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Your Family Bank. Across India.

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SECRETARIAL DEPARTMENT

HO:SEC: 209 :2026-27 Date: 04.11.2026

The Manager Listing Department **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G Bandra-Kurla Complex, Bandra (E) MUMBAI - 400051	The Manager Corporate Relationship Department **BSE Limited** Phiroze Jeejeebhoy Towers Dalal Street MUMBAI - 400001

NSE Scrip Code: KTKBANK	**BSE Scrip Code: 532652**

Madam / Dear Sir,

Sub: Transcript of Q2FY27 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 Thursday, October 29, 2026, on the unaudited, reviewed Standalone & Consolidated Financial Results of the Bank for the quarter and half year ended September 30, 2026.

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

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

This is for your kind information and dissemination.

Yours faithfully,

Sham Kanathila
Digitally signed by Sham Kanathila
Date: 2026.11.04 19:44:39 +05'30'

Sham K
Company Secretary &
Compliance Officer

"The Karnataka Bank Limited
Q2FY27 Earnings Conference Call"
October 29, 2026

MANAGEMENT: MR. RAGHAVENDRA S. BHAT – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MRS. BIJI S. S. – EXECUTIVE DIRECTOR

Moderator: Ladies and gentlemen, good day and welcome to the Karnataka Bank Q2 FY 2026-'27 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. Today, we have with us on the call the Managing Director and CEO, Mr. Raghavendra S Bhat and Executive Director, Mrs. Biji S S, from Karnataka Bank.

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

Raghavendra Bhat: Good evening, Mr. Alaric. A very pleasant evening to everyone and thank you for participating in the Q2FY27 earnings call of Karnataka Bank, a banking institution that has successfully navigated the financial landscape for more than 102 years. The journey began in 1924 with a simple purpose: to serve our customers with trust, prudence and a personal touch. As we now continue our journey in the second century of financial service, we have grown increasingly resilient and continue to serve as a dependable banking ally for millions worldwide.

Rooted in its legacy from the coastal city of Mangaluru in Karnataka, our Q2FY27 performance showcases a steady consecutive quarterly expansion powered by our stakeholders, customers and staff under the capable stewardship of our Chairman and the Board. We have successfully delivered on our promises to the investors and secured substantial enhancements across every primary financial metric, demonstrating the impact of structured implementation and operational excellence.

Our strong growth trajectory reflects substantial operational progress, which will become clear as we walk through the financial metrics. I trust you have had the opportunity to walk through our financial results and investor presentation, which were circulated after yesterday's Board meeting.

Turning to the broader financial system, the Monetary Policy Committee, MPC, has unanimously voted to increase the policy repo rate by 25 basis points to 5.50% during its October '26 meeting. The MPC also decided to change the stance to calibrated tightening. Global growth remained resilient in 2026 so far, supported by AI-related investment and fiscal stimulus measures despite disruptions due to the ongoing West Asia conflict.

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

The domestic economy showed resilience in H1 2026-27 despite continued global uncertainty amidst the conflict. The supply side pressures were well managed by proactive policy measures by the government that ensured adequate supply of key inputs. Real GDP recorded a growth of 7.8% in Q1 2026-27, reflecting strong momentum in underlying economic activity. Aggregate demand remained strong on the back of both private consumption and investment.

Going forward, India's macroeconomic outlook remains resilient, supported by domestic demand and strengthening investment despite persistent global uncertainties. The outlook remains vulnerable to geopolitical developments, volatility in global energy markets and weather-related uncertainties.

Weak monsoons, protracted geopolitical tensions, rising international commodity prices, additional frictions in global trade and tightening of global financial conditions could adversely impact the growth outlook. Let me now present the business highlights. Bank has achieved its highest ever aggregate business, which stood at INR2,07,132 crores as of 30th September, 2026, up by 5% Q-on-Q from INR1,97,007 crores as on 30th June, 2026 and up by 17% Y-o-Y from INR1,76,461 crores as on 30th September, 2025.

Gross advances stood at INR92,015 crores as on 30th September, 2026, reflecting a Q-o-Q growth of 6% from INR86,610 crores as on 30th June, 2026 and a Y-o-Y growth of 25% from INR73,644 crores as on 30th September, 2025.

