Karnataka Bank Ltd.
Your Family Bank, Across India

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SECRETARIAL DEPARTMENT

August 21, 2025
HO/SEC/143/2025-26

To

The Manager	The Manager
Listing Department	Listing Department
National Stock Exchange of India Limited	**BSE Limited**
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Bandra (E), Mumbai-400051	Mumbai-400001
Scrip Code: KTKBANK	**Scrip Code: 532652**

Madam / Dear Sir,

Sub: Transcript of Q1FY26 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 Wednesday, August 13, 2025, on the unaudited, reviewed Standalone & Consolidated financial results of the Bank for the quarter ended June 30, 2025.

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

https://karnatakabank.com/investors/quarterly-results

This is for your kind information and dissemination.

Yours faithfully,

Raghavendra Srinivas Bhat
Digitally signed by Raghavendra Srinivas Bhat
Date: 2025.08.21 14:53:47 +05'30'

Raghavendra S Bhat
Managing Director & CEO

"Karnataka Bank Limited Q1 FY '26 Earnings Conference Call"

August 13, 2025

MANAGEMENT: MR. RAGHAVENDRA S. BHAT - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - KARNATAKA BANK LIMITED, ACCOMPANIED BY HIS SENIOR MANAGEMENT TEAM

Moderator: Ladies and gentlemen, good day, and welcome to the Karnataka Bank Limited Q1 FY '26 Earnings Conference Call.

As a reminder, all participants' 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to the Managing Director and CEO, Mr. Raghavendra S. Bhat from Karnataka Bank, who is on the line along with his top management team. Thank you, and over to you, sir.

Raghavendra S. Bhat: Thank you. Good morning to all, and a very warm welcome to our Earnings Call for Q1 of FY '26.

Based on the feedback from last quarter's Earnings Call, we have decided to shift the timing of our earnings calls. This was done in a bid to provide sufficient time for our investors to go through our financial results and investor presentation, both of which have been uploaded post the conclusion of our Board meeting yesterday.

On a more personal note, after having spent more than 38 years across multiple divisions at Karnataka Bank, I have been given the opportunity of a second inning to lead the Bank in unlocking the immense potential that this organization has. Hence, it gives me great pleasure to participate in this Earnings Call to convey our vision for the future of the Bank and interact with you all who are one of the most important stakeholders in the growth of this organization.

As many of you would be aware, the 1st Quarter of FY '26 has been a period of significant transitions for the Bank. We have tackled multiple challenges during the quarter, the learnings from which will serve as a foundation to enable the long-term sustainable growth journey for the Bank.

Our mission and vision remain clear and unchanged as we continue to pursue with renewed vigor our commitment to discipline, growth, operational excellence and strategic execution in line with our long-term objectives.

Let me present the business highlights.

Aggregate business of the Bank stood at Rs. 1,77,509 crores, marginally up by 1.1% on a year-on-year basis as against Rs. 1,75,535 crores in June 2024.

Profit after tax Q1 FY '26, PAT of Rs. 292.40 crores as against Rs. 252.37 crores in Q4 of FY '25, quarter-on-quarter increase of 15.8%. Y-o-Y, there is a decrease in PAT from that of Rs. 400.33 crores in Q1 FY '25. However, it should be noted that in Q1 FY '25 last year, the Bank had received an interest income of Rs. 81.32 crores on tax refund, because of which it is not directly comparable.

Further, in line with the Bank's commitment to increase PCR, the Bank has continued making accelerated provisioning. Gross advances stood at Rs. 74,267.02 crores as on 30th June 2025, reflecting a Y-o-Y de-growth of 1.6% from Rs. 75,455 crores as on 30th June 2024.

Our overall strategy is to continue to focus on growing Retail, Agri and MSME, where the growth was led by Retail, Housing and gold loan portfolio with a net book accretion of Rs. 2,327 crores Y-o-Y in the RAM segment.

The Bank has been committed to reducing its exposure to low-yielding large/mid corporates that were opportunistically deployed for better yields than Treasury.

As conveyed during previous calls, we have started replacing the IBPC book with higher-yielding loans. Around Rs. 500 crores of IBPC advances have been replaced in Q1, in addition to the reduction in NBFC portfolio already initiated during the previous quarters.

On a Q-o-Q basis, retail advances in Q1 FY '26 have grown marginally, while mid-corporate and large-corporate advances have degrown by 3% and 15% respectively. As we move forward, the strategy would be to accelerate retail growth, while also stabilizing our mid-corporate and large-corporate portfolio with good quality and better yielding loans.

Aggregate deposits, Rs. 1,03,242.17 crores as on June 2025, reflecting a Y-o-Y growth of 3.16% over June 2024 from Rs. 1,00,079.88 crores. CASA deposits stand at 30.84% of aggregate deposits as against 30.51% in June 2024. It is to be noted that in absolute terms, our CASA deposits have grown 4.28% Y-o-Y over June 2024.

CASA accretion remains a focal point for us, and the Bank has come up with focused strategies to further improve CASA build-up during the year. The Bank has continued to focus on shifting high-cost bulk deposits to granular and retail deposits of less than Rs. 3 crores.

Bulk deposits as a percentage of total deposits have come down from 6.6% as on 31st March 2025 to 5.4% as on 30th June 2025. Similarly, bulk deposits as a percentage of term deposits have come down from 9.7% as on 31st March 2025 to 7.9% as on 30th June 2025. As the Bank has excess liquidity and considering the CRR cut, the Bank's strategy will be to restrain itself from accepting costly bulk deposits. The majority are renewed at ALCO card rates to rein in the cost of deposits.

