# Karnataka Bank Ltd.

Your Family Bank, Across India

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**SECRETARIAL DEPARTMENT**

07.02.2025
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To:

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

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

Madam/Dear Sir,

**Sub: Transcript of Q3FY25 Earnings 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 conference call held on Friday, January 31, 2025, on the unaudited Standalone & Consolidated financial results of the Bank for the quarter and nine months ended December 31, 2024.

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,

Sham Kanathila

Digitally signed by Sham Kanathila
Date: 2025.02.07 10:11:53 +05'30'

**Sham K**
**Company Secretary** &
**Compliance Officer**

Transcript of

# "Karnataka Bank Limited
# Q3 FY2025 Earnings Conference Call"
# held on January 31, 2025

**MANAGEMENT:** **MR. SRIKRISHNAN H– MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – KARNATAKA BANK LIMITED**
**MR. SEKHAR RAO – EXECUTIVE DIRECTOR – KARNATAKA BANK LIMITED**
**MR.ABHISHEK SANKAR BAGCHI – CHIEF FINANCIAL OFFICER – KARNATAKA BANK LIMITED**
**MR. VINAYA BHAT P.J – CHIEF COMPLIANCE OFFICER – KARNATAKA BANK LIMITED**
**MR. RAVICHANDRAN S – HEAD OF CREDIT SANCTIONS — KARNATAKA BANK LIMITED**
**MR. JAYANAGARAJA RAO S – HEAD OF BRANCH BANKING – KARNATAKA BANK LIMITED**
**MR. RAGHURAM H S – CHIEF RISK OFFICER – KARNATAKA BANK LIMITED**
**MR. SHAM K – COMPANY SECRETARY – KARNATAKA BANK LIMITED**
**MR. SOHAM ROY – HEAD INVESTOR RELATIONS – KARNATAKA BANK LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Q3 FY' 2025 Earnings Conference Call hosted by Karnataka Bank. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Srikrishnan H, MD and CEO from Karnataka Bank. Thank you and over to you, sir.

**Srikrishnan H:** Thank you, Yashashri. Good evening to all, and a very warm welcome to our Q3 FY '25 Earnings Call. I have with me in the conference, our Executive Director, Sekhar Rao; our CFO, Abhishek S Bagchi; our Chief Compliance Officer, Vinaya Bhat P.J, our Head of Credit, Ravichandran S; our Head of Branch Banking, Jayanagaraja Rao S; our Chief Risk Officer, Raghuram H S and we also have our Company Secretary, Sham K. We also have our Investor Relationship Head, Soham Roy with me.

Welcome to all once again. We also want to take this opportunity to wish you all a very, very happy 2025 and a great year ahead. As all of you know, at the bank we've been working with renewed energy on the overall restructuring and transformation processes, really end-to-end, looking to end this financial year '25 on a real high note.

The bank has continued to see progress in top line growth with a lot of focus on retail and direct-to-corporate advances. This is a strategy that we had mentioned in the last two quarters and it has started playing out now, along with a lot of mobilization on retail deposits. There are a lot of these process transformation projects underway, covering credit processes, National Back Office which has been set up in Mangalore.

We have created the sales and the product organization which are functioning well. We have opened two retail asset centers, one in Bangalore and the other one in Mangalore yesterday and there are three other locations which are currently under progress. There's significant progress which has been achieved in these projects, and we hope to see the benefits in the upcoming quarters.

To support this growth, we have really enhanced our tech, infra, operational capacity and all the other changes that we had to do are in place. So the commitment to digital and the tech focus has actually been reflected by the fact that our bank has won in this quarter a couple of awards. I am just going to call out a few. The ET-BFSI Exceller award for outstanding work in leveraging data for growth. The ASSOCHAM 19th Summit & awards for Best Innovation and Partnership Initiatives; SAMVAAD 2024 Account Aggregator ecosystem award for financial inclusion. The bank actually created history by winning 6 categories of IBA, the Indian Bank Association Banking Technology and Citation Awards held earlier this month. The 6 categories are Best tech talent organization, best IT risk management, best technology bank, best Fintech and DPI adoption, best digital sales, payment and engagement and best AI and ML adoption.

So these are all very good credentials to grow with and this is a good reflection of the effort that the bank has put in, in terms of the investment to upgrade our technology stack, digital and the analytics part. The bank has been upgraded by ICRA 2 notches, from A positive to A plus positive. And that actually will facilitate competitive rates and for our bidding in the future as we go forward whether it is Tier 2 or even certain forms of deposits.

The bank is seeing a substantial improvement in book quality on the back of good collection and recovery efforts. I will talk about the actual numbers as we go forward. This will continue to improve further with our transformation and our credit sanction and collection mechanisms. The bank has opened 6 new branches this quarter, taking the overall branch count to 937 and we plan to open about 10 to 15 new branches in this Q4.

Now during quarter 2, I had mentioned very clearly that the bank had taken a step back to focus on book quality over quantity and over revenue growth. Now we are back on track as far as the growth trajectory is concerned, but in selected areas that will result in improvement to various metrics as we go forward. The bank will definitely try to strike a balance between book quality growth and also hope to see the advances book grow by about 12% during FY '25 on a consolidated overall basis.

On the backdrop of lower GDP projections and the banking industry witnessing pressure impacting credit growth, slower CASA, etcetera, the bank continues to focus on our critical parameters. One is growth in advances for the segment that we serve, deposits, improvement in quality of our advances book, profitability and, of course, favorable returns to our shareholders.

I will now start presenting the business highlights. Aggregate business turnover, which is advances plus deposits stood at a record all-time high of INR 1,77,978 crores. It is up by 10% on a year-on-year basis as against INR 1,61,936 crores as of December '23 corresponding period.

The PAT has decreased from INR 331 crores in the corresponding quarter of last year to INR 283 crores and the decrease is explained by the fact that there are certain changes in the accounting policies and also the bank has been making, as you're all aware and I did mention earlier, accelerated provisioning that impacts PAT and which we have continued in this quarter also.

So on a 9-month basis, the bank made about INR 1,020 crores of PAT compared to INR 1,032 crores for the corresponding period last year. The accounting change on treasury which is essentially for the securities which are there in the AFS book alone. If we had taken into account as per the earlier policy, we would have actually gained about INR 100-plus crores on that itself.

So this means that the bank technically would have made INR 1,020 crores plus INR 100 crores, that's INR 1,120 crores for this quarter. But this is, of course, applicable to all banks. So this is something that I needed to call out to make sure that on an overall basis the bank is in a good kind of place.

