Shruti Agarwal – Narnolia Financial Services: My question is this: operating profit grew 36.8% Y-o-Y to around Rs.602 crore. How are technology investments, IT platform upgrades, and digital onboarding platforms impacting OPEX? Can you guide us on the cost-to-income ratio going forward?

Management: Cost to income. Thank you very much, Shruti. Operating income has undoubtedly gone up 37%. We want to increase operating income through various measures, including improving other income and interest income, while also cutting costs and taking advantage of IT.

IT is one area where continuous investment is required. We have seen and assessed that, out of Rs.100 invested, the entire amount is not available for business purposes. Around 40% to 50% goes toward licenses and upgrades, another 20% to 25% goes toward regulatory and compliance requirements, and around 25% to 30% is available for business. You cannot suddenly expect everything to be converted into returns on IT. Therefore, it is a continuous effort. We are doing that and focusing on it. We are making substantial investments. Every year, we budget for them. A couple of major investments are also being made in this financial year.

While investing in IT, we should also focus on improving operational efficiency. That is a challenge. Either we have to increase the business, generate fresh income, or reduce expenditure. There is no doubt about that. Therefore, through IT investment, the digital journey, and AI, we have focused on 3 to 4 areas, and the benefits will definitely come.

Since you mentioned cost to income, if you look at Q4 of '25, the cost-to-income ratio was as high as 66%, and that was for Q4 on a standalone basis. For the entire year, it was at 60%. We have continuously focused on it and brought it down. It is now standing at 54%, which is a 2% improvement compared with the previous quarter. We are completely focused on that. We are fully leveraging technology for the business. That much assurance I can give you.

Our guidance is 52% or 51%, and we will focus on that. Sometimes the result happens immediately, such as in the recovery of NPAs, and sometimes it is postponed to the next quarter. We will definitely take full advantage of that.

Shruti Agarwal – Narnolia Financial Services: Okay. Thank you, sir, and all the best for the coming quarters.

Management: Pardon?

Shruti Agarwal – Narnolia Financial Services: [inaudible]

Management: Hello?

Operator: Sir, she said thank you.

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Management: Okay, thank you.

Operator: The next question comes from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor – Kapoor Company: Greetings, sir. I hope I am audible.

Management: Yes, good evening, Saket. Thank you.

Saket Kapoor – Kapoor Company: Good evening, sir. You were indicating that we are looking for advance growth in the vicinity of 15% to 20% for H2. I missed your comment on that. Can you reiterate the advance growth? Or could you outline the NII growth that we may look forward to for the remaining part of the year or for H2?

Management: We have continuously focused on an average growth of 15% to 20% in advances throughout the year.

Saket Kapoor – Kapoor Company: Correct.

Management: As I mentioned while replying to someone else's question, Q3 and Q4 are the most active quarters. Having generated good numbers in Q1 and Q2, I am quite optimistic that in Q3 and Q4 also we will be able to do much better than in Q1 and Q2.

Since 15% to 20% growth in advances will result in an average of 18% to 19% Y-o-Y growth, we are focusing on that. I cannot give you a big number and deliver much less than that. Therefore, I said that we are committed to an average 15% growth in business and 15% to 20% growth in advances, and we are hopeful of achieving it.

The end result, including NIM and NII, depends on achievement of that target. We are focusing on the RAM segment while maintaining our business share across retail, mid-corporate, and corporate. Right now, retail is 56%, mid-corporate is 20%, and large corporate is 24%. We want to increase retail's share from 56% to 60% and mid-corporate's share from 20% to 22%. As a policy, we want to reduce our dependence on bulk and reduce the large corporate share from 24% to 18%. These are the broader guidelines or guidance we have.

Saket Kapoor – Kapoor Company: When we look at our treasury portfolio, I think our treasury income must also have been affected this quarter because of the hardening of the 10-year yield and higher G-Sec yields. What has been the impact on our treasury portfolio because of the hardening of yields?

Raghavendra S. Bhat – MD & CEO: No. We are working cautiously. We are duly taking into account the cost-benefit analysis. We are very careful. With regard to the funding arrangement also, we have adequate measures available with us. ALCO is meeting regularly, and we are working everything out in bits and pieces. Our investment portfolio itself totals Rs.27,000 crore. Therefore, the HFT portfolio is also very small. We will not be affected too much, although we are cautious. We will be moving very cautiously.

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Operator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the MD and CEO, Mr. Raghavendra S. Bhat, for the closing remarks.

Raghavendra S. Bhat – MD & CEO: Thank you, {? Aleric ?}. As we wrap up today's call, I am glad to reiterate our unwavering commitment to shaping a forward-looking, governance-driven institution that honors its historical roots while successfully navigating this fast-evolving era. By continuing to scale our retail and MSME lines while optimizing funding costs, we are completely certain of our ability to maintain this healthy growth momentum and deliver long-term value to our stakeholders. Thank you once again for your insightful questions, your continued reliance, and your invaluable collaboration in charting the next phase of The Karnataka Bank Ltd. Thank you very much to everyone, particularly Mr. {? Aleric ?}. Thank you.

Operator: Thank you so much, sir. Ladies and gentlemen, on behalf of The Karnataka Bank Ltd., that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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