Good Afternoon and a warm welcome to all the participants to J&K Bank June 2025 Earnings Call.

Before starting with the results, let me introduce my fellow colleagues from Bank's senior management who are accompanying me on this call:

Executive Director, Mr. Sudhir Gupta

Retail Credit and Liability Head, Mr. Narjay Gupta

Treasury Head, Mr. Rakesh Koul

Impaired Assets Portfolio Management Head, Mr. Rajesh Malla Tikoo

Our new Chief Financial Officer – Mr. Ketan Kumar Joshi

And Chief Risk Officer, Mr. Altaf Hussain Kira

We are pleased to share that we've begun the new financial year on a strong note, delivering another consistent performance with net profit of Rs.485 crores, up by 16.7% YoY. This is the highest ever net profit reported by the Bank for the first quarter of a financial year. The fact that this performance comes in the wake of the new financial year having begun with challenging circumstances especially in our core territories due to the unfortunate and tragic Pahalgam terror incident followed by heightened tensions and a brief conflict adds further weight to it. It reflects the strength and resilience of our Institution, the unwavering commitment of our teams and the continued trust and support of our stakeholders. Also, I would like to emphasize here that in Q1, our profitability has been impacted by a one-time impairment provision of Rs.87 crores related to our Investment in J&K Grameen Bank, necessitated due to erosion of the equity value on account of amalgamation of J&K Grameen Bank and Ellaquai Dehati Bank into a single RRB under our sponsorship in line with the directives issued by Government of India for Phase IV of amalgamation of RRBs under the "One State One RRB" concept. This is a non-recurring impact and not reflective of our underlying earnings momentum. Excluding this one-time provision, our net profit growth would be upwards of 30% YoY.

Historically, first quarter has been considered lean for banks across the industry in terms of growth. The Bank has registered an above average YoY growth of 12.1% in Deposits, while all Scheduled Commercial Banks have registered a growth of only 10.1% during the same period as per latest data released by RBI. And breaking the trend of last 4 financial years, where we witnessed a degrowth in deposits in the first quarter, we have been able to maintain deposits at March 2025 levels. Despite the stable overall deposit levels, CASA Ratio has witnessed a decline on a sequential basis from 47.01% to 45.71%. This reduction has been driven primarily by migration of CASA balances to Term Deposits for locking-in of higher yields prior to the deposit interest rate cut, which has just begun. This trend reflects in the growth patterns also with Term Deposits having grown by 21.1% YoY against growth of just 2.9% in CASA Deposits during the same period.

On the advances front, growth has been relatively muted at just 6.1% YoY with a degrowth of 2.7% in the first quarter. Though the Bank has witnessed almost similar loan growth in both JKL and ROI at 5.3% and 6% YoY respectively, however in Q1, loan growth in JKL which contributes 70.6% of the total loan book of the Bank has been 2% whereas the ROI loan growth has witnessed a de-growth. Even at an industry level, credit growth has witnessed a slow down with systemic credit growth declining to a 3 year low of below 9% in May 2025 and being recorded at 9.5% YoY as on June 27 2025 with marginal growth of just 0.40% for Q1.

While the overall muted loan growth is primarily attributable to the Corporate Loan book remaining almost flat on YoY basis which is reflective of the broad industry trend of deceleration in corporate lending due to rising competition from alternative funding sources such as bond and equity markets, the degrowth in Q1 in our case can be additionally attributed to scheduled heavy repayments in certain corporate loans, selective participation to protect margins and some internal changes taking place, which we had indicated in the last call.

In terms of sectoral composition, Personal Finance and Agriculture, which contribute around 50% of our loan book, have grown at 7.4% and 19.9% YoY respectively. Growth in Personal Finance in ROI at 13.4% YoY continues to outpace JKL growth at 6.8%, which is as per our strategy of enhancing our retail base in ROI. Within personal loans, housing loans have been the best performer at Bank level with YoY growth of 9.3% whereas in ROI, both housing and car loans have witnessed an impressive double-digit growth of around 13% and 20% respectively. Lending to manufacturing and financial markets sectors has witnessed a YoY degrowth with the growth in industrial activity in India slumping to a 9-month low in May 2025 and banks remaining cautious in lending to NBFCs.

The income statement has multiple positives with the Operating Income increasing by 9.7% YoY, Interest Earned growing by 9.1% YoY and Other Income by 29% YoY despite taking a one-time hit on account of the impairment provision referred to earlier. While Operating Expenditure for the quarter shows a 7.7% YoY jump, the major constituent – employee expenditure, which contributes around 70% of total Operating Expenditure of the Bank, has reduced by more than 4% on the back of moderating retiral costs, which we have talked about previously.

As had been forecasted especially for first half of FY26, NIMs have started contracting due to faster transmission of rate cuts on the lending side and lagging relief on deposit costs. The transmission of rate cuts has resulted in the Yield on Advances reducing to 9.35% whereas Cost of Deposits seems to have peaked at 4.83%. Resultantly, Bank has recorded a NIM of 3.72% for the quarter. Due to the one-time impairment provision, the annualized Return on Assets and Return on Equity have been recorded below our guided range at 1.17% and 14.60% respectively for the quarter. However, on a normalized basis, both metrics remain broadly in line with our expectations.

GNPA has slightly increased to 3.50%, though the increase is majorly on account of a degrowth in Gross Advances rather than any substantial increase in NPAs. Consequently, NNPA has also slightly increased to 0.82%. PCR continues to be healthy above 90%. Even though there has been some increase in gross slippages during the quarter, however the Gross Slippage Ratio is still under control at 1% (Annualized) for the quarter. Also, the Bank has been able to drastically reduce the overall SMA numbers with SMA-0 to Standard Advances Ratio declining from 15.91% to 9.01% sequentially, which has been enabled by realignment of repayment dates with cash flows of borrowers.

CRAR has been recorded at 15.98% with CET 1 at 12.69%. This is without reckoning the net profits for Q1 which has an incremental impact of 48 bps. Though the Bank has sufficient capital buffers at the moment, the Board has already approved raising of equity and bonds to the tune of Rs.1000 crores and Rs.500 crores respectively as growth capital.

Despite compression in NIMs and measured growth, we remain confident in our strong fundamentals, strategic priorities and with our continued evolution are well-positioned to deliver consistent performances going forward and create long-term value for our shareholders.

We maintain the guidance for FY 2025-26 given in our March 2025 call barring a downward revision for NIM, necessitated by the RBI's surprise jumbo rate cut of 50 bps in June 2025 – its steepest move since the emergency 75 bps cut during COVID-19 in March 2020.

Market Guidance for FY 2025-26

- Credit growth - 12%
- Deposit growth - 10%
- CASA - 48%
- NIM - 3.65% to 3.70%
- RoA – Maintain around FY 2024-25 levels
- RoE - 16% to 17%
- GNPA – Below 3%

Thank you for your time today. We appreciate your continued interest and support.
We can start with the questions now.

Concluding remarks after Q&A session

Thank you Shruti and thank you to all the participants for joining in today. For any further questions or queries, you can contact our Investor Relations desk.