City Union Bank

Operator: Ladies and gentlemen, good evening and welcome to the City Union Bank Ltd. Q2 FY27 Earnings Conference Call hosted by Ambit Capital Private Limited. 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Jignesh Shial from Ambit Capital. Thank you, and over to you.

Jignesh Shial – Ambit Capital: Yes, thank you, Yashashree, and good evening, everyone. On behalf of Ambit Capital, I welcome you all to the Q2 FY27 earnings call of City Union Bank Ltd. We have with us Mr. R. Vijay Anand – MD and CEO, Mr. V. Ramesh – Executive Director, and Mr. J. Sadagopan – CFO. We are thankful to the management for providing us with this opportunity. I would now hand over the call to Mr. R. Vijay Anand, MD and CEO of City Union Bank Ltd., for his opening remarks. Over to you, sir.

R. Vijay Anand – MD & CEO: Thanks, Jignesh. Good evening, everyone. A hearty welcome to all of you for this conference call to discuss the unaudited financial results of City Union Bank Ltd. for Q2 and H1 FY27. The Board approved the results today, and I hope you have all received copies of the results and the presentation.

Our bank has crossed the milestone of 1 lakh and 50,000 crores in total business during the current quarter. We had crossed 1 lakh and 20,000 crores in Q2 FY26, coinciding with the celebration of our bank's 120th year last year, and we had reached this figure within a span of four quarters.

During the last conference call, we shared our expectations for the current financial year as follows:

We are very conscious of improving our credit growth through secured lending while venturing into other avenues to achieve credit growth 2%-3% above the industry.

Our deposit growth is aligned with credit growth, which is helping us maintain the desired CD ratios.

We expected NIM to hover around 3.70-3.75%.

ROA was expected to remain at our current level of 1.55-plus.

Our PAT growth would continue with business growth and better asset quality.

For the current quarter and half-year ended, our performance is in line with our expectations, and in some parameters, we have probably exceeded our expectations as well.

We registered 26% advance growth in Q2 FY27 year-on-year, and our advances increased to 72,442 crores from 57,561 crores in Q2 FY26. The positive momentum in growth achieved during the start of FY24-25 gained strength, and we achieved double-digit growth in all four quarters of FY25 and also up to H1 FY26.

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In Q2 alone, our advances grew by over 4,800 crores, which is over 7% in a single quarter. We have achieved 25% credit growth for the last three consecutive quarters.

Our core strength, MSME, increased by 2,600 crores, from 40,262 crores to 42,862 crores, and the new segment, secured retail loans, increased by 1,134 crores, from 6,668 crores to 7,802 crores. Gold loans also increased by 1,062 crores during the quarter, from 20,715 crores to 21,777 crores.

We have been coming across various news reports regarding gold loans and the various practices adopted. Hence, we would like to spend 2-3 minutes covering these practices adopted by our bank, particularly with respect to delinquency and LTV norms.

Gold loans are secured lending products serving both agricultural and non-agricultural financing needs. An agricultural loan, which is classified as income-generating, requires appropriate evidence of the eligible underlying activity, while non-agricultural lending is completely for consumption purposes and requires a suitable purpose for end use.

The bank prioritizes maintaining a clear distinction between agricultural and non-agricultural loans based on the purpose of the loan, documents evidencing the purpose, proper credit assessments, and end-use control. This is aligned with the RBI's revised directions on lending against gold and silver collateral, effective April 1, 2026.

In terms of LTV, under the RBI's harmonized directions applicable to banks from April 1, 2026, the earlier uniform 75% LTV cap has been replaced with a structure based on the loan amount for consumption loans. For loan amounts up to 2.5 lakhs, we can go up to 85% LTV; from 2.5 lakhs to 5 lakhs, it is 80%; and above 5 lakhs, it is 75%. Please note that these are only the maximum regulatory limits for consumption loans under the harmonized directions, and not a recommended lending target.

Generally, consumption loans are considered within an LTV range of 60%-65% at the time of onboarding, although the permitted LTV is higher. The daily LTV will be calculated on the 30-day average gold rate of the Indian Bullion and Jewellers Association.

While calculating LTV on a day-to-day basis, the entire interest payable over the loan tenure up to maturity is considered upfront, along with the outstanding value of the account.

Prior to the new regulatory guidelines applicable from April 1, the consumption loan would be classified as an NPA if the account reached the threshold limit of 75%. However, under the current regulation, when the LTV breaches the regulatory requirement, the bank has introduced SMA flagging of accounts, and in the event of a breach of the prescribed LTV, the account will be classified as an NPA on the 91st day.

Generally, we maintain a 5% cushion for the margin call: 70% for customer exposures above 5 lakhs, where the maturity balance is above 5 lakhs; 75% for maturity balances from 2.5 lakhs to 5 lakhs; and 80% for 2.5 lakhs. As discussed, whenever the LTV is breached, the entire list of accounts will be included under the exceptional item of the trial balance of the concerned branches for necessary follow-up. The customer is contacted for a margin call, notices are sent, and interest payment and loan closure are pursued. If the shortfall persists beyond the SMA period, the account will be

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classified as an NPA, and the bank will initiate the recovery process.

