



Board Secretariat

Investor Brief for September, 2022

A Very Good Afternoon, Greetings for the festival of lights Deepawali and Warm Welcome to all the participants.

As you all know that the global pressures are on play and the growth forecasts are being moderated with some experts even predicting a recessionary period. There seems no immediate end to the Russia-Ukraine conflict and the inflationary pressures are not abating, incessant rate hikes notwithstanding with more being anticipated. We have also seen a lot of volatility in the capital market and exchange rates. But despite the adverse headwinds, there has been good credit demand in the country and the financial services industry is seemingly doing well.

J&K, which gets very little coverage in the national media and that too usually for not so good reasons, generally remains a partially unknown and mysterious territory. However, post the reorganization, the UT is getting a lot of attention from the union government with development of infrastructure especially connectivity to make it more accessible as a favoured destination not only for tourists but also for investments - both domestic and international. As a result, an accelerated level of activity is being observed in the UT in every sphere. The UT is witnessing an unprecedented growth phase with over 12 million tourists visiting J&K during the first nine months (Jan - Sep) of the year and the rush hour is continuing late in the autumn season causing revival of tourism & related activities.

In my first interaction with you in February this year, I had shared my preliminary understanding of the Bank with you and in later conversations I presented my vision for the Bank with strategies to realize the vision. Despite the numerous inherent strengths of the Bank, the performance had not been up to the expectations of the stakeholders for a number of years due to a series of challenges faced by it in quick succession since 2014. This had also led to many investors losing faith in the management assurances. So our priorities were cut out - to address the major concerns on an urgent basis while capitalizing on the strengths to reinstall the past glory of the institution which used to be the cynosure of the Investor fraternity. The major area of concern on the business front, as we perceived, was the asset quality followed by the requirement of growth capital. Likewise, on the operational and business support front, revamp of the IT infrastructure was the key area as the Bank was still using the old version of core banking solution (Finacle-7) which lacked many functionalities critical in the modern digital banking era. So our 'mission resurgence' took these challenges head on simultaneously. We augmented our capital (T1 & T2) by fresh infusion of Rs. 1100 crores and total plow-back of profit (Rs. 500 Crore) during last FY. We also switched over to the latest version of CBS (Finacle-10) in June 2022. In the process we faced some



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initial glitches and it took some time to acquaint our employees with the new application but now the system has mostly stabilized and we have started reaping benefits of the upgrade.

However, the highlight, I would say is the management of asset quality. The high level of stressed assets - crystallized NPAs and potential NPAs i.e. SMAs and the Restructured loan book were unnecessarily consuming capital, restricting our earnings and eating into our bottom-line. During our guidance for the current FY, we had envisaged a GNPA level of around 6% by the year-end which might have sounded overambitious at that time and also not corroborated by our Q1 numbers. But today I proudly inform you that the GNPA figure has come well below the 8% mark - a feat achieved after seven (07) years. And we are not done yet, we are on course to deliver what we have assured. The resolution process has gathered more steam with the activation of the Bad Bank (NARCL) - at above Rs. 900 Crore, our bank too has a significant share in the NPA pie being assigned to NARCL in the first phase.

Similarly, focused attention towards SMAs on an ongoing basis is resulting in significant reduction in these numbers with each passing day and we are converging towards the industry average on this front also.

I know everybody must be looking forward to a long weekend and engaging in festivities on the eve of Deepawali with family and friends. So we will do a just a sneak peek into the numbers for Sep 2022 before taking your queries.

The growth in Deposits and Advances has been 9% apiece on YoY basis while it is 3% and 4% respectively over the quarter. Overall business (Deposits plus Net Advances) has crossed the Rs. 1.90 Lakh crore mark and on gross basis it is just shy of Rs. 2 lakh Crore. CASA, though slightly down is still near the 55% mark. The yield on Advances has significantly improved to 9.01% for the quarter while the cost of deposits is contained at 3.67%

On the operating front, the Net Interest Income is up by 24% for the quarter and 15% for the half year compared to corresponding periods of previous year, while the Operating Profit is up by 56% and 29% for respective periods.

The PAT for the quarter at Rs. 243.49 crore is 119% up from Q2 of last year while PAT for the Half-year at 409.46 crores is 90% up from H-1 last year.

Consequently, NIM has improved to 4.04% for the Q2 and 3.75% for the HY against 3.51% and 3.50% for corresponding periods of last year. Return on Asset has improved to 0.71% for the quarter and 0.62% for the HY.

The cost-to-income ratio is steadily moderating and has come down to 64.19% for the Q2 and 66.57% for the HY from the above 70% levels recorded last year.



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Capital Adequacy (CRAR) is at 12.86% and CET-1 at 9.99% without inclusion of the PAT for the HY, inclusion whereof would result in further improvement of 55 basis points in these ratios.

The GNPA ratio as I highlighted earlier has come down to 7.67% against 8.95% in Sep'2021 and 9.09% in the previous quarter. NNPA ratio has moderated to 2.10% from 3.02% recorded a year ago and also in previous quarter. Provision coverage ratio (PCR) has improved to 85.58% from 81.57% a year ago and 81.21% a quarter ago.

During the quarter, two accredited rating agencies, on the basis of Q1 performance, revised the outlook for the Bank from 'Negative' to 'Stable'. With sustained improvements in all parameters, we anticipate a rating upgrade in the near future.

The financial numbers and performance parameters clearly indicate that most of the right boxes have been ticked and the management has demonstrated that it is on course to sustainable delivery on the assurances given to the market. It also corroborates our statements that the concerns and challenges are transient but the fundamental strength and resilience is the perpetuity. We have strived to add some cheer and further brighten the Deepawli celebrations of the stakeholders and expect the investor fraternity to take note of the steadily improving performance of the Bank.

We 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 and wishing you a Very Prosperous Deepawali.