Our overall strategy is to continue our focus on growing retail, agri and MSME book. Our RAM portfolio has grown from INR53,172 crores as on June, 2026 to INR56,968 crores as on September, 2026, which is 7% Q-o-Q growth and from INR47,958 crores as on September, 2025, which is a 19% Y-o-Y growth. In absolute terms, MSME, housing, gold, agri and car loans have contributed around INR3,598 crores to our retail segment during Q2FY27.

The bank continues to reduce low-yield corporate exposure in accordance with our earlier stated strategy. We are systematically replacing the IBPC book with higher-yielding loans to drive margin expansion. IBPC portfolio, which was at INR1,375 crores as on 30th June, 2026 has been brought down to INR1,309 crores as on 30th September, 2026. Accordingly, around INR66 crores have been replaced during Q2FY27. Going forward, our strategy focuses on accelerating retail expansion and stabilizing the corporate portfolio by prioritizing high-quality, better yielding assets.

Aggregate deposits as on 30th September, 2026 stood at INR1,15,117 crores, reflecting a Q-o-Q growth of 4% over 30th June, 2026 at INR1,10,396 crores and a Y-o-Y growth of 12% over 30th September, 2025 at INR1,02,817 crores.

CASA ratio as on September, 2026 was 31.80% and 32.42% as on June, 2026 as against 31.01% as on September, 2025. The bank has continued to focus on shifting high-cost bulk deposits to granular retail deposits of less than INR3 crores.

The retail term deposits that is less than INR3 crores has grown by 4% from INR69,410 crores as on June, 2026 to INR72,197 crores as on September, 2026. On a Y-o-Y basis, retail term deposits have grown by 10% from INR65,532 crores as on September, 2025. The bank is actively trying to consciously lower its dependence on expensive bulk deposits while making sure that most of the renewals are carried out at established card rates, which allows for better management of the total cost of deposits.

CD ratio as on September, 2026 stood at almost 80%, that is 79.93% as compared to 78.45% as on June, 2026 and 71.63% in September, 2025. Net Interest Income (NII) for Q2FY27 stood at INR982.44 crores as compared to INR938.29 crores in Q1FY27, registering a Q-o-Q growth of 5%. On a Y-o-Y basis, NII for Q2FY26 stood at INR728.12 crores, recording a 35% Y-o-Y growth.

Net Interest Margin stood at 3.17% for Q2FY27 versus 3.20% in Q1FY27 and 2.72% in Q2FY26.

Loan yields: Yield on advance for Q2FY27 stood at 8.76% as compared to 8.68% in Q1FY27, recording an 8 bps improvement. Loan yields will be further strengthened by accelerating retail growth while stabilizing the corporate portfolio through high-quality and better yielding assets. Cost of Funds stood at 5.15% for Q2FY27 as compared to 5.16% for Q1FY27, registering a 1 basis point improvement.

The sequential quarter-on-quarter improvement in cost of funds is expected to be supported by our continued efforts to reduce the dependence on bulk deposits and replacing the same with retail deposits at card rates and focus on CASA buildup.

PAT Q2FY27 stood at INR435.89 crores as against INR418.95 crores in Q1FY27, with Q-o-Q increase of 4%. There is an increase in PAT from INR319.12 crores in Q2FY26, with a Y-o-Y increase of 37%.

Stressed assets: Gross NPA percentage as on 30th September, 2026 stood at 2.27% as against 2.58% in June, 2026, thereby showing an improvement of 31 basis points. The gross NPA percentage as on September, 2025 was 3.33%, which is a 106 basis points Y-o-Y improvement.

Net NPA percentage as on 30th September, 2026 stood at 0.74% as against 0.87% in June, 2026, demonstrating a 13 basis points Q-o-Q improvement. Net NPA percent as on September, 2025 was 1.35%, recording a 61 basis points Y-o-Y improvement.

The sustained quarterly improvement in both gross and net NPA ratios reflects the bank's strengthened efforts to curb slippages and enhanced monitoring efficiency, supported by the functioning of regional collection centers and quality credit underwriting strictly following the guardrails. Credit cost is 0.002% for the quarter Q2FY27 as against 0.03% in Q1FY27. Slippage was 0.11% for Q2FY27 as against 0.14% in Q1FY27.

Standard restructured advances, including related accounts, as on 30th September, 2026 was INR649.37 crores as compared to INR762.62 crores as on 30th June, 2026, recording a 15% Q-on-Q reduction and standard restructured advances as on 30th September, 2025 was INR939 crores, registering a 31% Y-o-Y reduction.

