"Karnataka Bank

Q2 FY2023 Earnings Conference Call"

November 02, 2022

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Moderator: Ladies and gentlemen, good day, and welcome to the Karnataka Bank Limited Q2 FY2023 Earnings Conference Call hosted by Karnataka Bank Limited. As a reminder, all participant lines will be in listen-only mode, and you can ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. On behalf of Karnataka Bank Limited, today's call is attended by Mr. Mahabaleshwara M. S. – Managing Director and Chief Executive Officer, Mr. Balachandra Y.V – Chief Operating Officer and Mr. Muralidhar Krishna Rao – Chief Financial Officer. I now hand the conference over to Mr. Mahabaleshwara M S – MD & CEO, to give his opening remarks before the Q&A session. Thank you, and over to you, sir!

Mahabaleshwara M S: Good evening to all. Welcome to the Con-Call of Karnataka Bank on its Q2 FY2023 results. I am Mahabaleshwara M.S. – MD & CEO of the bank, accompanied by my COO Mr. Balachandra Y. V, Mr. Muralidhar Krishna Rao – CFO and Mr. Abhishek Bagchi – CFO designate.

Apart from disseminating the Q2 FY2023 results through the exchanges where the stock is listed, we have also communicated to the shareholders whose email ID is registered with our RTA and uploaded the investor presentation on our website after sharing the same with both the exchanges. I am sure you are all well aware of these official communications.

Friends, it is well within your knowledge that the quarter-on-quarter net profit of Karnataka Bank went up by 227.70% to Rs.411.63 Crores from Rs.125.61 Crores. This is an all-time high quarterly net profit for our bank. Similarly, the half-yearly net profit of Rs.525.81 Crores is also a new record. In this process, in just six months from the current year, we have already surpassed the last year's total annual net profit of Rs.507.99 Crores.

As far as the operating profit is concerned, it showed year-on-year growth of 17.06%, interest income a healthy growth of 13.95%, yield on advances further improved to 9.45% and on account of all these, the NII (Net Interest Income) also jumped by 26%. Overall expenditure is also well contained as the same is at 8.81% year-on-year.

As far as the margins are concerned, NIM has further improved to 3.78% for the Q2 quarter; thus, for the H1 FY2023, it is now at 3.56% as against 3.15% a year ago, thus recording a 41 bps increase. ROA also improved to 1.70% for Q2 therefore, H1 FY2023 is now at 1.10% against 0.53% as of September 2021. Similarly, ROE also jumped to 22.31% for Q2, thus for the H1 FY2023, it is at 14.36%, as against 6.89% a year ago. Thus NIM, ROA and ROE have shown positive traction.

As far as asset quality is concerned, the NPAs have further moderated consistently. The GNPA has come down both in percentage and in absolute numbers. It is now at 3.36% against 4.03% as of June 2022 and 4.52% a year ago. The NNPA has also come down in percentage and absolute numbers. It is now at 1.72% against 2.16% as of June 2022 and 2.85% as of September 2021. The slippage ratio for the quarter is 0.53%, as against 0.89% a year ago. Credit cost is (-)0.1% for the quarter as against 0.24% a year ago. PCR has also improved significantly to 79.97% as against 71.67% a year ago. CRAR is now at 15.28% against 14.48% as of September 2021, both excluding the respective year's current profit. CASA has grown at a rate of 12.78%, and now the CASA constitutes 32.82% of the total deposits as against 30.88% as of September 2021. The advances also grew by 10.18% year-on-year. The overall digital transaction is now at 93.17%. As far as the digital underwriting of the loans is concerned, KBL Xpress cash loans 100% are being sanctioned under the digital channel. KBL Xpress car loans 79% of daily sanctions are happening under this channel, KBL Xpress home loans 76% and KBL MSME loans 75%. Further, about 59% of SB accounts are now being opened through the KBL Xpress SB accounts platform.