To summarize - while overall aggregate deposit growth has been muted, we have seen significant movement from bulk deposits to granular deposits. Retail term deposits, that is, less than Rs. 3 crores, have seen a significant jump from Rs. 60,134 crores as on June 2024 to Rs. 65,786 crores as at the end of the previous quarter. Net year-on-year accretion is Rs. 5,652 crores.

Our focused new product development and launches continue to be on track to fill in some remaining gaps in our product offerings.

Launches planned in the coming quarters: EMI-based loan offering for gold loans, pre-approved personal loans for salaried and self-employed, surrogate-based lending for retail and MSME, supply chain finance and merchant payment app.

Net interest income is at Rs. 755.60 crores in Q1 of FY '26 as against Rs. 903.36 crores in Q1 FY '25. That is a de-growth of 16.36% and Rs. 780.68 crores in Q4 of FY '25, Q-o-Q de-growth of 3.21%. While gross interest income has remained flat during this period, owing to a reduction in overall yields, the increased cost of funds and cost of deposits has put pressure on overall NII on a Y-o-Y basis.

However, both cost of funds and cost of deposits have started showing a Q-o-Q improvement on the back of a reduction in CASA, which we believe will improve even further in the coming quarters and help keep interest expenses in check. In conjunction with the added focus on improving the loan book, we should see an improvement in NII during the second half of the year.

Net interest margin stood at 2.82% for Q1 FY '26 versus 3.54% in Q1 of FY '25 and 2.98% in Q4 of FY '25. The fall in NIM is mainly on account of the reduction of external loan benchmark rates driven by the repo rate cut to 5.5% from 6.5% a year ago. 70% of our loan book is EBLR-based, thus having an immediate impact on NIM levels.

We are expecting a bounce back of advances supported through our focus on co-lending and direct assignment, which should see us going back to the previous levels of around 3%. With the improved focus on higher yielding retail and direct-to-corporate advances combined with expected easing in cost of funds, we expect NIM to further improve by 10 basis points by the end of the year.

Loan Yields - as a result of recent cuts in repo rates, owing to reduction in external benchmark rates, partially offset by our changes in product mix, yield on advance for Q1 FY '26 stood at 9.28% as compared to 9.52% in Q1 of FY '25 and 9.43% in Q4 of FY '25.

As mentioned during the previous quarters, the Bank remains committed to its strategy of replacing the bulky opportunistic advances such as IBPC and some NBFC advances with direct-to-corporate and retail advances. Considering the potential churn to higher yielding segments, we expect to see an improvement of 20 to 30 basis points in the overall portfolio during the second half of the year.

CD ratio for the quarter stood at 71.93% as compared to 74.38% in March 2025 and 75.39% in June 2024.

Stressed Assets - Gross NPA percentage as on 30th June 2025 stood at 3.46% as against 3.54% in June 2024 and 3.08% in March 2025.

Net NPA percentage as on 30th June 2025 stood at 1.44% as against 1.66% in June 2024 and 1.31% in March 2025.

While we acknowledge there has been a slight hit to the asset quality on a Q-on-Q basis, we want to assure you that this is a temporary aberration and that the Bank has already initiated measures to control slippages and improve monitoring efficiency by intensifying regional collection centers.

While the gross NPA increased by Rs. 169.01 crores during the quarter, the Bank's intensified focus on collections, especially on the retail front, has resulted in a post-quarter-end recovery of approximately Rs. 90 crores from accounts that has slipped into NPA during the quarter. These recoveries will be reflected in the results of the next quarter, and we should see improvement in the asset quality resuming again.

Gross slippages at 0.53% in Q1 FY '26 as against 0.59% in Q1 FY '25 and 0.34% in Q4 FY '25. Recoveries for the quarter at Rs. 107.29 crores in Q1 FY '26 versus Rs. 133.12 crores in Q1 FY '25 and Rs. 173.91 crores in Q4 FY '25.

Standard Restructured Advances stood at Rs. 888.23 crores as on 30th June 2025 as compared to Rs. 994.77 crores as on 31st March 2025 and Rs. 1,395.25 crores as on 30th June 2024. This reflects a Q-on-Q improvement of 10.7% and Y-o-Y improvement of 36.3% in line with the Bank's commitment to reducing restructured advances.

Provision coverage ratio, including technical write-offs at 81.11% in June 2025 compared to 81.42% in March 2025 and 77.97% in June 2024, excluding technical rate of PCR improved to 59.18% as compared to 58.18% in March 2025, in line with the Bank's commitment to improving PCR.

Liquidity coverage ratio as on 30th June 2025 at 200.7%, significantly improved from 162.5% as on 31st March 2025 and as against the statutory target requirement of 100%. Cost of funds stood at 5.77% in Q1 FY '26 compared to 5.83% in Q4 FY '25 and 5.57% in Q1 FY '25.

The sequential Q-o-Q improvement in cost of funds is expected to continue in the coming quarters as the benefit of the cut in repo rate materializes. This would be further supported by our continued endeavors to reduce the dependence on bulk deposits and replace them with retail deposits at card rates and focus on CASA buildup.

Credit cost at 0.16% for Q1 FY '26 as against 0.05% in Q4 FY '25 and 0.11% in Q1 FY '25.

Cost-to-income: For the quarter ended 30th June 2025, the cost-to-income ratio stood at 58.05%, showing considerable improvement as compared to Q4 and full-year FY '25 numbers of 68.98% and 60.11% respectively.

While operating expenses have remained stable Y-o-Y, we have seen a significant improvement on a Q-o-Q basis Rs. 646.67 crores in Q1 FY '26 as compared to Rs. 833.89 crores in Q4 FY ‘25. This comes as a result of multiple cost rationalization and monitoring initiatives undertaken by the Bank in a bid to renegotiate rents and vendor commercials to keep operating expenses under check.