Provision Coverage Ratio (PCR): In line with the bank's commitment to increase PCR, the bank has continued making accelerated provisioning and the PCR stood at 68.05% as of September, 2026 as against 67.03% as of June, 2026. PCR, including technically written-off accounts stands at 85.78% as of September, 2026 as against 84.70% as of June, 2026. Cost to Income for the

quarter ended 30th September, 2026 stood at 52.68% as against 55.14% for the quarter ended 30th June, 2026 and 58.93% for the quarter ended 30th September, 2025.

The bank's focus on low-cost deposits, along with an emphasis on RAM and high-yield portfolios to enhance loan yields would further expect to improve our net interest income and support sustained control over the cost-to-income ratio in the coming quarters.

Return on equity, Q2FY27 return on equity stood at 12.51% as against 12.48% in Q1FY27 as against 10.14% in Q2FY26. Q2FY27, return on assets stood at 1.26% versus 1.29% in Q1FY27 as against 1.03% in Q2FY26.

Liquidity Coverage Ratio, that is LCR. As on 30th September, 2026, LCR stood at 164% versus 169% as on 30th June, 2026 and as against the statutory mandate of 100%.

Capital Adequacy Ratio, 20.36% as on 30th September, 2026, of which Tier 1, 19.20% and Tier 2, 1.17% in comparison to 21.10% as on 30th June, 2026. For the calculation of CRAR for September, 2026, eligible profits as required under extant RBI guidelines have been considered.

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

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

MSME products: products launched during the period were GST overdraft facility, loan against property for MSME and dropline overdraft for MSME. And some of the products which are in various stages of implementation, it is in the pipeline. They are incorporation of dropline OD features to key MSME products, end-to-end digitization of key MSME products, KBL Startup Finance, a dedicated credit scheme for start-ups and emerging enterprises.

Retail products launched were, Express Digi Gold Loan has been launched on 21st September, 2026, marks a strategic milestone in the bank's digital transformation, delivering a seamless, secure and faster gold loan experiences. This initiative is poised to expand customer reach, accelerate business acquisition, enhance operational efficiency and unlock scalable growth opportunities, strengthening the bank's competitive position in the gold loan segment.

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

Liability products: Capital gain account scheme, is a specialized account scheme to park capital gain funds to claim tax exemption. Number 2, project in pipeline, launch of Marketplace FD.

Alternative Delivery Channels (ADC) Products launched were, UPI Help, MyUPI, A Unified platform enables customers to view their transaction history, raise and track complaints, manage UPI mandates, etc. Number 2, Pin-less CBDC Transactions. Customers can carry out CBDC transactions up to INR500 per transaction without PIN, offering hassle-free experience.

Trade Konnect, a digital platform for import, export outward remittances. Projects in pipeline under ADC channel are revamp of retail internet banking with new UI and UX. Number 2, UPI for NRI customers; number 3, Soulabhya Plus deposit enablement through digital channels.

Digital and technology: The bank is leveraging IT investments through modular and faster implementation of solutions. Bank is also exploring leveraging AI tools for improving internal efficiencies, including improving processes. A few major solutions that are launched and are now live includes: Digitization of gold loans, interest-bearing credit lines on UPI, SD-WAN implementation, that is software-defined wide area network, CDP (common data platform), Mule Hunter, Sales Buddy, that is AI assistant.

Few major solutions that are in progress-they are loan against mutual funds, shares under digital channel, secured credit cards, implementation of DPDP solution, new treasury application, new NPA management solution.

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

In the face of international disruptions stemming from global friction and logistical blockages, the bank distinguishes itself by maintaining conservative risk boundaries, operational flexibility and a deep focus on customer relationships. Armed with strong capital reserves, comfortable cash positions and focused strategic implementation, we remain distinctively prepared to generate long-term value for our stakeholders. Moving ahead, our defined blueprint and escalating commercial traction provide absolute certainty in our ability to maintain healthy expansion. Further, the bank is taking all required steps to efficiently mitigate risk in cyber and AI-related domains.

We remain deeply committed to shaping a forward-looking corporate governance-anchored enterprise. As we honour our historical roots and steer through this rapidly transforming landscape, I want to express my sincere appreciation for your ongoing reliance and collaboration as we go for the next phase of Karnataka Bank.

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.

Moderator: Thank you. The first question comes from the line of Chirag Singhal with First Water Fund.

Chirag Singhal: Am I Audible?

Raghavendra Bhat: Yes.