On the gross advances side, the bank has started the engine again after the Q2 pause that we had taken. The gross advances stands at INR 77,859.75 crores as of December '24. On a Y-on-Y basis, this growth is 11.6% over December '23 and that was INR 69,740.97 crores. This is very much in line with the overall industry growth on year-on-year.

Our overall strategy on gross advances continues which is growing the retail, agri and the mid-market, the RAM segment where the growth was really led by retail, housing and, gold loan portfolio for the bank. The net book accretion was INR 4,209.97 crores on a year-on-year basis in the RAM segment alone.

In the past, we had committed that we will reduce our exposure to low yield, large and mid corporate loan that were opportunistic because as you're all aware, sometime like April of last year, our CD ratio was in the mid-60s and we had pushed it up to the mid-70s. We took an opportunistic tactical strategy there, where it was deployed into low yield corporate loans, which were far more easier before our setup of our full fledged wholesale and corporate, mid-corporate banking group, which has been done right now.

We had to deploy it into low-yielding corporate loan, which is better than treasury, from an earnings perspective and also the book growth. But right now, we are doing a churn where very clearly the churn is reflected in our overall story. We now have the regional sales and the credit structure that we have put in place for direct to corporate acquisitions from our mid-corporate segments.

And this book will also increase, and I'll also let you know the progress that we have made. So overall, on a quarter-on-quarter basis, retail advances as per the RBI definition in Q3 had grown by 4% and mid-corporate had grown by 1% and we'll continue this momentum. So during the last 9 months compared to, let's say, March '24, the retail advances alone has grown by INR 4,165.32 crores.

That's like in three quarters, actually the retail book has grown by INR 4,165.32 crores. And the bank also has approximately replaced INR 750 crores of the low-yielding advances, larger corporate or NBFC advances with the higher yielding direct-to corporate advances. So technically, the book, while it's not grown, but there is a churn in the book, which is already seen. And then as we go forward when the actual acquisitions from mid-corporate advances begin and when all this are weeded out, we will actually see the book accretion.

On the aggregate deposits, the bank position stands at INR 1,00,118.52 crores as on December '24. And this is the year-on-year growth of about 8.59%. And this, from a December '23 number of INR 92,195 crores, it is a good increase. CASA deposit stands at about 30.32% as against 30.82% in September, but it is also notable that in terms of absolute growth in CASA compared to the last year, December '23, we have grown by 4.68%.

So this has to be looked at in the context of the industry where the larger banking industry, there is an overall CASA deposit, which has been declining. And from March '22 position of 43.66%, it has declined to 39%. And in Q4 FY '24 alone, the share of the industry-wide CASA dipped by about almost 2.71%, that's like 271 bps.

The trend is continuing. But having said that, we do have a strategy, and that strategy is also playing out where we are actually replacing a larger part of our bulk, so called higher-value deposits by retail granular deposits. And this is a strategy that where by the rates for the granular are card rates. And as a result, the bank has been able to kind of really shift the focus, and focus on granular deposits of less than INR 3 crores.

So bulk deposit as a percentage of total deposit in the bank has come down from 8.51% as of September '24, that's the last quarter, to 7.67% and this will continue to go down as we play out that strategy. Similarly, bulk deposit as a percentage of term deposits has come down from 12.31% as of last quarter to 10.18%.

So just to summarize, while the market conditions remain as it is, our aggregate deposit growth, while it is flat, but we have seen the movement from bulk deposits to granular deposits. Retail term deposits, that's like which is less than INR 3 crores has seen a visible jump from INR 60,614 crores to INR 62,674 crores. And this has been over the last quarter, which is a net Q-on-Q accretion of about over INR 2,060 crores.

So this is a good sign. And the retail engine, which is both the asset engine as well as the liability is all being driven by the sales team, the branch team as well as the digital acquisition. So all the three engines are currently going on, and that is reflecting in a good churn while it might not have a book growth on the deposits, but I think it is heading towards a very good mix as far as our overall liability strategy is concerned.

The liability strategy is also being supplemented with new product development and launches. So we are on track to launch a few more products in the last quarter of this year, the Q4. We have, on the corporate side, the supply chain finance program, which is about to be launched.

We will also launch in this month, the KBL women's savings account, Flexi recurring deposit program, a family banking program and we are also working on MSME app which will also serve our MSME segment. So those are all liability-oriented mostly, except some of this which is also asset oriented like the supply chain program.

The net interest income for the bank which currently for this quarter was INR 792.78 crores, while there is a decrease, but there's also an explanation. The decrease was about 4.21% compared to the year-on-year figure of INR 827.6 crores. But having said that, if you really look through this, the fundamental reason, while it can be that our cost of funds and cost of deposits has increased, which is a market phenomenon.

But there is also from September because of the RBI regulation, we are not charging interest and we are charging the penal charges. So the interest element of all of our various charges that are levying to the borrowing customers used to be part of NII, but that has come into the other income.

So just to kind of give the perspective with the numbers. The NII reduction due to this change in the accounting and the charging mechanism from interest to penal charges for Q3 FY '25 alone, which in this quarter alone was INR 24 crores and INR 38 crores for the 9-month period because of the September and October event that we started with. So if you exclude this, the NII would have remained more or less stable on a year-on-year basis.

NIM, that's the next one, the net interest margin. So the net interest margin stands at 3.26% for the 9-month period versus 3.59% for the 9-month previous year. This has decreased, but fundamentally due to the increase in cost of funds and cost of deposits but also it is a fact that there is another part which is the reclassification of the penal charges that I had talked about. So had we actually included this under the NII and then the NIM calculation on a 9-month period, actually, our NIM would have become 3.31%.

So technically, we are maintaining the NIM more or less at the same level despite the pressure on the cost of funds. But with our improved focus on higher-yielding retail and direct to corporate deposits, on a combined basis, we expect that this will get eased out a little bit as we move into the next few quarters.

And we expect that the NIM would improve by at least about 10 to 20 bps, depending on the kind of churn that we are doing in the corporate low-yielding loans as well as the retail loans that we are booking. Coming to the loan yields, our strategy continues, as I said earlier, about replacing the bulk opportunistic, larger advances to PSUs and larger companies to direct to corporate and retail advances.

There are two RACs that we have set up already, the retail asset centers, where we have started deploying corporate DSAs as our business partners and we do have dealer and builder tie-ups on the retail engines are running at full steam at least in this location, which is Bangalore and Mangalore.