Renewals are permitted only under a disciplined framework. The existing loan must be a standard account and not an SMA account. Renewals are allowed only within the available LTV headroom. The bank is currently not considering any top-up loans.

As of September 30, 2026, the outstanding SMA accounts under the gold loan portfolio were around 173 crores, representing 0.24% of gold advances. Gross NPA stood at 9.5 crores. Since the percentage is immaterial, I have not given the percentage. Gross NPA is around 9.5 crores. Out of 9.5 crores, once the accounts became NPAs, auctions were conducted only for 20 lakhs. This means that, out of 9.5 crores, all the accounts were repaid and only 20 lakhs out of the 20,000 crore book went for auction. This is fundamentally possible because we have a robust underwriting process, systems are in place, and LTV is well within our control.

Now let us come to deposits. Our deposits grew by 21% and stood at 83,893 crores for Q2 FY27, compared to 69,486 crores in Q2 FY26. Our deposits increased by more than 4,500 crores, or 6% sequentially. Our average CD ratio for Q2 FY27 stood at 86%. The CASA percentage of total deposits remained constant at 27% this quarter.

During the Q1 earnings call, we anticipated that the cost of deposits might increase due to the tight liquidity conditions prevalent during June and July. Hence, we were prepared for a marginal drop in NIM. However, contrary to our expectations, liquidity conditions eased following the measures taken by the government through FCNR deposits. We mobilized an amount of around $69 million under the RBI swap, of which $15 million came from new-to-bank customers. The entire amount was swapped into Indian rupees with the RBI and deployed for domestic loans.

Asset quality: As we shared earlier, the trend of recoveries exceeding slippages is continuing this quarter as well. We have been continuing this trend for quite a good number of quarters, as you would be aware. For Q2 FY27, total slippages were 175 crores, while total recovery for Q2 stood at 317 crores, consisting of 180 crores from live NPA accounts and 137 crores from technically written-off accounts, resulting in a negative credit cost. During the quarter, the bank sold accounts amounting to 803 crores, comprising live and technically written-off accounts, against which a provision of 792 crores had been held. The 803 crores of bank accounts were sold to an ARC for a consideration of 131 crores.

Our gross NPA percentage reduced to 1.44% in Q2 FY27 from 1.73% in Q1 FY27. Both gross NPA and net NPA, in percentage and absolute terms, have been reducing quarter-on-quarter for the last 10 consecutive quarters. Compared to Q1 FY27, GNPA reduced from 1.73% to 1.44%, which is a 29-bps reduction. Similarly, our net NPA reduced to 0.48%, which is now less than 0.5%, from 0.9% in the last quarter. From 0.9% in the last quarter, we moved to 0.48% in Q2. The absolute amount reduced to 344 crores from 513 crores in the last quarter, Q2 FY26. Therefore, from 513 crores in Q2 FY26, we have moved to 344 crores this quarter.

Overall SMA-2 to total advances stood at 0.67% in Q2 FY27, compared with 0.94% in Q1 FY27. In the corresponding period last year, Q2 FY26, it stood at 1.34%.

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For Q2 FY27, PCR including technical write-offs stood at 82%, and PCR excluding technical write-offs improved to 67% from 63% in the corresponding period last year.

P&L and financial ratios:

Our interest income grew by 27% in Q2 FY27 and increased to 2,092 crores from Rs. 1,653 crores in Q2 FY26. For the half-year ended September 30, 2026, interest income improved to 4,077 crores compared to 3,258 crores, showing growth of 25%. Our yield on advances improved to 9.85% in Q2 FY27 from 9.79% in Q1 FY27. For H1 FY27, it was 9.82% compared with 9.73% for the similar period last year.

Our yield on investments also increased from 6.42% in Q1 FY27 to 6.56% in Q2 FY27. During Q1 FY27, we invested around 850 crores in mutual funds and earned other income of 12.5 crores, which was recorded under other income. In Q2 FY27, we exited the entire mutual fund investment and moved to interest-income-earning investments for better yield. The entire interest was accounted for under interest income on investments during August 2026, rather than under other income in Q1. Because of that, yield on investments increased from 6.42% in Q1 to 6.56% in Q2, and NIM increased by 3 bps as a result.

At the same time, the cost of deposits remained stagnant at 5.56% in Q2 FY27 compared with Q1 FY27, and the cost of funds for Q2 marginally decreased by 4 bps, from 4.78% to 4.74%, sequentially. Thus, our NIM increased from 3.78% in Q1 FY27 to 3.87% in Q2 FY27. For H1 FY27, NIM was 3.83% compared with 3.59% in H1 FY26.

Following the recent changes in policy repo rates, the bank has started passing the rate on to borrowers, and around 55% of our loan portfolio is linked to the EBLR. However, deposit rates have not witnessed any immediate change as ample liquidity continues to be available in the banking system, supported by inflows under the FCNR deposit scheme. Hence, we project that NIM will be in the range of 3.85%-3.95% for Q3 and Q4.