Chirag Singhal: First is on the NIM and ROA guidance for the rest of the year. So, if I look at the benchmark, the 6-month T-bill, the yields have gone up in the last 1 to 1.5 months. So, is it fair to assume that the NIMs will be closer to the upper end of your target 3% to 3.4% range that you have given in the PPT? It will be closer to that range, the upper end of the range.

Raghavendra Bhat: That is 1. You said 2 questions are there.

Chirag Singhal: Yes. So, I mean, I also wanted the ROA guidance for the rest of the year. Like, I mean, H2, what are you seeing in terms of ROA? Second question was on the NIMs, again, NIMs, which have declined on a sequential basis. So, if I look at the yields and cost of funds, they have improved, I mean, on a sequential basis. So seemingly, the fall is only due to the others line under your interest income. So, what is there in that other line item, which is under your interest income? Just wanted to understand that.

Raghavendra Bhat: Yes. NIM, as I mentioned earlier, that means last year and all. I was categorical in telling that the focus is on improving the NIM 3% plus and ROA 1% plus. You are aware, when I met you also, I have told very clearly that NIM has dropped to 2.72%. ROA has dropped down to 0.72% from where we have taken it at 3% plus in March and have been continuously maintaining that.

Some bps here and there, it happens because of average figures, change in CASA, average cost of deposits, borrowing, some bps, this is just 3 basis points difference. So also in ROA, but we are committed always to improve it further.

But quarter-on-quarter, when we see here and there are some plus some minus will be there. In the Q1, there was an item in the interest on income tax paid. That was in the Q1, one of the items that, otherwise, barring that NIM is always on the upward trend, so also ROA. Regarding another question you asked regarding was that decline?

Chirag Singhal: No. So NIM decline, I mean, that you answered the interest, the income tax thing in the previous quarter. My question is on the guidance for H2 NIM and ROA guidance for H2.

Raghavendra Bhat: Yes. NIM and ROA, as I mentioned, 3% plus and 1% plus continuous improvement every time. That much only I can tell you. Continuously, we are maintaining, as I told you earlier also, it is 3% to 3.4%. So also, ROA will be 1.1% plus or it will be between 1.1% to 1.3%, 1.35%.

Moderator: The next question comes from the line of Yaswanth Thippeswamy, an individual investor.

Yaswanth Thippeswamy: First one is with respect to the provision. So, this quarter, I think there was somewhere around INR20 crores has been provided. And having said this, looking at West Asia conflict and inflation, so I was thinking that, was there any reason why we did not do an aggressive

provisioning? Do you see the asset quality in a good shape? So, is that the reason why we are not doing aggressive provisioning?

So that is first question. And the second question is with respect to the number of branches. Do you foresee that we are touching 1,000 branches by this financial year?

Raghavendra Bhat: Yes. Good evening Yaswanth. With regard to the aggressive provisioning you are telling, we are always aggressive in provisioning only. Last year, around this time, March, 2025, if I remember correctly, it was 58% and 1% every quarter, we have committed taking that into account in the last 6 quarters, 6% increase means it should have been 64%, 64% plus, whereas we are at 68% or so. Therefore, continuously, we are providing to the best possible extent, taking into account overall requirements and audit requirements and our internal strength to provide additional provisioning.

Regarding the number of branches, yes, we have gone a little bit slow in H1 because we are very cautious with regard to the premises rent. And we do not want to compromise the location. We want to select the best location, having commercial advantage, economically suiting to the bank's requirement. Therefore, we have finalized around 24 centers and fixed the premises also and 17 premises are under various stages of construction of safe room, interiors and all are happening. Before December end, we will be adding minimum 15 branches.

And as per the approved plan, corporate goal, we want to have 31 branches during this financial year. I am confident that all these 31 branches will be opened before 31st March. This also signals for whatever in our mind having an ambition of crossing 1,000 branches. This will happen during this financial year. Thanks for all the support from investors and all well. Thank you, Mr. Yaswanth.

Yaswanth Thippeswamy: Thank you so much for putting the bank in the growth path, sir and we continue to want to see the similar kind of consistency in the results. And I mean, you are driving the bank in the difficult times of higher inflation and West Asia related economic issues.

Moderator: The next question comes from the line of Sarvesh Gupta with Maximal Capital.

Sarvesh Gupta: Congratulations on a good set of numbers. Sir, on the fee income, we saw some moderation in quarter 2 despite disbursements going up. And on a year-on-year basis, I think it is still flat. So how do we see our fee income going forward?