With a renewed focus on increasing NII and NIM through our advances and deposit strategies, the Bank projects the cost-to-income ratio to come down to around 55% in the coming quarters.

Return on equity : Q1 FY '26 return on equity stood at 9.58% versus 8.56% in Q4 of FY '25.

Return on assets: Q1 FY '26 return on assets stood at 0.97% versus 0.81% in Q4 FY '25. We expect to end FY '26 with an 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, an increase in other income and consequent improvement in profit after tax.

CRAR stood at 20.46% as on 30th June 2025 in comparison to 19.85% as on 31st March 2025, both Tier-1 and Tier-2 put together.

This covers most of the key financial metrics of the Bank. While this has been a mixed quarter in terms of financial performance, I would like to reiterate that we are well-positioned and prepared to bounce back. The Bank's fundamentals remain strong and our commitment to transparency, customer service and ethical governance remains unwavering. These will continue to be the core values and foundation for the future growth of the organization.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyank from Vallum Capital. Please go ahead.

Priyank: Hi, team. Thank you for the opportunity and for a very good performance in such challenging times. So, my question first is on, of course, with the given leadership transition that we are witnessing, and I am glad to see the long-term targets remaining intact, what are the near-term key targets that Bank looks to further change or implement for a betterment of good, say, that there may be some differences in terms of the earlier leadership versus the current leadership? What are the key operating KPIs that the Board would be judging going ahead or targeting in the near term?

Raghavendra S. Bhat: Now, as far as growth is concerned, no doubt about it, we had some tough times. We have to face the tough times ahead. Also, the key focused areas will be Growth in advances is the prime objective of mine and my team and growth in CASA; these are the two main areas which we are focusing on and since it is already August, I don't want to change any annual action plans at this juncture. But wherever corrections are required in between, we will definitely review them, and we will come back.

Priyank: My second question is on the cost of deposits in the era where the large private banks have increased their minimum balances on the SA. The large private banks and including public sector banks, have cut down their deposit rates. What is stopping us from cutting down a few deposit rates, given that we already have a liquidity surplus?

The core P&L that I understand is the issue of NIMs. Other than that, I think we have performed very well. How do we plan to address this, the falling NIMs? It can be via deposits or via yield. What would be the strategy for the Bank?

Raghavendra S. Bhat: Yes, in the last ALCO meeting, we had deliberated in length on how to bring down the cost. We have to increase our ultimately spread and income. Ultimately, that matters a lot. After much deliberation, we have reduced the rate of interest on deposits, and we have planned for growth in CASA. These are the two important areas.

ALCO, of course, no doubt monthly mandatory meeting we need to have. In addition to that, whenever a correction is required, depending upon the market situation, we want to focus on that also and cost control is one of our important aspects. I assure you that one is cost control. The other one is an improvement in CASA, and we are focusing on it.

Secondly, to increase the income, the priority, as I already highlighted, there is a de-growth in advances. We have to focus on ensuring the growth in RAM. That is Retail, Agriculture and MSME. That is the focus area. Ultimately, cost control, as you rightly said, is definitely on our target.

Priyank: Sir, actually, I was alluding for the cost of deposits in the retail term deposits given that we have such a high granular deposit base and when there is so much of surplus liquidity available in the wholesale market, at the times when large banks have undertaken deposit rate cuts on the fixed deposits, what are the plans for Karnataka Bank on that front? And given whatever the deposit, given the strategy, now how should we look for NIMs quarter-on-quarter going ahead for rest of the year? Should we end the full year in the guided range of 3, 3.5?

Raghavendra S. Bhat: Yes, that is what I mentioned earlier. In the last ALCO, we have reduced the rate of interest on term deposits, particularly for whatever bucket is required, which is affecting the cost of deposits. Number one.

Number two, the rate of interest on advances during the current year, we have already revised downward. and the focus is on the CASA base growth. As you rightly mentioned, other banks are focusing on that. We are also targeting the same with regard to the cost control method, reduction in rate of interest with regard to savings Bank, as well as term deposits, in two areas we have already done and as I mentioned earlier, in the future we will discuss in length in the ALCO and take necessary corrective action wherever required.

One more thing I want to add here. Your concern is very much right. The cost reduction in the rate of interest has already started showing in Q1 of this current year. There is a reduction in the cost of deposits. Definitely, we will move in that direction.

Regarding excess liquidity, as you said, it is definitely available in the system, but our focus area is to grow in quality advances, where we are progressing. I hope I have answered your question.

Priyank: Very well, very aptly you have answered. My last question before I come back in the queue is on the asset quality front. There are two books which historical legacy books that the Bank is holding up. One is a standard restructured portfolio of Rs. 888 crores and you have mentioned that 54% of the portfolio requires a 30% upgrade. So, when is that upgrade coming up? How should we look at that book panning out for the next 9 months or for this year end? That is the first part, which is on the standard restructured book.

And the second part is on the technically written off book that we have close to around Rs. 3,000 crores, and that book has been written off. So, whatever income comes helps banks to reinvest in the growth engine. So, what are the measures that the Bank is undertaking to recover the accounts where we have technically written off?

Raghavendra S. Bhat: Yes, our efforts are continuously on with regard to the reduction in restructured advances, which you must have seen in the presentation slide given to you. It is at Rs. 888 crores, with continuous reduction for the past several quarters. We are focusing on that. We have further planned to reduce it to Rs. 700 crores from Rs. 888 crores.

Priyank: Sorry, you mentioned Rs. 700 crores in the coming quarter itself?

Raghavendra S. Bhat: No, it would be annual from Rs. 888 crores, wherein there is a continuous reduction, if you see in the last 6 quarters.

Priyank: Yes, I have that figure in the presentation. It is coming down, yes.