Total other income for Q2 FY27 increased by 35%, from 259 crores in Q2 FY26 to 350 crores in Q2 FY27, and for the half-year [cut off]

Management: For the half-year ended, it increased by 18%, from Rs. 503 crores in H1 FY26 to 594 crores in H1 FY27. The increase in other income was mainly due to the sale of technically written-off accounts to an ARC, and total technically written-off collections for the quarter amounted to 137 crores. During the quarter, we sold excess agricultural assets by way of PSLC and received an amount of 9.6 crores.

Operating expenses for the quarter increased by 24%, from 455 crores to 562 crores. Establishment expenses increased by 25%, from 224 crores in Q2 last year to 280 crores in Q2 of the current year. As you are all aware, the bank disbursed the annual wage hike to all its employees during the second quarter.

Other operating expenses also increased by 22%, from 231 crores to 282 crores. Our operating profit grew by 35% in H1 FY27 and stood at 1,241 crores compared to 922 crores in the corresponding period. We made a provision of Rs. 245 crores versus 160 crores towards tax and

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bad debts. We provided 120 crores in H1 versus 110 crores in the first half of last year.

The bank made a contingent provision of 50 crores during this quarter, specifically designed for unforeseen economic uncertainties in the future. Our endeavor is to build this further in the coming quarters and strengthen the balance sheet.

Thus, PAT stood at 416 crores for Q2 compared with 329 crores in Q2 FY26, which works out to 27% growth. PAT for H1 FY27 was 798 crores versus 636 crores in H1 FY26, showing 26% growth.

Finally, on the cost-to-income ratio and ROA: Our cost-to-income ratio for Q2 FY27 stood at 45.96 compared with 49.16 in Q2 FY26, which is an approximate 4% reduction. For H1 FY27, it was 45.71 compared with 48.66 in H1 FY26. Our ROA for Q2 FY27 was 1.62% compared with 1.59% in Q2 FY26, and for H1 FY27, it was 1.59% compared with 1.57% last year.

To sum up, we are on track to achieve consistent credit growth of 2%-3% over and above the industry level, and the engine is now in place. As usual, the bank will always focus on MSME and the gold loan segment, in addition to venturing into new avenues to maintain momentum and growth. This means our focus on secured lending continues as usual.

Our deposit growth is aligned with credit growth, and this will continue. NIM will be in the range of 3.85%-3.95% during Q3 and Q4. ROA is expected to move above the 1.6-plus range. Our cost-to-income ratio will largely be in the range of 45%-47% for FY27. Thank you very much, and the floor is open for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We take the first question from the line of Suresh Ganapathy from Macquarie Capital. Please go ahead.

Suresh Ganapathy – Macquarie Capital: Hello. Sir, I had a few questions on gold loans because there is a lot of discussion about them. You are saying that 9.5 crores was NPA and only 20 lakhs went for auction. Do you mean that the balance 9.3 crores was repaid by the borrowers, who got their jewellery back? Is that the case?

Management: Good evening, sir. Yes, you are absolutely right. Out of 9.5 crores, only 20 lakhs went for auction. This means customers repaid the entire 9.3 crores.

Suresh Ganapathy – Macquarie Capital: Okay. Do you provide short-term gold loans? Do you provide loans for more than 9 months or 12 months? Are they bullet loans or EMI loans? What is the structure?

Management: Broadly, agricultural loans are bullet loans, sir, based on the harvesting season.

Suresh Ganapathy – Macquarie Capital: Hmm.

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Management: As I mentioned in the note, we also calculate the LTV upfront. In terms of consumption loans, we provide both bullet and non-bullet loans. To answer your question, bullet loans are more prevalent in consumption loans as well.

Suresh Ganapathy - Macquarie Capital: Is there a difference in behavior between bullet loans and non-bullet loans?

Management: We have not seen any characteristic difference between bullet and non-bullet loans, sir. Predominantly, as we know, it is always related to end use. We also understand why the customer is opting for a bullet or non-bullet loan. As we speak today, 99% of the loans are bullet loans. We have not seen any characteristic difference between the two.

Suresh Ganapathy - Macquarie Capital: You do not even assess the borrower's income? Does he simply come, provide the gold, and receive a loan directly without checking his income or CIBIL score?

Management: A complete credit assessment is conducted. We pull the bureau report. We also check the customer's past behavior, if any. Predominantly, we find that these customers have a thin credit history, so they generally have only one or two trade lines. We check their credit behavior and credit score. Most importantly, we conduct an end-use assessment.

Suresh Ganapathy - Macquarie Capital: Do you finance NPAs?

Management: Predominantly, sir, the loans are provided through rural or semi-urban branches. The branches are the distribution centers. We have approximately 250-260 branches as we speak. The branch meets the customer and understands why the loan is required and what it is for. Then, we have a central credit operation at Kumbakonam. Once the bureau score is pulled, the customer's bureau score is reviewed, and beyond a certain amount, the proposal has to come to the central office. If there are no deviations, we take a call.