We will do it in three other locations in the following quarters. And with a lot of these product launches that we have planned in Q4 and thereafter, on the high-yielding segments like mortgage vehicle loans, educational loans and so on, we will see further traction as we go on. So our strategy of replacing low-yielding NBFC advances, with direct to corporate advances will also continue. That will also result in better yields.

So considering the potential churn, we expect that there will be an overall portfolio loan yield increase of at least about 20 to 30 bps as we go forward. So this is, I guess, the strategy that we had already outlined in the last couple of quarters, along with some investor conferences and one-on-one meetings that we have had, and we continue to play this up.

Our CD ratio has gone up to 77.77%, which is a welcome sign, the fact that we are actually stretching the balance sheet as much as possible. There is still scope. We still can go up to 80% to 85%, and we do have the liquidity coming from the deposit side also because the retail deposit portfolio is growing while the overall liquidity and even as we speak today on a daily basis, we are surplus and treasury lending into the market.

And just for records, the CD ratio for the previous quarter was 75.34%. And for the last year, it was 75.64%. So that is the increase that has happened. This part of the conversation that I'm doing in the commentary is the most important piece from the bank side, which is to improve the quality of our book.

So as far as the stressed assets is concerned, we have made some significant strides to improve the book quality, the gross NPA has actually improved to 3.11% in December '24 quarter from 3.21%. That's like 10 bps lower. The same was 3.64% as of the last year, December '23 corresponding quarter.

Similarly, the net NPA has also continued to improve. It has come to 1.39% as of December 2024, down from 1.46%, and it was 1.55 % as of December '23. So we have committed to the investors in the past, and we continue to stay with that commitment that we would become closer to 3% and closer to 1%, as far as these two, which is the GNPA and the NNPA is concerned, by the end of this financial year and in the following quarter. So this is something which will result due to a significant improvement in the overall NPA numbers. The details about the NPA movement are there available in our investor presentation with the details of the opening balance and the reduction and so on and so forth.

Calling out the next important parameter on the stressed assets is the gross slippages. So the slippages have come down to 0.4%. That's 40 bps in quarter 3 FY '25 as against 0.8% in the quarter 3 of last year. So for the 9-month period ending December '24, the slippages ratio stands at about 1.35% as against 1.90% for the 9-month period that ended as of December '23.

So the target for FY '25 would be that slippages will remain well below the 2% mark. And actually speaking, we could even do better as the quarterly slippages are coming down to about 0.4% to 0.5%. So that's something that we look forward to. And that's a very tight control because of our renewed recovery as well as our collection mechanism.

Talking about recoveries. The recoveries for the quarter has been INR 101 crores versus INR 99 crores as of the previous quarter and has again INR 148 crores in the corresponding quarter of last year. For the 9-month period, the total recoveries, excluding upgraded accounts, has been INR 382 crores.

There is also another element, which is the stressed asset book, which we have discussed in the past and presented, which is on our standard restructured advances. So the bank, as you're all aware, post-COVID called out or during COVID called out of INR 4,500 crores of restructured assets.

And that number has come down on a standalone basis without related accounts to INR 939 crores as of this quarter December '24 and as compared to INR 1,051.86 crores as of the previous quarter and as compared to INR 1,521.56 crores as of the December '23 quarter, including related accounts, which are actually performing. But on the other side, due to the regulatory requirement, we need to classify as restructured.

The standard restructured advances, including related accounts stands at INR 1,113.65 crores as of December 2024 compared to INR 1,268.15crores. So there is a reduction in this also. And as against, December of '23 when it was at INR 1,837crores. One of the ratios that we would like to really tell all of you is that if you combine the GNPA plus the restructured asset as a total overall percentage of our gross advances, it is currently at 4.54% compared to the previous quarter of 4.89% and compared to 6.27% of the previous quarter corresponding last year. So this is a significant improvement. And as all of you are aware, the restructured as well as GNPA we have provided for as per the prudential requirements that are there as per the regulatory requirement.

The bank's PCR, which is the provision coverage ratio, including technical write-off, stands at INR 80.64 crores in December compared to INR 80.14 crores in September, and this is excluding technical write-off. And the PCR, excluding technical write-off, stands at 56.03% as compared to the 55.15% in September '24. As far as LCR is concerned, the liquidity coverage ratio, as of 31st December, we stand at 152%, up from 143.93%, which is actually good news and also as against statutory target of 100%.

The bank's cost of funds stands at 5.69% for the quarter compared to 5.58% for the previous quarter and 5.49% for the corresponding quarter of the previous year. But for the 9-month period, it stands at 5.61% compared to 5.36%. Definitely, there is a 25 bps difference, and that is where the NIM is also under pressure, and that will get eased out by the growth in CASA as well as the retail term deposits as we go forward.

So with our reduction in the dependence on the bulk deposit and replaced with retail deposit at card rate and the CASA buildup, we should definitely see improvement as far as the overall number is concerned. One of the other significant metrics that we need to let you know is the credit cost. The credit cost stands at 0.12% for this quarter FY '25, which is Q3. And as against 0.09% for the previous quarter and 0.25% for the previous year corresponding quarter.

So the total credit cost for the 9-month period has come down, and it stands at 0.32% as against 0.67% for the 9-month period corresponding in the last year. So with our continued control on slippages, the credit cost is targeted to remain lower. And we believe that we would be closing out lesser than 0.5% for the entire financial year 2025.

Cost to income, this is the next metric. For the 9-month period ended, the cost-to-income ratio stands at 56.93%, while we have had a lot of elevated costs onetime related to investment in technology or whether it is a couple of other lateral recruitments and so on. I think we are stabilizing here. While the operating expenses have remained stable on a quarter-on-quarter basis, the increase in interest expenses is also one of the reasons that the cost of fund, the cost of deposit, again, combined with the decrease in the market yield has impacted the cost-to-income ratio.

The bank has taken multiple cost rationalization efforts to continue renegotiating on various commercials and keeping the operating expenses under check. So with the strategies to increase NIM and NII, as we talked earlier, I think the bank projects to have a cost-to income ratio come down to about 55% in the upcoming quarters. And this would actually stabilize there and then start coming down as we grow our income level as well.

So there are two other metrics as far as the bank is concerned. One is the ROE, which is the 9-month ROE which stands at 11.94% versus 15.18 %, here, again, one primarily due to our capital raise as well as the fact that we have the actual financials, which we have performed for the 9 months. But we see that improving as we go forward.

On the ROA part, the 9-month ROA stands at 1.14%. We were higher, but this is, again a dip that is coming only from the overall performances. And this was about 1.29% in the 9-month period for the last year. But this is fundamentally because of the book growth that we are seeing, and we expect to close this financial year anywhere between 1.1% to 1.2% and 1.2% has been the guidance. And I think we are well on target to kind of get there.