Raghavendra S. Bhat: It is coming down. There is an improvement and by March end, we have a definite target of bringing it down to Rs. 700 crores. In between, some are getting upgraded, some are getting closed, and also through whatever mechanism of recovery is available to us. Rs. 700 crores is the target we have kept. Whatever best is possible to recover further, we are at it.

Priyank: Perfect, and when it comes to the technically written off book?

Raghavendra S. Bhat: Yes, technically written off balance, it was at Rs. ~3,000 crores and this quarter, the Bank is passing through various stages, which you are aware. I have taken over very recently. Our efforts will be on that during the 1st Quarter. If you compare to the previous quarter of last year, some figures may not speak well, but we are at it, which is expected recovery from this technical write-off. During the current quarter, that is Q2, we have focused on Rs. 38 crores to Rs. 40 crores. That will happen in this quarter only, and ultimately, the efforts will be further on to bring it down and it will add to the income.

Priyank: I will come back in the queue. Thank you for answering all the questions. Looking forward for your executions.

Moderator: The next question is from the line of Unmesh Kantilal Shah from Hanumant Holdings Private Limited. Please go ahead.

Unmesh Kantilal Shah: Good morning. Thank you very much, sir, for giving me an opportunity. Let me first welcome you to your new avatar, and I am sure that now things will be smoothened out. We have undergone turbulence for the last quarter, as all of us know.

Sir, the 1st Quarter results are out, and what I see is that profit, no doubt, quarter-to-quarter has 15% to 16% gone up to Rs. 292 crores, but year-on-year we find a lot of fall from Rs. 400 crores to Rs. 292 crores, almost 27% down. That is one of my concerns.

And second thing, when I see the NPAs, of course, you have a very eminent Board, you have eminent people, you are also very comfortable with the Bank, with so many years of experience. So, I have nothing to say about it, but then NPAs are far higher, net NPA, gross NPA, compared to the peer's Bank, if you see. That is my one question.

And second thing, if you see the advances for this quarter have slightly fallen compared to the earlier one. So, my question is, how does the Bank plan to increase the credit uptake? What is the major strategy or driver for the same? Are you raising by Tier-1, Tier-2, or capital raised by QIP or other means? Can you just highlight this? I will be thankful to you, Sir.

Raghavendra S. Bhat: Yes, with regard to the reduction in net profit, we also have the same concerns about how to address that. But compared to Q1 of last year, one specific item of IT refund around Rs. 81.32 crores was there during Q1 of last year and of course, these are all reasons, ultimately net profit has gone down. That is a different issue, but there is one such item. It was Rs. 81.32 crores refund of IT is there. That is number one.

Number two, with regard to the NPA, you have a concern. We too also have the concern. Even my predecessors also and even my priority is also to control the NPA, recovery and controlling of stress. That is one of the prime objective of the Bank and our team is working on it round the clock to see that wherever possible, recovery is made.

And if you see the NPA movement also, recovery is also there, but with regard to the addition to NPA, whatever we compare, more efforts on our end are still required, which we will definitely be putting in going forward. And after this first Q1, there are major accounts that were NPA and have been upgraded, that is, around Rs. 90 crores recovery has happened and efforts are still on to recover more.

We have priorities depending upon the size, securities available, and the borrowers, all these plans are there, meeting the borrowers by our recovery team. The recovery mechanism is very well in place, so we will make all our efforts to recover.

In my personal view and in my capacity as MD and CEO, I have seen that wherever book growth is happening, advances, both deposits and advances, growth is coming when cost is controlled, yield is very well planned, all the ratios will be good. As you also mentioned, since there is a de-growth in advances, all the ratios are rather not comparable, which here also it has happened.

The GNPA and NNPA, of course, depending upon various other factors of provisioning and all, GNPA is particularly when the advance size is good, there is a negative growth or de-growth compared to the March figure. That is why the percentage looks higher. We are at it, sir.

Unmesh Kantilal Shah: Sir, can I ask a question? Any plan to credit uplift in recent times, or do you still have to strategize it or raise funds like Tier-1 or Tier-2 or something like that to uplift the credit?

Raghavendra S. Bhat: We have a good capital adequacy ratio. We do not have plans for raising additional capital right now, but as and when the book size increases or going forward, that will be planned properly at the appropriate time. What was your one more question?

Unmesh Kantilal Shah: This is a question only. The credit uptake and are there any strategies which you already addressed it, I think.

Raghavendra S. Bhat: Yes, I have already mentioned, but yes, focus is on retail growth, RAM.

Unmesh Kantilal Shah: Retail growth.

Raghavendra S. Bhat: Retail, Agri and MSME. We are coming out with definite strategy is there. As I told you, I have taken over charge recently, and I have started initiating action. Wherever corrective action is required, I am on it.

Unmesh Kantilal Shah: Thank you very much, sir, and I think you addressed all of my questions, and we wish you best of luck. I am in Mumbai. Sometime if you come, we will like a personal one-to-one meeting also if possible in the busy schedule of yours. And I look forward to…

Raghavendra S. Bhat: Surely. I will be looking forward for all the cooperation from stakeholders also.

Unmesh Kantilal Shah: Yes, we look forward to any help, any whatever way we can, we are with you, and we look forward to work with you more and best wishes for your new avatar, which you have taken over recently, and best wishes to you and the Bank and all the stakeholders.

Moderator: The next question is from the line of Mayank Gupta, an individual investor. Please go ahead.

Mayank Gupta: Congratulation on being the Managing Director of the Bank. As the new Managing Director, going forward, what will be the key focus areas for the Bank?

Raghavendra S. Bhat: Yes, I thank you. Good morning, Mayank. Thank you for your question. I have already highlighted rather my main focus is growth, quality growth, particularly growth in liability side CASA, asset side retail,and MSME. These are the focused area to have. One is on the liability side growth is to control cost. Other side is have better yield so that there is an improvement in the margin.