Suresh Ganapathy - Macquarie Capital: Do you finance NPAs in gold loans or not? Is that a strict no if the customer is an NPA somewhere else?

Management: No way, sir. We also do not provide top-up loans. Even for my own customers, I do not provide top-up loans.

Suresh Ganapathy - Macquarie Capital: Do you not consider it riskier? There is a lot of discussion that if there is a sharp correction in gold prices, there could be a problem. I know there is an LTV cushion, but based on your experience and customer behavior in general, the system is saying that 25% of gold NPAs are being financed. You do not see a problem of stress there in the system, or do you think this is manageable because there is a lot of cushion even if gold prices correct?

Management: Sir, my personal view is that if we can correlate the end use of the loan with the customer, I think we are in a much safer position. If you do not know where the money is going, then I think this needs to be questioned, sir.

Suresh Ganapathy - Macquarie Capital: How do you actually check the end use? The customer can take the loan and do whatever he wants.

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Management: Normally, we know the type of client who walks into the branch. Predominantly, the loan is for urgent medical expenses, or the customer urgently needs to pay his son's or daughter's school or college fees after receiving admission. We conduct a personal discussion with the customer. We spend 5-10 minutes with the customer in the branch. That is why I said the branch is our distribution center. We spend time with the customer and, in rural and semi-urban areas, we generally know the customers as well.

The customer may need an interior renovation for his home, may suddenly need money, may want to carry out some repair work at home, or may require margin money for a home loan or something similar. Medical expenses are another major requirement, particularly for someone who does not have insurance. We also check whether the customer has insurance if he is asking for a medical loan. We conduct all these cross-checks and then take a decision accordingly.

Suresh Ganapathy - Macquarie Capital: A final question on loan growth and deposit growth. You have had very good loan growth this year, or rather, over the last four quarters, and deposit growth has also been very strong. I know there has been some liquidity because of FCNR inflows for everyone in the system, but deposit growth appears to be the biggest constraint for the banking system. Looking 12-18 months forward to FY28, do you think you can sustain this kind of 20% deposit growth? That seems very challenging considering the competition and the fact that rates are also going up. Do you think you can sustain these numbers?

Management: Sir, sustaining 20% in the next 2 years would be doubtful, in my view. I think it will certainly be a challenge. [hesitates] Having said that, over the last couple of quarters, we have been consistent and have been becoming more granular. Even if you see the presentation, we have not really pursued bulk deposits or CDs.

Term deposits below 3 crores contribute 48%. Deposits from 3 crores to 15-50 crores contribute only 17%, and deposits above 50 crores contribute only 8%. This means that 75% of my book is somewhat granular. However, whether we can grow at the same pace of 21%-22% over the next 2 years is something we will have to see.

Today, branch productivity is improving slightly. Our new branches have also started delivering. We had 800 branches, and as we speak today, we have more than 1,000 branches. The newly opened branches have started delivering quite consistently. This has provided a cushion. We may need to observe this for some more time before I can confirm that we have the appetite. I think—

Suresh Ganapathy - Macquarie Capital: Lastly, from a customer standpoint, there are so many options for customers, including new private sector banks and PSU banks. What is the USP that brings a customer to City Union Bank for CASA deposits or retail term deposits? Do you compete on rates, or what exactly is the USP? I know this is not new for you, as you have been in the business for a long time, but the environment is also challenging. How are you able to source customers and market your products? Have you recruited new people from other private sector banks from a sales perspective? Any qualitative insight on this would be helpful. Thank you.

Management: There has been reasonably good hiring from other banks. As we speak today, verticalization has been completed for CASA. We have created one vertical for CASA. We have created TAS. We have created government banking, and we have started NRI banking. Broadly,

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these are the verticals we have started. We also have a separate vertical for salary accounts.

We have a salary account vertical, a TAS vertical, a government banking vertical, a CASA vertical, and an NRI vertical. This seems to be working well for us. Most importantly, we have increased the score weightage for branch managers for CASA. We do not pursue terminal CASA because terminal CASA does not provide anything. Average CASA determines the rating.

In terms of service, I think the relationship is helping us significantly. Beyond the transaction, we meet customers and undertake other activities, and that is what is helping us. Hopefully, we will replicate this every quarter and keep it moving.

Suresh Ganapathy – Macquarie Capital: Thank you, sir. All the best.

Management: Thank you, sir. Thank you.

Operator: Thank you. The next question is from the line of Rohan M from Equirus Securities. Please go ahead.

Rohan M – Equirus Securities: Good evening, sir, and thank you for the opportunity. This is regarding the asset sales we have undertaken. We have done this at around 16% cash recoveries. I wanted to understand the nature of these loans because most of our loans are secured, and historically, we have seen healthy recovery from NPAs. What was the rationale, and what was the vintage of these NPAs?