Going forward, we will continue to focus on consistency by minimizing the negative surprises. Thus we will focus more on further strengthening the fundamentals of the Bank. As far as business is concerned, our priority area would continue to be credit augmentation. As I said, we will target about 15% growth in the credit portfolio. Credit monitoring would further continue, and CASA and RTD (retail term deposit) would also continue to engage our attention because we intend to take the CASA to a level of a minimum of 35% by March 2023 and all our transformation initiatives under KBL Vikaas, i.e. KBL NxT, would be fast-tracked. You all know that we have already started our Analytical Centre of Excellence in Bengaluru very recently. We had already begun our Digital Centre of Excellence about three years back during our transformation journey. So in the future, most of our decisions will be driven by data which would help us in scaling and taking fast decisions driven by analytics. Thus I am optimistic about the future as well as its sustainability. With these few opening remarks, now the forum is open for discussion. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Anurag Jain from Green Lantern Capital. Please go ahead.

Anurag Jain: Thanks for the opportunity, and congrats on a great set of numbers. I have a couple of questions. I essentially wanted to understand that our cost of deposits is down on a year-on-year basis and flat sequentially while, at the same time, the yield on advances and investments has jumped substantially. So, I wanted to understand the reason for the same and how sustainable the margins are going forward. That is my first question.

Mahabaleshwara M S: Your second question?

Anurag Jain: The second question was I wanted to know from you if there are any interest recoveries in NII. If there is, and last from my side was the SMA-1 has jumped in sequentially. So, I wanted to understand what is driving that and whether it would eventually fall into the NPAs. So, these are my questions if you can address them.

Mahabaleshwara M S: Okay, Mr. Anurag, as far as the first question is concerned, I think it is on the cost of the deposit and the yield on advances from the investment. The cost of deposits for this particular quarter stood at 4.46%, whereas corresponding last year, it was at 4.64%, and for the half year, it is at 4.47%. I think this is the best cost of deposits that we could think of. Going forward, it has already started moving northwards. But the only thing is the increase in the interest rate that we are offering to the retail term depositor, it all gets started accumulating during the current quarter and the full effect of this would be visible during the next year. So, we may not be able to enjoy this type of cost of deposit going forward. That we have already factored in, but we have also noted to what extent it will increase and to what extent our yield on advances will increase. Since around 56% of our advances are linked to external benchmarks, the transmission is quick. So, all in all, what I am aiming for is, even though the cost of deposit increase is quite visible, so is the yield on advances. But our focus would be to maintain a healthy interest spread. We recorded a 4.99% interest spread this quarter against 4.27% about a year back. But I am sure that going forward even during the next year also, we should be able to have a healthy interest spread of more than 4%. Then impact of interest recoveries on NII, I think you are referring to one of the major accounts which we had treated as NPA as of June. That account was recovered by the 4th of July, and on account of that there is about Rs.40 Crores interest reversal during this quarter. Your question was not on SMA 2 but on SMA 1. As far as SMA 2 is concerned, last year I had an SMA

2 portfolio of Rs.1240.36 Crores, now it is brought down to Rs.795.82 Crores. But SMA 1, compared to the last year, has gone up, but all efforts are being made to reduce that further, and I am very optimistic that it will not have any negative surprises as far as SMA 1 is concerned. So, this is in nutshell as far as the quality of the asset is concerned.

Anurag Jain: That is all from my side. Thanks so much.

Moderator: Thank you. We will move on to the next question, which is from the line of Nalin Shah from NVS Brokerage. Please go ahead.

Nalin Shah: This is Nalin Shah from NVS Brokerage. Instead of Atmiya, I am the director of the company. At the outset, I would like to congratulate the management of Karnataka Bank for really I would say super performance for Q2. I have a very small question, sir, that whatever you have narrated based on that, we would like to know whether, for this kind of performance which you have done, can we take this as a base or similarity for Q3 & Q4, the second half of the year also and can we expect similar kind of performance. Net-net your NII, i.e. net interest margin remaining at the current level plus your NPA written off were very, very meagre or there was rather credit entry. Can we expect both of these to stay at a similar kind of performance?