Mayank Gupta: That is it for the day.

Moderator: The next question is from the line of Yaswanth Thippeswamy, an individual investor. Please go ahead.

Yaswanth Thippeswamy: Hi, good morning, Raghavendra Bhat. Welcome back.

Raghavendra S. Bhat: Good morning. Thank you.

Yaswanth Thippeswamy: I mean, I understand that you worked with this Bank for quite some time and now you understand the culture. I think it would be nice, I mean, I would rather not question what has happened because you were not directly responsible for the last quarter's performance. Rather from the presentation that has been shared, I have a couple of questions.

So, one is with respect to the asset quality. So, I see that there is an addition of Rs. 400 crores, and I just wanted to know which are the sector or what are the number of accounts that contributed to this addition? And also have you provided for this slippage?

Raghavendra S. Bhat: Yes, that is main addition has come in MSME, housing and agriculture. These are the three areas which our team is already acting on it. Some have started upgrading also, and improvement is happening there. And I am quite confident whatever additions are there, we are at it for the recovery of that.

Upgradation and down-gradation very strictly happening through the system when it is slipped for whatever that last moment happens because of the liquidity problem of borrowers. And for all these NPAs adequate provision has been made, that you are aware, where we have no choice. We have to do that. It is a regulatory requirement. We are doing that and no big-ticket advances are there. And I am telling you, it is in the pool. It is happening, and we are at it for the recovery.

Yaswanth Thippeswamy: And regarding the retail advances which we are going to focus on, I mean, the RAM sector as such, like the segment, so, I see that there is a run rate of around Rs. 500 crores. And can we see any improvement in the future? Because based on the calculations that I have done, as per the branch per month, we are able to do around Rs. 1.8 crores with 950 branches. So, do you see that there could be an improvement on this side going forward?

Raghavendra S. Bhat: Yes, definitely focus is, as I mentioned in my presentation, definitely our focus area is RAM, as I said to you. While growing also, a lot of things we need to take into account the precautions of the quality of the advances with regard to the sanction and follow-up also.

We have got around 950 plus branches. 953 branches across India. Even if I select around 700, 800 branches, which are very potential for advances, at least per branch if I take into account Rs. 2 crores, Rs. 2.5 crores depending upon the potentiality and the geographical location, we can go on giving full support from the head office and controlling offices. Definitely it is possible to grow.

And one thing I have seen after taking charge, some correct active action is required in between with regard to the processing and sanction also. We are at it. Today, we have got four retail as loan processing centers. Immediately I have given the administrative clearance also. We will be increasing by three within a short span of one week or so, and within a month's time we will extend it to all the regions. Therefore, I am quite optimistic, definitely with the support from the head office and the controlling office at various centers, I am hopeful and optimistic to take it. As you rightly mentioned, I will be having certain geographical and identified branches. All branches may not be possible to have that kind of growth, but as a whole, definitely we are at it, Thippeswamy sir.

Yaswanth Thippeswamy: That is a great news. And one last question from my side. So, with respect to CRAR touching almost like more than 20%, and I understand that we are moving from the large corporate advances to the more lucrative and then better way of deploying the advances at the RAM side. So, are we also concentrating on the large corporate if there is any opportunity passes by?

Raghavendra S. Bhat: No, as you rightly said, see, we have to consider growth, quality growth and mixture of all these, we have to balance. On the one side, we consciously want to bring it down. On the other side, whenever the opportunity comes, taking into account the yield or the pricing wise, we have to be selective, taking into account overall benefit to the Bank. Concentration for the retail is the first priority.

This balancing, you said the capital adequacy ratio or all those things are there, that definitely it will help us to balance this growth. Unless the growth happens today that CRAR has improved compared to March also. Because there is a reduction in advances in current quarter. Mainly it has improved because of that. Otherwise, it is the only profit available that will accrue in the CRAR.

So, question here is, one is that we have to balance every segment without compromising on the pricing, quality, everything. But focus is there. Definitely, we have to balance and grow. This is the main objective.

Yaswanth Thippeswamy: All the best, Mr. Raghavendra Bhat. Hope to see a nice and good results going forward. Thanks for answering all the questions.

Moderator: The next question is from the line of Chirag Singhal from First Water Fund. Please go ahead.

Chirag Singhal: In your earlier remarks, you mentioned about the quality growth and focus on RAM. When I look at the numbers, the RAM segment has grown at 5%. and the non-RAM segment, whether it is corporate or NBFC and all, that has de-grown which has resulted into minus 1.6% de-growth for the quarter on a year-on-year basis.

So, I just want to understand that incrementally, let's say, now we have this segment as the primary focus or a growth driver, for this year, like what is your guidance? How much will this RAM segment grow to? And accounting for the de-growth in other segments, what will be the overall advances growth?

Raghavendra S. Bhat: Yes, the retail gross advances, as you know, it is furnished, total advances of Rs. 74,267 crores is there. Out of that retail advances Rs. 44029 crores. We want to take it at least to Rs. 51,000 crores by the end of FY '26. There is no doubt that it is a very ambitious target. We have to do that to stabilize the growth in advances.

As I mentioned earlier, it is a combination of Agri, MSME and other Retail. We have plans to take it from ~44,000 to ~51,000 around Rs. 7000 crores has to happen in retail. And one more area, no doubt it is coming under that, last year we had grown particularly under the gold loan segment, around Rs.

4,000 crores we have added in the gold loan portfolio. Due to constraints we could not move on there, and now because RBI circular also has come, you also must be aware, we have plans to grow further in gold loan. Growth has already started it is more secured advance and we want to grow further there also.