Raghavendra Bhat: Yes. The income actually does not come down. We are able to maintain that. But taking into account Q1, there was a one-off item. Q1 and Q4, there will be a one-off item. I will tell you in advance itself. In the Q1 locker income and Q4 card business we are doing, that income will be there always. Barring that, we have, by and large, maintained. By maintaining other income is not adequate. We are finding out various solutions, bringing out various solutions, which will add value by having fee-based income.

All other income, which are traditionally there, it is that. In addition to that, this mutual fund business platform and advance against shares and all those will add value to the business. We

are very much focused on that on our fee-based income. Going forward, definitely, we are very optimistic that, that also will be improved.

Sarvesh Gupta: No sir, like going, on a Y-o-Y basis also, it is flat at INR206 crores, INR207 crores, while we have seen significant increase in disbursements. So, have we taken a call where we are not charging the fees on the disbursements that we are doing? Or any other reason why it should be flat on a Y-o-Y basis also?

Raghavendra Bhat: No, that is what I said. A lot of initiatives are in various stages. As I mentioned too, I will add further. We also have some other solutions like credit card business and all. See, unless and until it is implemented, initially, there will be various stages of implementation. Some will happen immediately as per our target. Some gets postponed to the next quarter. We are focused on that. We are working on it. Flat income cannot be accepted at all.

We have to grow. Traditional income and all it has lost its importance, whatever is there, we are in the competitive market. Definitely, we are exploring all these new areas. And definitely, I am confident.

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

Raghavendra Bhat: By and large, it is all floating only. Fixed interest, very, very few fixed interest portion. This around 70%, it is EBLR. And there are deposit loans and other kind of loans where it is fixed loans. Other than that, by and large, it is T-bill rate is also there. Around 70%, you can take 70% plus EBLR rate. And MCLR is around 5% also. But majority, it is all linked to T-bill rate.

Sarvesh Gupta: So entire 70% is T-bill linked?

Raghavendra Bhat: Yes.

Sarvesh Gupta: And sir, then going forward, because we have seen a huge spike in the T-bill rate, so when do you see your reset as per the reset clause, like when does the interest rate increase on the yield side because in October month, we have seen a huge spike in the T-bill?

Raghavendra Bhat: No. See, it is last year also, it is all bottomed out. Assets are repricing immediately within a gap of 3 months or so, liabilities are not so. It will naturally be having impact on the NIM, but it is already bottomed out during last year. Now what I feel since it is in the rock bottom, whatever up in the increase, definitely within 3 months, it is getting repriced.

I don't think it will affect. Yes, when it is increasing, a trend has already begun. It is increasing also you are aware. Therefore, I don't think it will further go down. Whatever repricing has happened earlier, it has happened completely. Now, either it will be stagnant or it will be going up. Signs have already shown that it started moving up.

Sarvesh Gupta: So that October spike on T-bill rate, we will get in the month of December, January, like that. Is that right?

Raghavendra Bhat: Normally, on various days, 3 months gap within 3 months, it is happening.

Moderator: The next question comes from the line of Pranay Dhelia with Panchtantra Advisors LLP.

Pranay Dhelia: Sir, many congratulations on the best set of numbers that we have seen in a couple of years. You have performed on all operating levels that you promised when you took over. As for the future progress of the bank, I have one small question. All private banks have a very strong retention plan for employees by the ESOP level. We have found Karnataka Bank lacking on that one. So good people will only stick if you have a good ESOP plan. Has the Board discussed this?

Raghavendra Bhat: Pranay, good evening. You have raised the right point, but attrition rate in Karnataka Bank is very low. I am guaranteeing you we are focused on retaining the talent, which we will not leave to go outside. And talented people, talented bucket is there with regard to the human resources. And with regard to this incentivization and all, it is already there. As and when these things are coming to us, definitely, it is discussed. It is a matter of discussion in the Board.

Pranay Dhelia: That's all that I had to ask on the question front. What is the first half we have seen has been fantastic. The second half will be better than the first half, sir?

Raghavendra Bhat: This doubt you had earlier also asked whether this growth is stable growth in the month somewhere in the Q3, Q4. You asked, I said you wait for Q4 completion. You waited. And again, you asked the same question in the Q1 of the current year. I said let the quarter be over. We gave better numbers than Q4 of last year. Q2 of this year, still better we have given. Please have confidence on us. We will give better results in the coming quarters also.