Mahabaleshwara M S: As far as NIM is concerned for this particular quarter, it is at 3.78%. I do not subscribe to the view that it could be sustained at that level. In the past also, you must have heard me. Our effort was to take it to a minimum of 3%, which we have achieved. Now, I believe it would stabilize somewhere around 3.4 to 3.5%. If it stabilizes above 3.5% definitely, we are also elated as of you. As far as NII is concerned, for the current year-on-year, it is at 26% but for that Rs.40 Crores, one reversal of interest, there could be a further advance also happening during the current quarter as well as the subsequent quarter. Our endeavour should be to have a comfortable NII, though not at 26%, because I have to be realistic. As far as ROA and ROE are concerned, my aim all along was to take the ROA to a level of 1%, and that goal has since been achieved. So, we will try to sustain it. ROE also, at the last concall, I said that by March 2024, we might be able to achieve 14% plus, having achieved 14.36%, our endeavour again there would be to sustain that. So, as I said in my opening remarks, we have almost come out of all the negative surprises, and we are on the consistency track, and definitely, I am confident that we should be able to give a sustainable performance going forward.

Nalin Shah: Excellent, sir. Once again, I would like to offer congratulations for the wonderful teamwork which has come.

Moderator: Thank you. The next question is from the line of Rahul Kumar from TCS. Please go ahead.

Rahul Kumar: My name is Rahul Kumar. I have a couple of questions, sir. First, I want to confirm with you in your opening remarks. Did you say you are targeting a 15% growth in advances in FY2023?

Mahabaleshwara M S: 15% plus.

Rahul Kumar: Okay, the second question is again related to that same, like the growth in advances, I see that you have grown your loan book at approximately 2% quarter-on-quarter, whereas when other banks have come out with their numbers except for one or two banks, most have grown their loan book at 4, 4.5 to 5% quarter-on-quarter. So, do you feel there is pressure on the bank regarding market share? Can you give some colour to this whole thing?

Mahabaleshwara M S: There is no question of market pressure for simple reason as I have about Rs.6000 Crores plus sanctioned limits which are yet to be disbursed. Our borrowers are also watching for the overall economy and its movement and especially in the manufacturing and trade sectors. That is why they have slightly delayed availing this. The field-level information is that releasing activity apart from the sanctioning activity would pick up during the third and fourth quarter. That is why I still hold on to that 15% plus credit. It's borne out of the filed level conditions. If any such variations exist, I think I should be able to come out with those numbers when I interact with you during the Q3 result Con-Call.

Rahul Kumar: Okay, thank you so much. Just one final question, sir, now on the deposit side. Because for the last couple of months, we have seen that the banking system has had difficulty gathering deposits. So, the loan book rate, I mean the growth of loans, can be affected because the deposit rates are not going at the same pace. So, here also, I see what Karnataka Bank is doing to increase the deposit base. If you can again give me some colour to this. This is my final question.

Mahabaleshwara M S: I am continuously focused on increasing CASA and have already constituted a separate CASA vertical in all the fourteen regions across India. We have CASA Regional Sales Executives and CASA marketing officers. As a result, you have seen that CASA is consistently growing. It is now at 32.82% of the total deposits, whereas it was at 30.88% about a year ago, and CASA has grown at a rate of 12.78%, whereas the overall deposit has grown at a rate of 6.13% only. Going forward, definitely, there is competition which is hurting RTD. But definitely, our focus would continue to be on CASA. RTD also, we will not lag behind because we are in an effective and competitive stage wherein we are also in a position to give good returns to our depositors. As I said, I will also be pricing the retail term deposits cost by keeping an eye on the yield on advances & spread. The other thing is apart from mobilizing the resources from the deposits, we have other sources like re-finance, which were not effectively tapped during the previous seasons and years. We are now focusing on that also.

Rahul Kumar: Okay, that is very helpful. One last thing is that if you look at the large private sector banks, their CASA ranges from 44-45. I know you cannot give guidance that far ahead, but do you think after the transformation of Karnataka Bank, can we see that kind of CASA? Can we presume to have that kind of a CASA going forward in probably three to five years' time?