These are the main plans. When I said the growth in retail means these main areas, housing, MSME and some other areas wherever there is potential, we will be definitely planning to grow.

Chirag Singhal: So, when I look at the gross advances breakup, the Retail, MSME and Agri totals to Rs. 47,000 odd crores. So, did you mean this number will increase by Rs. 10,000 crores during the current fiscal?

Raghavendra S. Bhat: No, we have internally plans and one is making good the figure which has already gone down. Added to that, the recovery during the year, that will be additional required.

Third one is our growth strategy, which we need to increase the size of our book taking into account we have AOP of Rs. 89,000 crores in the books approved plan. Rs. 89,000 crores may looks a little bit aggressive, but at least adding Rs. 7,000 crores to Rs. 8,000 crores of advances will definitely take us to a newer height. This much I can tell definitely.

I have no plans to revise it down while making full efforts to achieve the target. This is definitely possible to do that. If we strengthen our all the regions with the growth in retail, it is possible.

Chirag Singhal: So, Rs. 7,000 crores to Rs. 8,000 crores incremental growth in the advances in the RAM segment for the rest of the year. Did I get that correct?

Raghavendra S. Bhat: Yes.

Chirag Singhal: And what about the balance book, which is Rs. 26,700 crores, what would this book look like by the end of the year? So, broadly what I am trying to understand is the overall advance growth.

Raghavendra S. Bhat: Now overall advance only I told you. Right now as of June it is Rs. 75,000 crores, and our target to grow is at Rs. 89,000 crores, and Rs. 89,000 crores, as I mentioned earlier, there is no plans to revise it. And we have to make an attempt to achieve that, but 85,000 to 86,000 gross of advances by the end of the year, definitely it will give a big boost to us while making our full efforts to achieve the Rs. 89,000 crores.

Chirag Singhal: So, that is roughly 10% odd growth rate if I take Rs. 86,000 crores versus March closing number. That is roughly 10% growth rate.

Raghavendra S. Bhat: Yes.

Chirag Singhal: And how much is outstanding in IBPC and NBFC book at the end of June '25? And what is your target by the year end?

Raghavendra S. Bhat: IBPC as at June it is 3,315, and it was at 4016 as of June last year. Right now there is a reduction of around Rs. 700 crores. We have plans to reduce it further and as I mentioned earlier, we have to strike a balance in the book to grow and taking into account so many aspects, we have to balance. One is whether to take it or not. Other one is where we can grow. Third one is yield. All these things, we will take a conscious decision and move forward.

Chirag Singhal: So, what are we guiding for this IBPC by the end of current fiscal?

Raghavendra S. Bhat: We want to bring it down to Rs. 1,000 crores by the end of this March.

Chirag Singhal: And if you could give me the same numbers for NBFC book?

Raghavendra S. Bhat: Pardon?

Chirag Singhal: NBFC. How much is outstanding?

Moderator: Sorry to interrupt. Mr. Chirag, may we request you return to the question queue for a follow-up?

Chirag Singhal: Sure.

Raghavendra S. Bhat: If you have got more queries, definitely we will be, whatever you want particulars, you please send a mail to us. We will come back to you.

Chirag Singhal: I will do that.

Moderator: The next question is from the line of Jayen Shah from Mavuca Capital Advisors Private Limited. Please go ahead.

Jayen Shah: Good morning, Mr. Bhat, and congratulations.

Raghavendra S. Bhat: Good morning.

Jayen Shah: Good morning, sir. Best wishes to your Karnataka Bank going forward.

Raghavendra S. Bhat: Thank you.

Jayen Shah: Sir, sharing a couple of observations, sir. Recently observed and even in the past, private banks have been onboarding their wholesale strategy where corporates, large corporates end up being anchors where, of course, there is a tight pricing to enter this relationship, but they take advantage of or they leverage that relationship across the corporate anchors - entire vendor chain, distributor, dealer financing. So, they are trade products. Again, sharing this observation.

Second observation is that recently various banks have started segmenting retail crossing into mass affluent crossing into wealth, wherein HNI also, HNI becomes an equally important stakeholder in terms of sustainable balance growth. Sir, over to you for comment on both these parameters.

Raghavendra S. Bhat: Yes, as I highlighted in my opening remarks, we have a set of plans. I have mentioned a couple of new products. Our product department is very active. They have brought out certain new changes in the products overall. This supply chain is a new product that has now been cleared. We are going forward with that and a couple of other things which we have planned.

You must have seen our cost-to-income. When you see that, it is at a higher level. So, many things have been invested into, which will start yielding a result going forward. We are at it, definitely supply chain will start immediately. Other things like surrogate-based lending, and two, three more items which I have mentioned earlier, definitely we are moving forward.

Jayen Shah: The second observation was about further segmentation in retail, specifically when it comes to liability gathering as well as products which are being marketed towards wealth products or affluent, mass affluent to the HNI community.

Raghavendra S. Bhat: Yes, there is also a new solution we have planned is a platform and various other products through that, it is possible to meet the requirements of the liability products. We are coming out with that product also soon. And ultimate aim is to improve the liability side also with product to customer, we are planning one platform, and we will move forward in that direction, product to customer, where third-party products and everything is possible.

Jayen Shah: No, I am sure we will see exciting growth going forward when the traditional, well-respected, well-trusted brand like yours gets into safe and strong hands like in your hands. I wish you all the best once again and looking forward to great growth at Karnataka Bank. Over to you, the moderator.

Raghavendra S. Bhat: Thank you very much.

Moderator: The next question is from the line of Rakesh Kumar from Valentis Advisors. Please go ahead.

Rakesh Kumar: So, Sir, like just going slightly into the past, so, like you know, there are a couple of developments that happened and the product design and wholesale vertical head also left. So, what actually happened? What went wrong all of a sudden, apart from the MD and ED exiting from the system? Because the shareholders and the investor at large would like to know what is actually happening.