Moderator: The next question comes from the line of Jyoti Khatri with AMBIT wealth.

Jyoti Khatri: Congratulations, sir, for delivering very strong set of numbers. Sir, firstly, on the drought-related thing. So, Maharashtra and Karnataka and one more State has been declared sort of drought. Post this, do you anticipate some sort of impact coming to you in your agri book, agri gold loan book? How do you assess the current scenario and the impact on your loan book?

Raghavendra Bhat: Yes. Good evening, Jyoti. Thank you very much for coming online. Yes, you are right in asking that question. Scanty rainfall this year, no doubt about it. This rainfall in the previous quarter, some of our investors has asked the same question. I told them also, it is not new to us. Either there will be flood or there will be drought. We are not free from both. Very average rainfall, wherever it is depending totally on rainfall, it is very minimal.

Today's scenario because of the irrigation facilities and all is there, but rain itself has drastically reduced this time. And there is excessive rain in the northern part somewhere. All these are common. But we are very watchful. We are very much on our guard.

We take all monitoring system, everything is in place right now, I am not foreseeing any such serious problem. And yes, how long this drought condition will continue or suddenly there may be heavy rain also, flooding situation maybe there also in the Northeast monsoon time, which cannot be predicted right now. But right now, I don't think there is an immediate serious problem.

Jyoti Khatri: Okay. Great, sir. And secondly, on the ECL provisioning side, have you assessed how much incremental provisions you will be required to make? Any assessment on that side?

Raghavendra Bhat: See, we have CRAR 20.36% comfortably. But when this is going to come from 1st April, 2027, we are continuously studying that, as this question was there on an earlier occasion also, this 1% to 1.5%, 1.75% impact, maybe there. We are continuously working on that. And we have taken enough measures with regard to, you must have seen from the presentation also, recovery under NPA, controlling stress, stress has improved a lot. To the extent of improvement in the stress also, the burden from the ECL will come down.

We are guarding ourselves with regard to that. And additionally as per the guidelines, it is not that even if this percentage, as I said, 1% to 1.75%, still entire hit can be taken as per the requirement of bank can take or it can be spread over 5 years also, which we are working on it. How to do that, depending upon the best numbers coming, we will plan it accordingly.

Jyoti Khatri: Okay. And is it that this amount can be adjusted in the net worth as well?

Raghavendra Bhat: Pardon, sorry?

Jyoti Khatri: Is it possible that, as per the RBI guidelines, I am not sure on that side. If this incremental provisioning that is required can be adjusted against the net worth?

Raghavendra Bhat: It will be done as per the guidelines, whatever is available, what is best, depending upon the bank's policy and regulator prescription, auditor's requirement, it has to be done with. We have no choice there. The provision is there.

Jyoti Khatri: Okay. And just one last question from my side. So, your term is ending in November. So, anything that the Board has decided, whether you will be continuing ahead or a new one is coming in? And what is the status on that side? If you can just give some colour. So, I guess we will get a lot more clarity on that side.

Raghavendra Bhat: The Board is always proactively deciding whatever is required to be taken. They are taking the decision. Kindly wait and see. The decision will follow soon.

Moderator: The next question comes from the line of Sushil Choksey with Indus Equity Advisors.

Sushil Choksey: Congratulations to team Karnataka for excellent performance.

Raghavendra Bhat: Thank you, Sushil-ji. Good evening, thank you.

Sushil Choksey: Good evening. Sir, can you throw some light on the pipeline which is emerging for the Q3 and Q4 between RAM and the corporate book? Second thing, Viksit Bharat needs new businesses emerging out of India, be it defence, space, a lot of R&D related to pharma and many such and Karnataka, Tamil Nadu leading the manufacturing hub for EV and many other such start-ups. Now all your peer banks are focusing that we lend more in the same States. How are we emerging better? To emerge better, what are we doing with our HR and digital processes and to underwrite business that we garner a better share compared to our peers?

Raghavendra Bhat: Yes. Good evening, and thank you, Sushilji. Yes, what you said definitely makes sense for us. As I told you, with regard to the growth in Q3 and Q4, definitely, yes, whatever we have planned, we are quite sure of achieving that. And I was telling earlier also, I stand by it even today also, 15% to 20% growth in advances, the sectors which I said, particularly RAM, RAM sector, under RAM, agri, MSME and other which are coming well within the definition of RAM.