Management: Good evening, sir. We sold loans amounting to 803 crores. Predominantly, we had provided Rs. 792 crores, as we mentioned. Typically, as a bank, we are completely secured and operate with an LGD of 20%. There are some loans that are more than 5 years old and have been completely written off. I will give you the exact figure. There are 757 loans amounting to 645 crores that are more than 5 years old, and a provision of 645 crores is held against them.

Typically, sir, if the outstanding is Rs. 100 and the account has become an NPA, we sell the property and realize Rs. 95. We continue to carry the remaining Rs. 5 as an outstanding amount against the customer. Technically, this Rs. 5 becomes unsecured for us after we close the loan. We have sold this Rs. 5 because we have not provided closure or an NOC for these loans. Therefore, against, say, 100 crores, when we have collected Rs. 95, the remaining Rs. 5 is always a challenge. Hence, we sold these amounts.

Loans older than 5 years comprise 757 loans amounting to 645 crores. Loans between 4 and 5 years comprise 91 loans amounting to 40 crores. Loans between 3 and 4 years comprise 84 loans amounting to 54 crores. Out of 802 crores, almost 750–760 crores was more than 3 years old. Hence, we conducted the internal calculation based on the time value of money and thought it was a fair deal if we could remove these from the books.

Rohan M – Equirus Securities: To understand it clearly, all the loans sold had no underlying collateral that went to the ARC? Were these all residual amounts? If so, what was the incentive for the ARC to buy these loans for 16%?

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Management: No, we had a mix of both, sir. The majority of the loans had zero collateral, while some had collateral. You want the split-up of this? {? [foreign speech] ?} split-up {? [foreign speech] ?} [pause] I can give you the split-up, or perhaps I can send it to you. Yes, 100-120 crores should be with collateral, and the remaining should be—

Management: Both pools, I can provide it. Please give me a minute, sir.

Rohan M – Equirus Securities: Okay.

Management: 303 is completely with collateral, and 500 is without collateral.

Rohan M – Equirus Securities: Got it. What is your outstanding technically written-off pool after the sale? During the quarter, what provision reversal have you taken from this loan?

Management: The outstanding technically written-off pool is 900 crores.

Rohan M – Equirus Securities: Okay. And provision reversal [cut off]

Management: It is fully provided, sir. All these loans are fully provided for.

Rohan M – Equirus Securities: So no reversal has been taken in the P&L at this point?

Management: No.

Rohan M – Equirus Securities: In terms of operating expenses, you explained that the increase this quarter was due to the wage hike. Was there anything else that was one-off in either employee expenses or other operating expenses? Or should we expect this to continue incrementally for the [cut off]

Management: The July hike is something we normally give, and that is what was reflected in Q2. This is a normal occurrence. We always implement it in July, so we do not expect much further increase from now for this year.

Rohan M – Equirus Securities: So this run rate of around 280 crores will continue incrementally for the [cut off]

Management: Yes, 275-280 crores.

Rohan M – Equirus Securities: Sorry?

Management: Even if you see last year, from Q1 to Q2, Q1 was around 200 crores, which increased to 225 crores in Q2. Likewise, this time it increased from 238 crores to 280 crores. You can roughly imagine or assume that it will be around 275 crores going forward.

Rohan M – Equirus Securities: The jump is almost 20%, or 19% quarter-on-quarter. So [cut off]

Management: That is mainly because we provided for leave encashment based on actuarial valuation. We provided 32 crores during Q2, whereas the requirement used to be 3-5 crores in each quarter.

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Rohan M – Equirus Securities: On the gold loan NPA recoveries we have seen, where customers came back and repaid, I wanted to understand the timeframe. After they became NPAs, within what timeframe did they come back and repay? If the money came in, what was the typical source? Did they borrow from somewhere else and repay, or was it from family and friends? Why were they unable to pay earlier and then able to repay immediately?

Management: I can answer the first part of the question, sir. The period between NPA classification and auction is 45 days. They will normally pay within those 45 days if they want to get the gold back. Gold is generally an emotional product in the South, so it is unlikely that they will allow it to go for auction. That is the first point.

Most importantly, the gold rate also matters because we are not a high rate-per-gram provider. When there is still leverage available, they have an opportunity to raise money elsewhere as well. However, honestly, we do not know the reasons why they would have paid it. We are not a high rate-per-gram provider, so they have a cushion to obtain more money from outside as well. Therefore, they obviously would not want to risk it.

Rohan M – Equirus Securities: Got it. Perfect. Thank you for the opportunity.

Management: Thank you, sir. Thank you.

Operator: Thank you. We will take our next question from the line of Puneet Bahlani from Dolat Capital. Please go ahead.

Puneet Bahlani – Dolat Capital: Hello, sir. Thank you for taking my question. Is there any specific reason why we did not grow our non-agricultural gold loan book this quarter?

Management: Sir, again, it is a question of the inputs: what type of customers we are getting and what the end use is, as I mentioned earlier. We do not grow merely to achieve a number. If the customer is well within our guidelines or framework, within our strawman, we will not hesitate to grow. If the bureau matches, the personal discussion is satisfactory, and the assessment is clean, we will proceed.