Raghavendra S. Bhat: No, see, anyone leaving the organization is dependent upon their personal choice, but as long as they are here, they have trained a sufficient number of people. Backup people are there, and you are talking about wholesale.

Rakesh Kumar: The wholesale vertical head and the product design head.

Raghavendra S. Bhat: Yes, the wholesale vertical head, other retail head is also there to tide over the situation. We have made alternative arrangements for that also and a sufficient backup plan is also there. We are working in that direction. There is no concern for that. In all the departments, the second line is from the in-house talent, and they have been well-trained and capable of handling the departments. All the projects, processes will be carried out as scheduled. There is no cause for concern. This much I can tell you.

Moderator: Mr. Rakesh? As there is no response from the current participant, moving on to the next question. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good afternoon, sir.

Raghavendra S. Bhat: Good afternoon, Sarvesh.

Sarvesh Gupta: Sir, the first question is basically dwelling on these growth numbers in advances. So, I can understand that there are some challenges with high cost or low yield corporate advances, which you might have pruned down. But on the RAM side itself, Sir, the growth of 5% is possibly the lowest amongst all the banks and including even the PSU banks and MSME book de-growing, that itself is something that we have not seen across the sectors.

So, before we think about advances growth in the coming year, have we been able to identify? And this is after recruiting so many people, which increased our cost-to-income from 50% to almost 65% or thereabouts in the previous quarter, because we recruited heavily, and the idea was to recruit a lot of people as field officers who will go out of the branches and get CASA and advances.

So, after increasing the cost so much, despite the result being even on the segment of our choice, which is RAM, we have grown by the lowest amongst all banks. So, what was the reason behind this, sir?

Raghavendra S. Bhat: Regarding the reason, I am not interested in digging the past. What I have observed, your observation has also come to my knowledge. I started working in that direction. Definitely, we will push it forward. The results started happening, though I have joined very recently. I am very conscious of that.

Ultimately, cost benefit analysis, whether it is for this or anything else, is my first priority. Whether if there is no income, how to generate income, duly planning the cost and as well as the yield, these things are very much in my mind.

I have highlighted in my opening remarks also. Your concern is right. Even I am also having the same feeling. Definitely, we will come back. Have confidence in us. Definitely, our team is quite active. They will come back and you will start feeling the results also.

Sarvesh Gupta: And on the growth side, you had mentioned that you are planning Rs. 86,000 crores by end of this year. So, that is a 15% growth target, right? From Rs. 75,000 crores you want to…

Raghavendra S. Bhat: Yes, that is what I mentioned in the sense, though it appears to be very much optimistic, our plan was different. I don't want to change any plan now because we are in the mid the financial year. While trying to aim for that, what I feel, it should not create damage also to the institution. Priority is to grow with the quality without compromising yield, quality, and everything. We are at it. We want to grow. Definitely, that is the focused area. That is why I said in the beginning also, I am very much optimistic. We will do that.

Sarvesh Gupta: Now, on the NIM side, Sir, so we have also made a mistake of having G-Sec as our benchmark, right, because of which our NIMs have crashed much more than any other Bank. So, are we now trying to change it to repo rate or something? Or what is the strategy for increasing this NIM to 3%, 3.5%, which we were enjoying earlier?

Raghavendra S. Bhat: See, 70% of our advances are rather around EBLR, where the effect will happen immediately, but our liability side is fixed that immediate effect won't happen. So, that is a constraint. That is why there is pressure on the spread or NIM.

Definitely, this one, as I mentioned earlier to some other caller, the ALCO is meeting regularly. We are reviewing this situation regularly, and as and when the need arises, cost consciousness is very much required and suitable changes are being made. The rate of interest on the deposit has been revised downward recently, and we will be further reviewing that.

That is why we are focusing on growth. Unless and until growth happens, this pressure on NIM will not yield results. That is why the focus is to reduce the cost and increase the advances.

Sarvesh Gupta: Sir, on the cost-to-income ratio…

Moderator: Sorry to interrupt, Mr. Sarvesh, may we request you return to the question queue for a follow-up? The next question is from the line of Darshan Deora from Indvest Group. Please go ahead.

Darshan Deora: So, my first question was on the RAM disbursements. What would be our yield on the incremental RAM disbursements that we did this quarter?

Raghavendra S. Bhat: One second. Good morning, Darshan. One second. It is somewhere between 8.5 to 9.25. RAM is at 9.5 to be precise.

Darshan Deora: 9.5 is the incremental yield for this quarter.

Raghavendra S. Bhat: No, no. As of now.

Darshan Deora: On the portfolio, you are saying, right?

Raghavendra S. Bhat: 9.25 to 9.5. Yes.

Darshan Deora: No, you are saying that is what you are offering now to customers, or is that what you have lent out for this quarter, or is this the portfolio yield?

Raghavendra S. Bhat: I am mentioning about the average. It is portfolio yield I am telling you. It depends upon various factors like rating and all. We will try to maintain it between 9 to 9.5.

Darshan Deora: So, then at 9 to 9.5, it is not much different from the sort of portfolio yield, right, that we have already on the overall book. If I see the overall yield on advances, that is about 9.28, right? So, if we are going to be in the same region, then how are we going to increase our overall yields on the book?

Raghavendra S. Bhat: Yes, that is what I said. We have to have the mixture in the portfolio. Overall, some other investor has asked the question, whether you have plans to suddenly reduce this high cost, sorry, corporate advance and all. We have to strike a balance. Focus is on retail, where I said average, there are cases where we are charging 10.5, 11 also.