And we have with regard to our guidance, we are at 56% under retail as on date and mid-corporate 20%, large 24%. The guidance was given earlier, we stand by it from 56% retail to taking it to 60%, and mid-corporate from 20% to 22%. We want to reduce under large corporate from 24% to 18% as you know, it is maintaining all the while focusing on the various sector, be it pharma or some industries and if we want industries, we have to go to Tamil Nadu belt, as you rightly said, trading and other sectors coming to the north, agri and in Karnataka.

All these are focused areas. I am quite confident. And for the past 6 to 9 months, whatever we are targeting, by and large, it is going in the same direction. I am quite sure that whatever guidance we have given, we are meeting that.

Moderator: I'm sorry to interrupt, Sushil, I would request you to rejoin the queue. The next question comes from the line of Yash with Dante Equity.

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

Raghavendra Bhat: See, we have committed, we have an AOP, an approved AOP, we have said that from INR83,000 crores to INR98,000 crores, we have said. By and large, first quarter, we have added business of around INR5,000 crores. In the second quarter, we have added around INR10,000 crores. What we had planned entire year, adding around INR33,000 crores of business, INR15,000 crores, we have added already, INR18,000 crores of business, we have to do it. And I still maintain 10% to 15% growth in liabilities, 15% to 20% growth in advances.

Overall growth, ultimately, it will come. The growth rate is around 15%. We will stick to that, and we will try to make all efforts having achieved good numbers in H1. As you rightly mentioned, Q3 and Q4 are most happening quarters, I am quite sure that in the remaining 2 quarters also, the progress will be rather crossing our expectation. That much only I can tell you at this time.

Yash: Right. And sir, are there any major recoveries that we are expecting or anticipating for H2, point number one. And can you talk more about asset quality and credit cost moving towards H2? Because again, based on your performance in this quarter, things are looking great, asset quality-wise. You've slowly increased your PCR to a decent level.

So, please give us more commentary on asset quality going forward in H2 because I think some participants also raised concerns with agri and tractor loans in other banking con calls. So, I just want more commentary on asset quality.

Raghavendra Bhat: As I mentioned earlier in my previous quarters also, I have told we have zero tolerance for NPA as well as stress. From that, taking that as a focused area, we have been working through our team, national team and 15 teams spread over, collection teams, which are spread over to 15 regions, we have effectively controlled the stress and slippage ratio, GNPA and NNPA, while improved substantially 3.08% as on 31st March, 2025, it has come down to 2.27% as of date. So also, the NNPA ratio, which was 1.31% as of 31st March, 2025 has come down to 0.74%. Q-on-Q, there is an improvement. How it was possible is by controlling the stress only.

When we control the stress, slippage also will automatically come down. So, the main focused area is to control the stress only. When the stress is controlled, slippage comes down. That is why our slippage ratio, gross slippage ratio has come down from earlier level.

If you see, it was 0.86% and it has come down to 0.11%. So also, net slippage ratio, which was as high as 0.75% in September, 2025 came down to 0.11%. In terms of absolute numbers also, stress has come down. The main focused area is that only. Therefore, going forward also, I am quite sure that there is no threat as far as stress is concerned. See, something beyond our control will be there.

You asked one more question with regard to recovery. Yes, some recovery, what happens, we are hopeful of recovering in the same quarter. It gets migrated to the next quarter. Sometimes it is because of various reasons. In the previous quarter also, we were expecting some major recovery.

Had it happened, it would have been much, much better. But if it has not happened in Q2, it will definitely happen in Q3. Definitely, numbers will further improve. Some major 1 or 2 accounts are also there. With that, GNPA as well as NNPA are also going to improve further.

Yash: Right. Is it possible for you to talk about the size of these recoveries in Q3?

Raghavendra Bhat: See, recovery is a continuous effort. Sometimes, suddenly, some recovery which we have not anticipated also will happen. Whatever we told you, in the Q2, it should have happened, it will happen surely in Q3. Sometimes it will happen immediately. Sometimes it takes a little longer time. This Q3 will be a big number, will happen, kindly wait and watch. Whatever assurance I have given, I was able to maintain that. Kindly wait and see.

Sushil Choksey: No, that's great. I think I got all the assurance that I really wanted. And based on your...

Moderator: Sorry to interrupt, I would request you to rejoin the queue. The next question comes from the line of Shruti Agrawal with Narnolia Financial Services.

Shruti Agrawal: Congratulations on a good set of numbers, sir.

Raghavendra Bhat: Good evening, Shruti.