In agriculture, the additional comfort is that we know what type of crop the customer is cultivating and we know the harvesting season. If you are aware, the belt is entirely a rich Cauvery delta belt. We know that cultivation will take place during a particular month and so on. There are also documents evidencing the eligible underlying agricultural activity. When the available documents support the activity, it gives us more comfort to fund.

In a consumption loan, we really need to investigate and check what type of loan it is and why the customer needs it. If it fits within our risk appetite framework and strawman, we will grow for sure.

Puneet Bahlani – Dolat Capital: Going forward, given these trends, is it safe to assume that growth in gold loans will be driven by the agricultural gold loan segment? Do you agree?

Management: Agricultural gold loans are provided because we have the documents, we know the harvesting season, and we have other supporting information. Non-consumption loans are based purely on risk assessment. I will not say that this segment will reduce or increase. If the risk

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assessment matches our criteria, we will not hesitate to grow.

Puneet Bahlani – Dolat Capital: What would be the yield differential between these two loans? Is it around 100 bps between non-agricultural and agricultural loans?

Management: It is close to 100 bps.

Puneet Bahlani – Dolat Capital: On the margin front, if I am not mistaken, were you guiding for a 10-bps expansion in Q2 or a near-term expansion, if I heard it correctly? I am not sure because of the rate hike and everything. I also wanted some qualitative insight into the fixed-rate and floating-rate book mix and how we should build that into our numbers.

Management: We did say that 3.85%-3.95% is the NIM we will eventually reach based on the rate hike. Between fixed and floating, the entire gold loan book is fixed, which means 20,000 crores. EBLR-linked loans are 55% as we speak. Fixed-rate loans are around 33% and MCLR-linked loans are 12%. Therefore, we are saying that NIM will be between 3.85% and 3.95%.

Puneet Bahlani – Dolat Capital: Got it. Thank you very much, sir.

Management: Thank you, sir. Thank you.

Operator: Thank you. We will take our next question from the line of Jayant Kharote from Axis Capital. Please go ahead.

Jayant Kharote – Axis Capital: Thank you for the opportunity. My question is on the gold loan customer base. Can you help us understand the spread of the customer base? How many customers have been cross-sold gold loans from your liability franchise or have multiple asset products? What percentage of the gold loan book, or what number of gold loan customers, are new to the bank and restricted to only one product?

Management: Typically, gold loans are sold through 250-260 rural and semi-urban branches. Please understand that these are 500-700 square-foot bank branch offices where the branch manager, appraiser, and officer are sitting, and the branch has a book size of approximately 40-50 crores. Hence, this is not a metro-based product where we conduct cross-selling.

Of these customers, 50% are agricultural customers. All the customers have a bank account with us. Therefore, if you want to discuss cross-selling, 100% of our gold loan customers have savings bank accounts with us. In terms of other products, I think it is typically very difficult because these customers cannot be MSME customers, which is our main product. Otherwise, they are savings bank customers, and if you look at their other bureau records, they could be two-wheeler customers of other banks or NBFCs, which we do not offer. The characteristic of these customers is that they need to have a straightforward relationship with us. That is all.

Jayant Kharote – Axis Capital: My second question is on the utilization of the SME lines. How has that performed, and how is it looking for Q3 and Q4? Do we see some acceleration there?

Management: Utilization was fairly good in Q2. It was around 71%-72%. If you recall, we were at 69% in the last call. We have moved from 69% to 71%-72% as we speak today. Utilization has been quite

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good, sir.

Jayant Kharote – Axis Capital: Gold loans are currently being offered only in Southern India. They are not being offered in the new northern branches. Is that correct?

Management: We are offering them everywhere. We are offering them everywhere, and it is a pan-India product.

Jayant Kharote – Axis Capital: Both agricultural and non-agricultural?

Management: Both, but the majority of our gold loan business comes from the South, sir.

Jayant Kharote – Axis Capital: In percentage terms, is it still more than 90%, because the northern branches are still new?

Management: Sir, I am sorry, you may have to repeat the question. We lost you. I am sorry.

Jayant Kharote – Axis Capital: I would say that, in percentage terms, perhaps 80%-90% would still be Southern India because the northern branches are relatively new.

Management: 96% is from Southern India and 4% is from outside Southern India.

Jayant Kharote – Axis Capital: Great. Thank you, sir, and congratulations on a great set of results.

Management: Thank you, sir.

Operator: Thank you. Before we take the next question, we would like to remind participants that to ask a question, please press star and one on your phone. The next question is from the line of Jai Prakash Mundra from ICICI Securities. Please go ahead.

Jai Prakash Mundra – ICICI Securities: Hi, sir. Thank you for the opportunity, and congratulations on a good quarter. My first question is on the tax rate. In the last 2 quarters, the tax rate, calculated as tax divided by PBT, has increased slightly compared with what we had in FY23 at around 20%-21%. Has there been any change in the income profile or perhaps in the rural portfolio? What should be the likely tax rate for the full year?