We will see this improvement both in ROA and ROE in FY '26, supported by continued accretion as far as the higher-yielding RAM segment, movement of bulk to retail deposits and also leading to improvement in NII and NIM and also increase in other income. Last metric from today's commentary is on capital adequacy, CRAR.

We stand at 17.64% as of this quarter. Tier 1 is 16.01% within the breakup and Tier 2 is 1.63% in comparison to 17.58% as of the previous quarter. And here again, if you plough back the profits, for the last 3 quarters, our capital adequacy would be anywhere upwards of 19.06% actually, but that's, of course, to be counted only after the audited balance sheets are done.

So as we speak today, I just want to conclude by saying that the bank has had a strategy on growth. The bank has had a strategy on transformation. The bank has had a strategy in terms of improvement in process, product, technology, capital, operational capacity, the people, leadership and so on.

All the investments have been done. And all of those transformative steps are playing out in their own tracks but combined, put it together, we are actually getting there, and we are seeing the trajectory change as we say that in a hockey stick, we are actually seeing the trend where we are actually growing.

So it's like the kind of reverse hockey stick and we are just kind of climbing from here. So we believe that in the following quarters, we will be able to improve on multiple methods, and that will result in positive and better financial outcomes. So on that note, I wish to thank you all for your patient hearing and we would request Yashashri to throw the forum open for questions that any of the investors and any of the participants may have. Over to you, Yashashri.

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

**Priyank:** My question is actually on the strategy on the loans as well as on the deposits. Now on quarter-on-quarter, if we have to actually judge because it's very difficult to judge on a 9 months or even compare it Y-o-Y because all the efforts that we are putting out should be seen incrementally every quarter.

So incrementally, this quarter, we have disbursed or we have a lending book of more than, say the book has increased by INR 2,500 crores. The incremental loans has been into retail and large corporates, both equally. Now if we are on the strategy to focus more on RAM, why the yields on loans have fallen by 18 bps quarter-on-quarter. I believe we are looking forward for a better yielding retail loans. So that's question number one.

And the same side, deposits, the cost of deposits has actually gone up by 10 bps and we are incrementally focusing on retail granular deposits. So just help me with these two very contrasting thought process that I have come across?

**Srikrishnan H:** Priyank, I think there are two parts to this question. One is on the advances side. So as you're right, that we have grown the quarter and we've grown the quarter with a whole lot of improvement as well as the overall retail book is concerned. But it is also a fact that there were NBFC and the rest of it, which got paid out during the same quarter.

As a result, while the number that we have put up, it has happened over the quarter for it to play out for the full quarter would happen only in the following quarters. It doesn't happen immediately in the same quarter. So the real increase in the NII would happen as we kind of get into the full 3 months as far as these loans are concerned because this is a continuous process. So that is one explanation.

The second explanation is that this entire increase, which has happened, which is between the previous quarter, Q2 and Q3, while it has happened, now there is also a housing element within that. So there is a breakup of the overall retail book, which comprises of housing, mortgage, which is LAP and the rest of the other products and as well as the vehicle and your gold loan.

There are different yields as far as each of these are concerned. So the mix within that also, we need to kind of really perfect it as we go forward because if you do much of housing, then the yield will be not as much. But then we look at a blended yield as far as the retail accretion, the RAM is concerned.

Now with the setting up of the RACs, the whole process is getting streamlined location by location, and we would actually start focusing on high-yielding and making sure that our turnaround times and staying competitive on the rates, both are balanced out, and that is how we will kind of progress. So, this is a strategy, which has just started and which will start playing out in full steam as we go forward.

As far as deposit is concerned, the deposit number, while it is like we are running faster but staying at the same place because the fact that we are relatively flat on the overall number. But the fact is that today, you will have to look at that even a retail deposit in the market is also high in terms of the expectation because we do have retail deposit at 7.5% and a senior citizen product, which is at 8%, which is the 50 bps that we have to pay extra for the senior citizen.

So it is not as if that the bulk deposits are expensive and the retail deposits are relatively inexpensive. That is not the way. Now it is a fact that the retail term deposit brings in more stickiness because along with that comes CASA, along with it comes other benefits for other income, for instance, the third-party income that we have.

So we do have in fact, the third-party insurance business, which is both life and non-life, on the other income, which is affected. Actually, while it is not a significant number, but from a comparison between last year and this year, the entire target for this year has actually been met in November and December itself. So which means that we are running much in excess of the overall budget. So we are doubling as far as that is concerned.

So there is a revenue that gets accrued for this relationship that we are building for other products also, which is a cross-sell. The other last part is that as far as the mix is concerned, as long as the dependency on the bulk deposit is coming down, which is in terms of the percentages, then what happens is that the granular stickiness and the funding part is assured as far as the bank is concerned.

So we have actually had two flat quarters while many banks in the country have actually declined in terms of the deposit growth. And many banks even this quarter have reported about 1.2% to 1.3% per quarter in terms of the increase in the overall deposit number. And that is not the case with us. So we are moving ahead, and we are actually churning and the real benefit of that, again, will start playing out in the following quarters.

So all that I'm saying is that we do have a very conscious strategy, both in terms of the quantity and the quality part, which I actually alluded to earlier. So this is something which we have taken stock of. We have taken charge. We have now got all the engines firing, which is the branch, sales, product as well as the digital. And we believe that we are on the right track to growth.

**Priyank:** Perfect. Thank you for elaborate answer. My other question is actually, as per your note, if we had to exclude the impact of accounting policy, our cost to income still would have been at 58.7% for Q3. While we had guided for, say, for H2, we are looking for less than around 55% cost to income. So where are we and what has been the extra cost that we should take into consideration when it comes to Q3?

Plus, would it be possible to kind of call out the onetime extra expense that bank would have done in this last 9 months, which would not get carry forward going ahead so that we know that kind of absolute cost that would come down, of course, then the other costs related to the operating opex should, of course, get offset, but then kind of a onetime extra expense on 9 months as well as why the cost to income for Q3 is not headed towards where we would have thought of?

**Srikrishnan H:** So Priyank, great question. Just to kind of ensure that there is clarity on this. While our total, let's say, cost-to-income for the 9-month period is 56.93%. If you adjust it for a couple of items. One is that we had the recovery from written off accounts which is lesser than if we take into account one times which are there which is superannuation that we kind of created, etc.