Shruti Agrawal: Sir, operating profit grew 36.8% Y-o-Y to around INR602 crores. How our technology investment, IT platform upgrades and digital onboarding platforms impacting opex? And if you can guide on the cost-to-income ratio going forward?

Raghavendra Bhat: Cost-to-income, thank you very much, Shruti. Operating income, no doubt, has gone up 37%. We want to increase the operating income through various measures, including improving the other income, interest income, everything, so also cutting the cost and taking all leverages of IT. See, IT is one area where continuous investment is required. And we have seen and assessed out of INR100 invested, everything is not available for the purpose of business. 40% to 50% is going for licenses and upgrades, another 20%, 25% for regulatory and compliance requirement and around 25% to 30% is available for business. Suddenly, you cannot expect that everything will get converted into return on IT. So, it is a continuous effort. We are doing that. We are focusing on that.

A lot of investments we are doing every year. We are budgeting a couple of major investments also going this financial year also. While I am telling while investing in IT, we should also focus on how to improve our operational efficiency is a challenge. Either we have to do the increased business or we have to generate fresh income or reduce the expenditure. No doubt about it.

Therefore, this IT investment through digital journey, AI, some areas we have focused 3, 4 areas we have focused, definitely, that benefit will come. While telling that, since you mentioned about cost-to-income, if you see Q4 of 2025, the cost-to-income ratio was as high as 69% and that is Q4 stand-alone, entire year, it was at 60%. Continuously, we have focused, we have brought down. Now it is standing at 53%, a 2% improvement compared to the previous quarter. We are completely focused on that.

We are totally leveraging technology to the business. That much assurance I can give you. And we are as per the guidance. It is 52% or 51%. We will focus on that. Sometimes the result will happen immediately, like recovery of NPA. Sometimes it gets postponed to the next quarter. Definitely, we will take the full advantage of that.

Moderator: The next question comes from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: Yes. Namaskar sir, hope I am audible?

Raghavendra Bhat: Yes, yes. Good evening Saket. Thank you.

Saket Kapoor: Sir, as you were alluding that we are looking for our advance growth in the vicinity of 15% to 20% for H2. I just missed your comment on the same. Can you reiterate what is the advance growth? Or if you could just outline to us what is the NII growth that we may look forward for the remaining part of the year or for H2?

Raghavendra Bhat: See, we have continuously focused on an average growth of 15% to 20% in advances throughout the year. And as I mentioned to somebody else while replying to the query, the most happening quarters are Q3 and Q4. When we have generated some good numbers in Q1 and Q2, I am quite optimistic that in Q3 and Q4 also, we will be able to do much better than in Q1 and Q2.

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

So also, the end result that NIM, NII, everything is depending upon achievement of that target. We are focusing on the RAM segment while maintaining our business share in that composition of retail, mid-corporate and corporate.

Right now, we are in retail 56%, mid-corporate 20%, large 24%. Retail, we want to have a share from 56% to 60%, mid-corporate 20% to 22%. And we, as a policy, we want to reduce the dependence on bulk. We want to reduce from 24% to 18%. These are the broader guidelines or guidance which we have.

Saket Kapoor: Okay. Sir, when we look at our treasury portfolio, I think so for this quarter, even our treasury income must have been affected because of the hardening of the tenure and the higher G-Sec yields. So, what have been the impact on our treasury portfolio because of the hardening of the yields?

Raghavendra Bhat: No. We are working cautiously. We are duly taking into account the cost benefit analysis. We are very careful. And with regard to the funding arrangement also, we have adequate measures available with us.

We have planned. ALCO is meeting regularly and we are working out in bits and pieces, everything. HFT portfolio, we have investment portfolio itself in total INR27,000 crores. Therefore, the HFT portfolio is also very small. We will not be affected too much. We are cautious. We will be moving very cautiously.

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

Raghavendra Bhat: Yes. Thank you, Mr. Alaric. Yes, as we wrap up today's call, I'm glad to reiterate our unwavering commitment to shaping a forward-looking governance-driven institution that honours its historical roots while successfully navigating this fast-evolving era.

By continuing to scale our retail and MSME lines while optimizing funding costs, we are completely certain of our ability to maintain this healthy growth momentum and deliver long-term value to our stakeholders.

Thank you once again for your insightful questions, your continued reliance and your invaluable collaboration in charting the next phase of Karnataka Bank. Thank you very much to everyone, particularly thanks to Mr. Alaric. Thank you.

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

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