Management: Generally, the tax rate used to be in the range of 20%-21% for the past few years. For the last 2 quarters, it mainly depends on the write-offs undertaken during the quarter, taking multiple parameters into consideration. We were at 23%-24% in the first and second quarters. Going forward, you can roughly assume a range of 21%-23%, sir.

Jai Prakash Mundra – ICICI Securities: So the blended rate could be around 22%-23%, compared with [cut off]

Management: Exactly, around 22%-23%.

Jai Prakash Mundra – ICICI Securities: Secondly, on treasury income, you have reported treasury income even though yields have actually gone through the roof. Was there anything equity-related, or what explains this treasury gain? We are in the black on treasury.

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Management: Treasury income for the quarter was 36 crores versus 52 crores in the first quarter. As explained by the MD during the call, around 12 crores of mutual fund income was diverted to interest income. Mainly because of that, treasury income reduced to 36 crores from 52 crores.

Jai Prakash Mundra – ICICI Securities: Did you have any MTM loss on the bond portfolio?

Management: It is there, but it is accounted for under the AFS reserve and not in the P&L.

Jai Prakash Mundra – ICICI Securities: How much was the AFS reserve delta? How much was it at the end of Q1 and at the end of Q2?

Management: I do not have the exact figures with me. In any case, I will call you and provide them, sir.

Jai Prakash Mundra – ICICI Securities: Do you have any data on the SMA-2 number? We have seen a strong improvement. What about SMA-1 in rupees crore and SMA-0, if you have those numbers?

Management: SMA-0, SMA-1, and SMA-2 have all come below the threshold. SMA-0 to gross advances is 1.23%, SMA-1 to gross advances is 0.64%, SMA-2 to gross advances is 0.67%, and total SMA to gross advances is 2.53%.

Jai Prakash Mundra – ICICI Securities: Based on SMA, I think this is a multi-year low. How should we look at the ECL transition impact, if you have finalized it?

Management: Yes, sir. Our ECL impact [pause] [off-mic discussion] {? 300 crores, 299 ?} We should have an ECL impact of 300 crores, sir. That is what our calculation indicates.

Jai Prakash Mundra – ICICI Securities: That is as of April 1, right?

Management: As of September 30, 2026, the incremental ECL provision requirement is 299.42 crores, and the variation is minus 5.36 crores.

Jai Prakash Mundra – ICICI Securities: No, I mean this is on [cut off]

Management: When we started from March 31, 2026, our incremental ECL provision requirement was 445 crores, and that has come down to 299 crores.

Jai Prakash Mundra – ICICI Securities: That has come down because the improvement in portfolio quality has continued, right?

Management: Correct.

Jai Prakash Mundra – ICICI Securities: If you can highlight the average ticket size in retail and agricultural gold loans?

Management: Retail, excluding Mumbai and Delhi, would be around 70-80 lakhs. Including Mumbai and Delhi, it would be around 1.2 crores.

Jai Prakash Mundra – ICICI Securities: No, sir, specifically the gold loan ticket size.

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Management: Gold loans? Okay. Please give me a minute. [pause] [off-mic discussion] Agricultural loans are 1 crore, 1 crore 90 lakhs—1.9—agricultural loans are 1 crore 90—sorry, 1 lakh 90. Sorry. Agricultural loans are 1 lakh 90, and non-agricultural loans are 3 lakhs.

Jai Prakash Mundra – ICICI Securities: This is per customer, right, not per account?

Management: No, no, per customer, customer. Per customer.

Management: Per account. Per account.

Management: We divided by the total number of accounts. Yes, per account.

Jai Prakash Mundra – ICICI Securities: Number of accounts. A customer can have multiple gold loans, given how much security or how many ornaments he has provided at different points in time, or is there a restriction?

Management: He can have [cut off]

Management: He can have a maximum of 20 accounts, and again, multiple loans are based on eligibility and the bureau, as we discussed.

Rohan M – Equirus Securities: This is on a per-account basis or a per-customer basis? This Rs.3 lakh ticket size.

Management: The average ticket size I gave you is based on the number of accounts. With respect to the customer, he can have 20 accounts, and the flow is based on eligibility, income, and bureau.

Rohan M – Equirus Securities: So you do not provide small gold loans with ticket sizes of 20,000, 30,000, or 40,000? Perhaps there is a different delinquency profile in those loans?

Management: No, it is not like that. It depends on the market. If it is an unbanked rural area, we may be the only bank there. There are some {? number of ?} [off-mic discussion] 50-60 cities where we are present in unbanked rural areas. In these cities, customers take 30,000-40,000 loans, which we are happy to provide. These are individually suitable borrowers who come with a defined end use. Therefore, it again depends on the market.

In semi-urban areas, the ticket size will be slightly higher and can go as high as 2 lakhs. Agricultural loans depend on the number of acres held and the harvesting requirements. If the number of acres is high, the customer will need more money. If the customer has 1 or 1.5 acres, the requirement will be small.

Rohan M – Equirus Securities: Lastly, MSME growth has also picked up, and gold loans now account for 30%. Do you believe gold loans will remain at 30%, or can their share rise to 35%, or would it remain at this level?