If I take that all out, actually speaking the adjusted cost to income for the 9-month period is actually 54.48%. So this is something which we cannot say because these are all one times, which we have incurred already. So to answer your question, there is a clear 245 bps as far as the cost-to-income, which is reflected in the books which is due to this onetime efforts that have happened. We will also get Soham and CFO to give you the breakup of this, but to answer your question that the adjusted cost-to-income would be 54.48%.

**Priyank:** Got it. And just a last question on the recovery side as well as on the upgrades that are other than the normal upgrades. We have seen that trend decelerating at least on the upgrade side and even on the technical write-off book, I don't know if you have disclosed somewhere on this what is the outstanding book right now as on December end.

And even on this as a strategy we had laid down certain we had doubled down on this to recover this book with a dedicated team. Somehow, over the last 9 months we have just recovered INR100 crores versus our thought of earlier recovering around INR 200 crores. So on the recovery as well as on the upgrades?

**Srikrishnan H:** No. I think there are two parts to this, recovery from technical write-off account and the general recoveries. The general recoveries we have actually done very well because the total recovery quarter-on-quarter has been much in excess of the number that you're talking about. So the total recoveries for the quarter itself was INR 101 crores and for the entire 9-month period was INR382 crores.

Now as far as technical write-off book is concerned, the total book is about INR 3,250 crores. And yes, the recovery from technical write-off has been lower than the previous quarters. And there were some accounts which bank was targeting, which could not fructify within the same quarter, and that will come in this following quarter. That is one.

The second is that, actually speaking, there are some efforts the bank is taking on the 100% provided for technical write-off book, where we are working with some asset recovery agencies and trying to look at some pools, which can be given away. The second is that the bank is also looking at and we have already appointed some collection agents, to bring in from the technical write-off book and from the regular NPA book of lesser than INR 1 crores, etc.

The bank did not have the administrative machinery to do so. So we have actually appointed collection agencies for doing this as well. While all of this have collaterals in the sense that we do have the security backing up even if it is a smaller loan, but the administrative process to do that is something that the bank did not do. So the focus earlier was only for the larger ticket sizes.

And now we have started doing this for the entire pool through this two, three measures which is working with asset recovery companies, taking this with collection agents and creating a collection mechanism for the granular less than INR 1 crores exposure as well.

**Priyank:** So anything any number that you would like to call. Just a clarification on this. Now any number that you would like to call out that for FY '25 last quarter or maybe for FY '26?

**Srikrishnan H:** We'll get back to you separately on this, Priyank.

**Priyank:** Thank you.

**Moderator:** Thank you. Next question is from the line of Manik Bansal from Master Capital Services. Please go ahead.

**Manik Bansal:** So my question is as the bank has improved a lot on the quality aspect as we can see from the improvement in slippages and credit costs? So now what are the things the bank is going to focus so as to improve the NIMs and profitability further?

**Srikrishnan H:** So Manik, I think we already said this earlier very clearly that the bank's growth in advances will come from the retail and the agri and the mid-market segment and also the retail MSME segment as well. So as a result, between the mid-corporate book and the retail RAM segment, there will be a growth and there will be better yields. So that is strategy number 1.

The second is that we are building the CASA book. So there is a sales team, over 100 people who are focusing only on CASA outbound sales teams and they're all staff. And the second part is that we do have the retail term deposit where the cross-sell and account opening, etc. So there is a full-fledged drive as far as new accounts being opened and also to get the up sell and the cross sell once the accounts are with the branch.

So irrespective of where the sourcing happens, whether it is through the branch or whether it is through the sales teams, the branch takes charge of the relationship and then starts doing it. So what we are trying to do is that we are essentially looking at playing out these two strategies as far as the growth numbers is concerned. And there is also something which we are trying to do is to release some bandwidth as far as our branches are concerned.

So there's a de-cluttering that we are trying to do to release bandwidth. The other is the national back office which is a centralization that we have done. And whereby we have removed a lot of activities. We have already centralized clearing, treasury operations, account opening, ATM and direct channels, etc. So all of this is in our national back office, which we have set up in an exclusive building in Mangalore.

**Manik Bansal:** Okay. So one more question is on deposit side. So as we can see, there is a sequential growth of only 15 basis points. But if you see some big banks like HDFC Bank, ICICI Bank, they are able to garner some deposits. So what could be the possible reason that they are able to grow their deposit book as a mid-sized bank like ours is struggling to attract?

**Srikrishnan H:** I do not want to say that we are struggling, Manik. All that we are saying is that we have a very conscious strategy as far as deposit is concerned because the bank has had a mix in the deposit which had almost like 12% to 12% plus on bulk which was at a higher rate. Over a period of time in the last two to three quarters, we have reduced that. We have actually been growing granular as far as our retail deposits are concerned.

While we are accruing - the accretion is higher on retail, but because of the bulk deposits going out of the bank, the overall number remains the same, but the mix is changing and that is reflected very clearly in the metric that I just mentioned in the earlier commentary. We would start to see this number grow as we go forward to remain very much in target with the market currently this year the total projection as far as the banking system is concerned on deposit is about 9% to 10%.

I think we will very well be in target to do that 8% to 10% of growth as far as the overall deposit is concerned from the INR 92,000 crores to the number that we are talking about.

**Manik Bansal:** Okay. Just last question. What is the percentage of book fixed and floating?

**Srikrishnan H:** So our EBLR-based book is about 50% of our overall portfolio. The MCLR will be about 15 % to 16% and the balance would be more or less in the corporate deposit which will be at the fixed rate.

**Manik Bansal:** Okay. Thank you.

**Moderator:** Next question from the line of Yash Dedhia from Maximal Capital.

**Yash Dedhia:** Sir, if I look at your performance in the last 1 year, we have been tracking all the peer banks also. So, we understand the industry-wide issue. But I think your performance amongst all peers in terms of the yield on advances dropped or cost of deposit increased, which is probably the worst. And this is despite around 1,000 basis points additional cost to income that we have taken.

And sir, that was supposed to help us on these parameters, bring better advances at better yields and lower down our quarter deposit by getting us lower cost of deposit CASA etc. So it seems that the execution on the ground is just not working, sir. So what is the problem right now. And I'm not talking about your bank performance. If I just compare it across all the mid-sized private sector banks, why is your performance so bad compared to all the other banks?

**Srikrishnan H:** So Yash, just to kind of put things in perspective, you should not have this isolated view as far as Karnataka Bank is concerned for the past 1 year because you need to look at the historical past. Prior to 2023, the bank overall deposit growth as well as advances growth was all at single digit.

Now that is something because of the transformative steps that the bank has taken including management leadership changes at multiple levels and also making sure that the existing management integrated with the bank and the investments that the bank has made into technology for the transformative steps.

