

Investor Brief for Sep 2023

A Very **Good Morning** and Warm Welcome to all the participants.

First let me introduce my Management Team who are accompanying me on this call;

Our Corporate Credit Head Mr Ashutosh Sarin,

Retail Credit Head Mr. Narjay Gupta

Impaired Assets Management Vertical Head Mr Shujaat Andrabi

CFO Mr. Pratik Punjabi

And Chief Risk Officer Mr Altaf Kira.

Amid the challenges of some concerns on global head-winds emanating from the geo-political issues, global slowdown and stubborn inflation, Indian economy seems to have exhibited remarkable resilience. Though Growth-Inflation dynamics have been quoted as a cause of concern by the RBI owing to the uncertainty of food inflation. Uncertainties on account of Rising crude prices, Dollar index & all-time high US bond yields have become more pronounced and pose a dual challenge for central banks of managing financial stability along with price stability.

RBI has expressed confidence on the strength of macroeconomic fundamentals and financial sector stability in India. RBI has also pointed to a protracted period of high interest rates continuing before the Regulator decides on some moderation depending on a sustained reduction in inflation. The Regulator has, however, sounded caution on the build-up of unsecured personal loans and advised the financial sector to be more vigilant and create adequate buffers during good times. The GDP growth forecast for the year has been retained at 6.5%.

A spate of good Q2 numbers are being declared by most of the banks with robust credit growth. However, rising cost of deposits and consequent contraction in margins are visible almost universally.

The J&K and Ladakh growth story continues with major infrastructure under implementation and some strategic ones nearing completion. The Udhampur - Baramulla rail link is scheduled to be thrown open in the early 2024 which shall pave way for all-weather and economical connectivity route giving a boost to tourism and trade. The two UTs which used to be nearly shut during the harsh winter months, are now witnessing year-round activities. In J&K, the euphoria for winter sports has already started and record tourist influx is expected. Tourism and trade related activities, as a result, are expected to do better with greater employment generation and proliferation of the benefits to other sectors as well.

The Bank continues to deliver results in line with the market guidance with sustained improvement in financial parameters. The numbers for Sep'2023 are promising and reassuring of the strengthening fundamentals for a more prosperous future.

Growth in business numbers is aligned with the Industry. Advances growing @ 18% YoY and deposits @ 9%. The lower deposit growth is as per the Management Strategy. The levers that the Bank has in the form of low Credit-Deposit ratio and excess short-term investments provide us space for funding part of the credit growth by realignment. During the 1st half of current fiscal also, part of the short-term investments was redeployed through the credit route. Despite lower net growth in CASA numbers, we are still maintaining a CASA ratio of over 50% which is a rarity in the industry.

Advances growth has been diversified and was majorly contributed by growth in high rated corporate recording increase of 19% YoY while Retail Advances recorded growth of 12% YoY. In the Personal Loan segment, growth was more pronounced in Home Loans (above 20% YoY) and Credit Cards with a smaller base growing at 25% YoY. The ratio of Retail to Corporate loans in our overall portfolio is 2:1.

The income statement is reflective of good growth in Interest Income 23% YoY for the HY, 17% in Net-Interest Income, 20% in Non-Interest Income, 23% in Operating Profit and 73% in PAT. Even on sequential basis Net Interest Income is up by 4% and PAT by 17%. Other income, however, is below the Q1 level as there was no significant resolution of Technically Written Off loans during Q2 - provision write-back from TWO accounts had contributed to the non-interest income during Q1.

The financial parameters reflect sustained improvement in almost every metric. Despite increase in the Cost of Deposits - which is an industrywide trend - the improvement in Yield on Advances (YoA) and Yield on Investments (YoI) have resulted in NIM further improving to 4.07% for the quarter and 4.03% for the half-year which is slightly better than our conservative guidance. Pertinently, the trend reflected in the results of banks declared so far, some moderation has been witnessed in the Net Interest Margin and thus our Bank has been a better performer on this front.

On the operations front, despite creating provisions for the impending IBA wage revision, Cost-to-Income has slightly moderated by 14 basis points on Q-o-Q basis. We have recently rolled out Online Account Opening utility with Video KYC and with maturing of our other technology adoption initiatives of centralized processing for account opening, loan appraisal of personal (consumption / consumer loans, etc) including STP model for

Government Employees, our Per Employee Productivity & Profitability shall vastly improve by rationalizing of human resources from transaction processing to business acquisition & marketing. This shall result in gradual improvement in the efficiency ratio as well.

Asset Quality again has been a standout parameter of our performance. Slippage ratio which had been a major pain point last year, is the highlight of current year's performance. Gross slippage of just 1.25% (Annualized) for the half-year and the continuation of recovery momentum have resulted in our GNPA coming down to 5.26% while NNPA is approaching the 1% mark. The trend corroborates that we are on course to achieve the year-end target of 4.5% of GNPA and NNPA below 1%.

In absolute terms significant downsizing has happened in the GNPA's by about Rs. 1270 Crores, in Technically-Written-Off loans by Rs. 460 Crores and also in the Restructured Standard Loans by Rs. 530 Crores since Sep'2022 - thus inferring that the Balance Sheet is now highly cleansed and much stronger.

Further reinforcing our Balance Sheet, we have taken the Provision coverage to 90% level. Recovery / Resolution of Technically-Written-Off accounts did not materialize during the Q2. However, we are envisaging significant resolutions happening in such and other NPAs during the second half which shall further bolster the bottom-line of the Bank.

The Restructured Loan Book is performing satisfactorily and its downsizing is continuing.

The Credit cost has remained well below the guidance at just 11 basis points during the half year - and we are confident to keep it to the bare minimum

owing to controlled slippages, high PCR which reduces our ageing provision requirement and expected write-backs on account of recoveries.

With the trend of profitability, We envisage adequate internal accruals during the year. We also have enabling Board approvals for raising of Equity and T-2 capital which we may consider utilizing at the appropriate time & price, depending on the evolving scenario including RBI's stance on risk-weights for consumer credit.

The Capital Adequacy ratio of 14.53% as on Sep 2023 is without reckoning the half-yearly profit and the amount mobilized under ESPS-2023.

Once again I thank you all and acknowledge your guidance, support and trust and we expect it to continue in the coming days.

I will be glad to have your questions now.....Thank you very much.

Concluding remarks after Q&A session

Thank you, XX Moderator XX, and thank you to all the participants for joining in today. For any further questions, queries, details, comments or anything else, the team is always available and you can also direct your queries to our Investor Relations desk and we will definitely respond...