Average yield will work out like that and all these things definitely affect when there is no growth in advances. When growth starts happening, it will carry various rates of interest. Ultimately, in the pool, it will definitely benefit the Bank. It will average out.

Darshan Deora: Yes, I get that. Specifically, on gold, what would be our incremental yields on the Agri and as well as non-Agri, if you can specify?

Raghavendra S. Bhat: Incremental yield, I will come back. Incremental yield, I don't have right now. You kindly post a mail. We will come back.

Darshan Deora: Let me try to rephrase the question. If you had to offer a loan today to a customer, what would it be at for Agri gold and for non-Agri gold?

Raghavendra S. Bhat: Around 10%. 9 to 10%.

Darshan Deora: It is on the same ballpark and just in terms of this quarter. Sorry, I didn't. It is 9% to 10% you are saying, right?

Raghavendra S. Bhat: Agri, that is why I said, yes, 9% to 10% I said. Why? Because Agri will be having a preferential rate of interest also and other than Agri, we are charging a little higher.

Darshan Deora: Because the Agri, you get the PSLC benefit basically.

Raghavendra S. Bhat: Yes.

Darshan Deora: Now, just in terms of I know that in Q4, you had the higher staff expenses and in Q1 of last year, you had that interest on the income tax, I think, which was Rs. 80-odd crores. So, adjusting for that, the numbers for this quarter are more comparable with the previous quarters. But are there any one-time incomes or expenses in this quarter that we need to take into account? So, this is like a business-as-usual quarter essentially.

Raghavendra S. Bhat: Yes. Correct.

Darshan Deora: And just one second. I had one more question. In case of the EBLR, you said 70% of the book is linked to the EBLR, whether it is repo or it is treasury. How much of this has been passed through? Is 100% already passed through? So, is this quarter the lowest in terms of what you call NIMs, or would you think that next quarter, there will still be something to be passed on, the next quarter will bottom out and then from H2, it should pick up?

Raghavendra S. Bhat: No, it is a continuous process. It will happen. I think 70% is already covered there, and it is a continuous process. As and when renewal happens or the reset clause happens, it will have its effect.

Darshan Deora: So, the renewal, that is what I was asking. So, like, some banks…

Moderator: Mr. Darshan, may we request you to return to the question queue for a follow-up? The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please go ahead.

Raghavendra S. Bhat: Good morning, Manish.

Manish Dhariwal: Yes. Very good morning, Mr. Bhat, and our compliments to you on taking over as the leader of this century-old Bank, and we wish you all the best in your efforts to grow the Bank to bigger heights and greater heights. Sir, in fact, my fellow participants have also touched upon this, but one good statement from your side would be very helpful. We have had a turbulent recent quarter wherein the leadership team either went on its own or they had to go or whatever. But what has been the impact on the Bank? Is there any hidden liability? Is there any hidden bomb in the books in terms of the bad assets, in terms of some provisions, any such thing like that?

Raghavendra S. Bhat: No.

Manish Dhariwal: Is it what the NPA, the GNPA and the NNPA, the stress that we have shown, is it all? Or can there be any future shock for us investors?

Raghavendra S. Bhat: No, there is absolutely no problem. It is business as usual. There is no concern, absolutely, for whatever you have. I assure you that there is no such concern at all. Everything has been resolved.

Manish Dhariwal: I really appreciate a very candid and a very firm response that you have given. So, see, the Bank has demonstrated its ability and the desire to go through the next stage of its growth, and in that process, it has taken decisions, which is fantastic. Some issues happen. That is part of the business. It is okay.

Now going forward, I believe that your focus is on MSME, while you have also observed that MSME, the distress has started appearing. So, how are we ensuring that the book, the new book that we create, does not have any challenges in terms of asset quality?

Raghavendra S. Bhat: Yes, adequate, I assure you, the growth means suddenly we don't want to grow just like that. We will take all adequate precautions as a prudent lender, taking into account various aspects, their cash flows, their rating, the securities offered, yield. Absolutely, there is no problem. A collection mechanism is available, monitoring.

Manish Dhariwal: Wonderful, sir, wonderful and sir, what is our existing microfinance book or the plans of developing the microfinance side of the business? Because I think the worst is over in that segment.

Raghavendra S. Bhat: It is approximately around Rs. 1,000 crores.

Manish Dhariwal: And sir, what is the plans going forward?

Raghavendra S. Bhat: No, we will move on cautiously. We will move on cautiously taking all precautions.

Manish Dhariwal: Sir, where is this book centered Sir, mainly, the microfinance book? Which states?

Raghavendra S. Bhat: It is Karnataka only.

Manish Dhariwal: So, now I think the worst is over. Are you seeing improvement in the collections and your frequencies?

Raghavendra S. Bhat: Yes, we have the geographical advantage also. Number one. Number two, we have plans. We have the people for that follow-up and recovery also.

Manish Dhariwal: That is wonderful. Sir, thank you so much and sir, wish you all the best. As we are like long-term investors, we would like to actually now see how the Bank can make its presence felt in the new scenario.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will have to conclude the question-and-answer session here. For any questions we couldn't address, please email them to the management for a response.

I now hand the conference over to Mr. Raghavendra S. Bhat for his closing remarks.

Raghavendra S. Bhat: As I told earlier, my priorities I have already set, and I will be moving in that direction, taking my team along with me and on the one side, I am looking forward to the cooperation from our time-tested customers. Time-tested customers along with their reference, the additional growth in liabilities and assets, as, also fresh acquisitions of liability customers as well as asset customers.

Growth and quality are the two important aspects, followed by working with a clear mind with regard to the spread, or taking into account all these aspects, we will be moving forward. Thank you very much to everyone who participated, who has worked with us. All the best to each one of you. Thank you.

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

Raghavendra S. Bhat: Thank you very much.