Now it could be a particular situation where multiple other banks that you are looking at, could have taken these steps many, many years ago. So that is not something which we can go back into history. Now we have started this journey, which is the revived journey from 2023 onwards. And as a result, the 2023-24, our gross advances grew at closer to 19%, and then the deposit grew almost closer to 13%. That is, of course, higher than the market.

And this year, we are stabilizing, and we are actually growing the gross advances by about close to 10%. And then we are also looking at growing the deposit book closer to 10%. Now this is the way that this bank is playing it out. For the results, on all the metrics to go through, including the quality because the bank has inherited quality issue also related to restructure book and a lot related to the GNPA, which was as high as 3.8% in the past.

So all of those things, if you really look through, the improved parameters will happen gradually, and the trajectory has started happening. The numbers are really showing up. And it is also a fact that it takes time to do this. So this transformative journey, if it has taken for multiple other banks, 7 to 10 years, probably we will take lesser than 50% of the time. So that is the way that we should look at from a positive aspect as far as Karnataka Bank is concerned.

**Yash Dedhia:** Sir, but on quarter-to-quarter basis, all these things are worsening rather than improving. That is my main concern. I agree that you might have inherited something which is very bad. But on every quarter your yields on advances are decreasing, your cost of deposits, and it is decreasing more than the peers. That is my major concern.

**Srikrishnan H:** So again, Yash, I'm just reiterating this that you will have to look at it not on a quarter-on-quarter basis or something which is specific parameter to parameter basis. You will have to look at this on a longer term basis and also the strategies that we are adopting in order to kind of get there. And this has to be on a longer-term basis and you'll have to kind of look at it in a term, whereby these strategies have to start playing out because this is a 100-year-old bank. And we are going to celebrate our 101st year in the next about 15 to 18 days.

And so this is something where a lot of relationships which are there for three to four generations, the customers are banking with us. But then the technology investments that we have made is in the last about 18 months to 24 months. And also the fact that our digital footprint, our branch sales network, we did not have an outbound sales team as many banks that you are talking about may have had in the past. All of this have got set up in the last about 12 to 18 months.

So for all of this to start playing out, we need to incur some immediate cost, which is what we have done. Second is, we needed some capital also, which also we have done. So the headroom for making this happen in terms of the growth is something as a prerequisite, which we have done, which is the capital, the headroom on operational and technology capacity, everything related to the people and also the process product transformation, which we are going through. And all of this will start yielding results in the following quarters, upcoming quarters.

**Yash Dedhia:** And on the NIM, sir?

**Srikrishnan H:** I think I've already answered the NIM during the earlier conversation.

**Yash Dedhia:** Sir, the earlier guidance was 3.4% to 3.6%, sir and now we have fallen to 3%. So what is the guidance going forward?

**Srikrishnan H:** So 3.3% is what we are...

**Yash Dedhia:** Quarter is 3.02%. So what is the guidance going forward?

**Srikrishnan H:** Quarter is okay. 9month quarter we have had pressures which I have already mentioned to you. So you will have to look at it as a 9 month NIM. 9-month NIM is at 3.31% and also the fact that there is an adjustment because of the penal charges which also I have explained to you. And last but not the least, we have already given that in the investor presentation in terms of the overall NIM target which would be 3.2% to 3.4%. That is the target for the guidance.

**Moderator:** Thank you. We'll take our next question from the line of Subhanshi Rathi from Anand Rathi. Please go ahead.

**Subhanshi Rathi:** My first question would be what is the proportion of gold loans in the overall loan portfolio? And what is the percentage of agriculture loan book comprising gold loans?

**Srikrishnan H:** So we would be about 10% of the overall book, approximately I'm giving you that on a book size of about INR 77,500 crores, we will be closer to about –INR 7,000 crores to INR 8,000 crores. So that will be about 10% approximately. That is on the gold book. The breakup of agri and non-agri within the gold book, let me just pull it out and we'll send it to you.

**Subhanshi Rathi:** Okay. And the next question would be with respect to the RBI regulations. Any discussions that have been held with the regulators regarding gold loan, particularly the LTV norms and the loan rollovers, etc?

**Srikrishnan H:** Okay. One second, I'll read out the agri and non-agri part also. The gold loan agri is INR 6,450 crores and the non-agri is INR 1,260 crores. So that is the number. And you are talking about the regulatory part related to LTV. So all of the guidelines that are to be followed, we are 100% compliant as far as the gold loan book is concerned.

**Subhanshi Rathi:** Regarding LTV...

**Moderator:** I'm sorry, Subhanshi, you're not clear. Can you use your handset mode, please?

**Subhanshi Rathi:** Yes, sure. I'm asking about any discussions held with the regulators regarding gold loans, LTV loans and loan rollovers?

**Srikrishnan H:** No, there's no special discussion that we've had with regulator on this. In a normal, whatever is there as part of the normal inspection and audit, et cetera, is something that happens on an annual basis.

**Moderator:** Thank you. We'll take our next question from the line of Amey Chheda from Banyan Capital. Please go ahead.

**Amey Chheda:** Sir, can we say that the cost of funds have peaked out now? The reason I'm asking you is that in your TV interview on December 12, you had mentioned that the cost of funds are peaked up and we have again a sequential increase in the cost of funds?

**Srikrishnan H:** Yes. So I would think so. But of course, the market, while we are not aggressive on the overall deposit numbers in terms of the interest rate that we offer even on the retail, there are banks which are offering 8% on retail deposits, term deposits, which we are still at about 7.5%. So that way, we're still maintaining. But I think the whole market scenario has to be looked into, which is the rate cut that is widely anticipated and also the fact that the overall impact as far as the bank is concerned.

And the last part is that we have to actually neutralize this by increasing CASA. Now the whole market is facing this CASA issue, but we are reasonably all right I would say that compared to many others, we are still, while the market had come down by 4%, as I said in the earlier commentary, we have come down by hardly 1.1% or 1.2% as far as the CASA is concerned.

So we are actually gaining traction there, and which is why we have deployed new products, we have deployed sales teams and deployed renewed focus as far as the branches are concerned on CASA.

**Amey Chheda:** Sir, on this NIM guidance of 3.2% to 3.4%, when do you think we can achieve that?

**Srikrishnan H:** We will start seeing that. We are already on a 9-month basis. We are at the 3.31%, as I mentioned to you, and we will continue this. And we'll start seeing an improvement in the NIM, as I called out earlier, which is a 10 to 12 bps and the real churn on the overall advances will happen, which will be in FY '26.