Management: We are looking at a maximum increase of 1%-2%. We do not want to go beyond 31%-32% for sure.

Rohan M – Equirus Securities: Thank you, sir. That is very helpful. All the best.

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Management: Thank you, sir. Thanks a lot.

Operator: Thank you. The next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh – Kotak Securities: Good evening, sir. I have a couple of questions. First, there has been an improvement in lending yields in the gold loan portfolio. Is this a reflection of the rate hike you have taken, or is there something else behind it?

Management: We increased rates. It is a fixed-rate gold loan book, and we did increase the rate in the market wherever we had an opportunity. I think that is the result.

M.B. Mahesh – Kotak Securities: How much headroom is there? What is the blended yield at which you are originating the gold loan book today?

Management: The blended rate is 10.8%, sir.

M.B. Mahesh – Kotak Securities: If I were to say that the current rate is 10.7%, as reported in the presentation, are you saying there is still some headroom in the gold loan portfolio to protect portfolio margins next quarter?

Management: Yes, but I do not think we will increase it this quarter. We have—I think we will not increase it this quarter. I think we are [trails off]

M.B. Mahesh – Kotak Securities: So, considering all the previous loans that have been repaid and the current loans coming in at 10.8%, are you saying there is still some headroom for the portfolio yield to catch up further?

Management: Perhaps 5-6 bps. We have room of 5-10 bps. For customers who close their loan and take a new loan, whoever had obtained the loan at the prevailing rate at that time and is now repaying and taking a new loan, I think we have another 5-10 bps available.

M.B. Mahesh – Kotak Securities: Despite the fixed-rate book of 30% not having an impact on margins for the next couple of quarters, where does that confidence come from? Is it from pricing on the asset side coming through in the next couple of quarters, or from the liability side?

Management: It is a combination of both and then [trails off] It is a combination of both. EBLR today is 25%, which has increased by 25 bps. It is a combination of both. Our liabilities should also help us, as should what we are lending in retail secured and MSME. Both should help.

M.B. Mahesh – Kotak Securities: In your assessment, will the deposit cost you are carrying today remain static next quarter, or is there room for an increase? What is your assessment of the deposit book?

Management: There could be a 3-4 bps or 10-bps increase there, sir.

M.B. Mahesh – Kotak Securities: Thank you very much, sir.

Management: Yes.

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Operator: Thank you. The next question is from the line of Rohan M from Equirus Securities. Please go ahead.

Rohan M – Equirus Securities: Sir, thank you for the opportunity again. I want to clarify the 300 crore ECL that you indicated. Is that after adjusting for the provision you have created, meaning the unprovided portion, or is that the number before the adjustment?

Management: [off-mic discussion] Which one are you referring to?

Rohan M – Equirus Securities: The 300 crores of ECL impact that you mentioned in response to one of the earlier participants.

Management: Right. We had made 30 crores earlier. We are going to adjust it against capital. We have made 30 crores, and we will provide the remaining amount through capital. We should consume on [cut off]

Rohan M – Equirus Securities: So the net incremental impact would be about 270 crores?

Management: Yes, that is right.

Rohan M – Equirus Securities: So the unprovided portion is 270 crores.

Management: Yes. We should consume 0.4-0.45 in capital.

Rohan M – Equirus Securities: Got it, sir. Thanks.

Operator: Thank you. Ladies and gentlemen, to ask a question, please press star and one on your phone. The next question is from the line of Parth Gutka from 360 ONE Capital. Please go ahead.

Parth Gutka – 360 ONE Capital: Hi. Thank you very much for the opportunity.

Operator: Sorry, we cannot hear you, Parth.

Parth Gutka – 360 ONE Capital: Can you hear me now?

Operator: Yes, it is better.

Parth Gutka – 360 ONE Capital: What was the impact of the ARC transaction on other income? What was the amount?

Management: The total ARC collections were around 131 crores, of which 107 crores formed part of other income and 26 crores formed part of live recoveries.

Parth Gutka – 360 ONE Capital: Thank you, sir. That was the only question.

Operator: Thank you.

Management: Thank you, sir.

Operator: As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

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Management: Thank you very much. Thank you, everyone, for joining. Broadly, this has been a decent quarter, and we are on track to achieve credit growth 2%–3% above the industry level. We have the necessary infrastructure in place in terms of people, processes, and technology. I am sure that the addition of MSME, retail, and gold loans will provide new avenues to maintain momentum in growth.

Our deposit growth is always aligned with credit growth, and this will continue. As explained during the call, we will try to maintain NIM at around 3.85%–3.95%. We want ROA to be around the 1.6%–1.65% range. Our cost-to-income ratio will largely be around 45%–47%. Thank you very much. Wishing you [trails off] [off-mic discussion] Okay, there is no P&L impact from ECL. That is what my CFO wants to add. There is no P&L impact from ECL. Thank you very much. Wishing you and your family a very happy Diwali. Thank you.

Operator: Thank you, members of the management team. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you all for joining us today. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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