**Amey Chheda:** Okay. And sir, what is your guidance on ROA and ROE guidance for FY '26?

**Srikrishnan H:** 1.1 % to 1.2% is as far as ROA is concerned. And on the ROE, we would want to kind of be in the 12.5% to 13% as we go into FY ' 26.

**Amey Chheda:** Okay. And sir, just last one question. On the loan book so basically two, three quarters back we were eyeing 18% odd CAGR for loan book because you were trying to reach INR 1 lakh crores in the next 2 years. Now in the Q2 call, it got reduced from 15% to 18 %. In December, you had mentioned it will be around 13% and now it is again revised to 12%. So what is leading to the continuous revived guidance on the loan book growth?

**Srikrishnan H:** It is not an appetite issue or anything. It is just that we are doing this granular rather than having to do bulk. Because the real jump last year happened because of the larger bulky loans that we had done, which we have now stopped. We don't do that again. We have seen the INR 750 crores of repayment of some larger NBFC and bulk loans even this quarter.

Now having said that, we had committed to INR 1 lakh crores of advances, which was in June of '23 with a 3-year outlook that is like June '26. I think we still stay committed to that. And the current outlook is at about INR 77,500 crores even if we grow about 4% to 4.5% now, we would easily cross INR 80,000 crores to INR 81,000 crores as of this financial year itself.

And then building on top of that at, let's say, INR 81,500 crores, if you grow about 14% year-on-year. Now the next year, we will be closer to INR 92,000 crores. And then the first quarter, we will do another about INR 4,000-plus crores. So we would be closer to INR 1 lakh crores definitely by June '26, if not crossing INR 1 lakh crores.

**Amey Chheda:** So basically this is the guidance that has been revised. So just one suggestion from our side because I just suggest that we be more careful with our guidance because there has been a series of guidance not being met. So that was my suggestion.

**Srikrishnan H:** Thank you, thank you. Point noted, sir.

**Moderator:** Thank you. We'll take our next question from the line of Anant Mundra from Mytemple Capital Advisors LLP. Please go ahead.

**Anant Mundra:** Sir, I just had one question. Why is there a difference in the net worth that is reported in the presentation versus what is given in the result?

**Srikrishnan H:** Net worth. So...

**Anant Mundra:** If I add the capital and reserves and surplus as given on Page 13 of the presentation versus I think INR 11,320 odd crores which is given in the result?

**Srikrishnan H:** Okay. Allow us to check this, please. One second, CFO is wanting to say something. Sir, we will get back to you. Maybe it is revaluation reserve. That's what they are saying. It is revaluation reserve is what the team is confirming to me which is at INR 519 crores.

**Anant Mundra:** Got it. That is okay.

**Moderator:** Thank you. We'll take our next question from the line of Anand Dama from Emkay Global. Please go ahead.

**Anand Dama:** My first question is primarily on our margins that we have seen a dip during the current quarter as you have already guided for the full year. The penal interest stuff is largely behind now on a quarter-on-quarter basis, if I have to look at it or there could be more impact because of that, number one.

Number two is that ideally, I think in the fourth quarter, we tend to see higher NPA formation -- third quarter versus second quarter was higher and fourth quarter ideally should be higher as there will be lot of restructured loans slipping into NPA. In that case, there could be some more pressure on margins that you might see in the first quarter. That's how that it is.

**Srikrishnan H:** Anand, what you wanted to know. Just kind of to confirm one is that our overall mix of the loans and the fact that we are looking at the yield to increase by 10 bps to 12 bps as far as NIM is concerned, that is something which we are well on track. So that is the question number 1 that you had asked. And I do not see that as an issue going forward. So I don't think that we are in any way revising that or saying that we will not be able to achieve. That's one.

The second part is that as far as - the second part which is related to the margins. Now the fourth quarter, the fourth quarter is something that is always good for Karnataka Bank. And one is that there are some charges and recoveries that is the other income part, which comes in. The second is that quarter 4 has been always the best performing quarter for us on advances as well as deposit because our nature of our customers because of some contractor segment, the agri segment and so on and so forth.

So both sides of the balance sheets are positively impacted as far as the bank is concerned. And we believe that we would actually be able to achieve what we wanted to do for the entire financial year. So from that perspective, overall, we are still bullish on that.

**Anand Dama:** So I think my question was that typically, you were saying you're guiding that basically restructure book will continue to come down. And that basically, to some extent, would flow into the NPAs. So, my question was basically the penal interest plus higher interest reversal on NPAs could keep the pressure on the margins in the near term intact. Though obviously, there are other things like portfolio mix and all will help you. But in the near term, should we see the margins contracting?

**Srikrishnan H:** I do not think so. The reason being that on a 9-month period also, we have not like really come down drastically, one. Secondly, this margin improvement and the restructured assets actually has come down as compared to the earlier time. So the number on a standalone basis, actually restructured is only about INR 900 crores.

And the INR 900 crores also, they have all currently crossed all the moratorium period and now either they have to standardize or we will have to recover through the collateral. They're all collateral backed. So I do not see that we would have any slippages from those.

And the second part is that because of that, I do not see any margin related issues as far as the restructured assets are concerned because, we are kind of managing these two on two independent tracks.

**Anand Dama:** Sir, any guidance in terms of PCR that we want to be there by year-end and maybe next year? And what's our current LCR?

**Srikrishnan H:** So the PCR, with technical write-off or TWO is in excess of 80% and 56.03% is our PCR excluding the technical write-off. On a quarter-on-quarter basis, we are committed to kind of improving PCR by 1% every quarter, at least a minimum of 1%. And as far as LCR is concerned, we were at 150%, if I have to look at the number. So I do not see that as any pressure, because we are quite comfortable there.

**Anand Dama:** And sir, lastly, I think if the retail banking head is also there on the call, if he can basically spell out the retail strategy that he would be now looking at, now that basically you have assessed things that are on ground changes which have happened in terms of what kind of loan portfolio that you want to target? Basically, we would want to hear from him.

**Srikrishnan H:** Our retail banking head, Sreenivas is not on the call, but I would request Mr. Sekhar Rao our Executive Director because he manages that business also. So he would be in a better position to just let you know very quickly, Sekhar ?

**Sekhar Rao:** Yes. So clearly, in sync with what we have stated earlier, the focus is on growing the RAM segment. We've already seen green shoots in that. If you see the current year book, a significant part of our growth out of the total growth of around INR 4,863 crores, has come from retail which has grown by INR 3,326 crores. So the majority of growth has come from retail.

Here, the strategy is to focus on Tier 2 for retail. We want to be a large, equivalent of the large bank for Tier 2 locations because Tier 1 is already a taken space and the yields are also not very competitive there. We have a significant FI presence, agri and FI branches are there. The strategy of the bank was what you call to set up branches in clusters in Karnataka, in this agri and FI pockets.

So we have deployed AFOs in these branches, and we'll see traction there. We've also set up retail asset centers, and the first two have gone live. This is to improve ease of processing, improve turnaround time and the efficiency metrics. We inaugurated the Mangalore RAC yesterday, which is our second retail asset center. We plan to open 5 more. With that for retail loan processing, we'll have 10 centralized locations, 5 RLPACs and 5 RACs. So that's the strategy.

Apart from that, we are putting in place a significant connector model feet on street that our MD and CEO spoke about, improving the product mix. We have undertaken a major credit transformation exercise through a well-known consulting firm. And through this, we have revamped the way we underwrite the credit policies for all our headline products. A combination of this, we are quite confident will yield results in the retail asset book.

**Anand Dama:** But sir, this is a strategy that we have heard last quarter as well. What we are talking about here is the product, any development which have happened like on the vehicle financing, new tie-ups that you have done or you are taking up ahead in terms of lending more from branches, non-branches and so on? If you can talk about the product-wise strategy, that would help a lot?

**Sekhar Rao:** Yes. So there are two or three products that we have launched. In fact, commercial vehicle is one where we have launched the products, and that has taken off very well. We've launched a focused product for the student segment in combination of the liability product, KBL PEAK and KBL Genius. This is comparable to any and it's actually a kind of best-in-class product, and we are there tying up with education consultant, colleges, because we have good presence in the market in that space and the response there as well has been good.

As we speak, we have received approval from Maruti for a tie-up for their EV space, specifically. Then we have tie up with the dealers of JCB and also for the dealer tie-ups for LCVs. In fact, a large part of a number of Karnataka automobile dealers have been funded by us for their overdraft space. There, we are extending inventory financing also so that our presence in the auto loan segment will improve.

On the liability side also, we are coming up with women account, the family account and the bundled wealth management proposition where we are in the advanced stages of implementing a wealth management platform.

**Srikrishnan H:** I hope you got the details on that, Anand.

**Anand Dama:** Sure, sir. Thanks a lot.

**Moderator:** Thank you. We'll take our next question from the line of Saket Kapoor from Kapoor Company. Please go ahead.

**Saket Kapoor:** Firstly, if you sum it up, sir, although you have very elaborately explained us and given your views and thoughts on the way ahead, but taking into account the factors that are influencing the banking industry currently, and when we look at our interest expended part, that is not lying in commensurate to the increase in interest income.

So firstly, sir, going ahead for a year as a whole, since you have articulated to look at the 9 months, how confident are we to match our operating profits for the year ending 31st March '25, then on a comparable basis to 2024?

**Srikrishnan H:** So 2024, we have closed it out with INR 1,306 crores. And 9-month period, we had INR 1,032 crores. So the last quarter, if you look at the current, we are at INR 1,021 crores compared to INR 1,032 crores. So we are like hardly any different because hardly some INR 10 crores to INR 11 crores difference is there.

So the last quarter is always the best quarter for the bank in the past. So I think we are well positioned to surpass the previous year number. And also the fact that you need to take into account that compared to the last year, the treasury income, which is on account of the AFS book, is not allowed to be taken into P&L by any bank as per RBI regulations effective from April 1, '24. And on a 9-month period, that number itself is about INR 100 crores. And on a 12-month period, the number could be anywhere between INR 115 crores to INR 120 crores. So if you really look through that if you surpass that INR 1,306 crores as of last year, without having to take the treasury number, then we would be well in excess of that, and that's, I think, very clearly visible from our perspective.

**Saket Kapoor:** Okay. Sir, and when we look at also as interest on balances with RBI, that income has gone up significantly. That has been doubled from a base of INR 17 crores to INR 37 crores. And last year, the balance was only INR 18 crores. So how is this going to pan out and if there are rate cuts that are envisaged, how will this line item be going to get affected?

**Srikrishnan H:** So basically, we are comfortable on liquidity. We have been lending in the market on a continuous basis at least in excess of INR 2,000 crores to INR 3,000 crores per day. And this is why the interest, which is there based on various forms of lending, which involves RBI, and that is how the entire interest income has gone up. So basically, this is part of our treasury money market operations.

**Saket Kapoor:** Okay. Sir, what we investors would like to only get some understanding from the management people is that in the current scenario where deposits are becoming scarce and also costly, cost of deposit is going up and inching up higher. How confident are the midsized banks like KTK that they can look forward to grow profitably with the trajectory that is explained earlier.

Sir, since you have raised capital twice in the form of QIP and also used it very effectively in lowering the high-cost loans, but still the price at which the QIP were done, the current market cap and the enterprise value are significantly down are significantly lower than what it was. So what should investors take home, sir, especially in this current scenario of investing in the midsized banks like KTK, sir, which will be a transformative journey, sir?

**Srikrishnan H:** I agree with you. I will only talk about the journey that we do and the market price is an outcome of that. And this is not something that I would like to really comment on what the outlook as far as the price would be. But having said that, you need to look at strong multiples based on the position of the bank. So we are growing. The business turnover of the bank as of 2023-24 was at INR 1,48,670.79 crores. Now we are about INR 1,77,978.27 crores or INR1,78,000 crores. Obviously, the top line growth is there.

The second part is that there are various metrics where the bank in the past had certain strategies adopted and which we are churning around, both on the liability as well as on the asset front. So those will yield results as far as profitability is concerned, and that's something that I answered to you earlier.

Third is that based on this trend, the market has to decide the multiples and comparable with other similar peer banks or with other banks. So this is the way that it works. So I'd really not want to kind of look at an outlook as far as the price is concerned. But having said that, if we are strong on the fundamentals and the growth path and the execution strategy, I think the market will reward us.

**Saket Kapoor:** Okay. Thank you sir and all the best for answering all the questions very elaborately and giving opportunity to everybody and we hope for the continuity of the same.

**Srikrishnan H:** Thank you so much. Thank you for your best wishes.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. Sir, over to you for closing comments.

**Srikrishnan H:** Thank you. I would like to thank the support and the interest in participation today as well as in various other investor conferences as part of our overall engagement with investors is concerned. On behalf of the management team who is present here and on behalf of the entire Karnataka Bank workforce, I would like to thank you all and we hope that we'll be able to stand up to your expectations in the following quarters and coming up quarters. Thank you so much.

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