Mahabaleshwara M S: That is our transformation aspiration, that is to take it to that level because when we started our transformation journey, it was just at 25-26%, and now we are at 32%, and for the current year, my guidance is 35% plus. We are now focusing on three areas as far as the CASA is concerned. One is from the general public, and the second is from the institutions. There is good number of educational institutions. There is good number of mid-corporates, and there is good number of corporates where I can get both CA and SA of their employees. The third one is that I am also focusing more on government business. Recently our bank was also empaneled by the regulator for the government agency business, and we are making many inroads in that area, and that is where my confidence is stemming so that we could reach a level of a minimum of 35% by March 2023 and after that, of course, going forward could be 38 or 40% in a couple of years.

Rahul Kumar: Wow, sir, that is amazing. I got all my questions answered, and finally, congratulations on a great set. Thank you so much.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir, and thank you for taking my questions. First of all, congratulations on a solid set of results. Sir, the first question is just to clarify on the NIM part, we are at around 3.78%, and we expect around 10% lower to be the normalized sort of NIM going forward between 3.4-3.5%. Did I hear it correctly?

Mahabaleshwara M S: Correct.

Sarvesh Gupta: Okay, and secondly, on the cost to income, we did not. Even after such strong profitability, we could not come down on that. How do we see the opex shaping up for us when we see around 15% growth on the loan book?

Mahabaleshwara MS: As far as cost to income ratio is concerned, we are heavily banking on our subsidiary, i.e. KBL Services Limited. My cost-to-income ratio as of March 2022 was 52.57%, and now for the half year ended, it is at 47.40%. I have given guidance in the past that it could be around 45 to 50%, and for another one or couple of years, it could be there at that range and going forward we are optimistic that it will further improve. One factor which has slightly affected during this year is superannuation benefit cost of around Rs.50.80 Crores for this particular quarter as against Rs.23.09 Crores for the last corresponding quarter. So, that is also one thing. Otherwise, the cost-to-income ratio I presume that it is behaving as per our original planning.

Sarvesh Gupta: Understood, and finally, on the cost of deposits, you mentioned that currently, the cost of deposits is around 4.46%. Surprisingly, it was even lower than what was there one year back. If you can throw some colour on that, and going forward, what is the incremental cost of deposits that you are incurring, especially given that you have a 15% growth target and you will need to ramp up quite quickly on the RTD.

Mahabaleshwara M S: The cost of the deposit is bound to increase. No doubt about it. But at what rate is it increasing? Our expectation and conclusion are that it may not show a significant increase for the current year, and for the next year, yes, it will have increased impact. As I have already mentioned, the 4.46% is the lowest. As of now this is the lowest. In fact, as of March 2022, our cost of deposit was 4.66% and 4.64% as of September 2021. Going forward, as I said, this is already factored in, and we will focus more on maintaining a healthy spread.

Sarvesh Gupta: Does this mean guidance of 3.4-3.5% hold for next year also, or will we see a further impact on deposit cost?

Mahabaleshwara M S: For the current year. For the next year, let us see when we meet during the next quarter, and definitely, we will share that. But I think once we reach 3.50%, we will be able to sustain that. As you have seen, I have been telling that I want PCR to steadily be at 70%, 75%, and eventually around 80%. So, there's no question of letting it down.

Sarvesh Gupta: Understood, sir. Thank you, and all the best.

Moderator: Thank you. The next question is from the line of Amit Mishra from Indus Equity Advisors. Please go ahead.

Amit Mishra: Good afternoon, sir. Thanks for the opportunity, and congratulations on a good set of numbers. Sir, my first question is on recoveries. Account for which we have reversed Rs.40 Crores. What was the recovery amount for that?

Muralidhar K Rao: The total outstanding balance in that account was Rs.348 Crores which comprised of Rs.40 Crores interest and Rs.308 Crores principal.

Amit Mishra: Okay, sir, understood. The second question is, what are our strategies for branch expansions and what is our digital spending likely to be in FY2023? Since we are opening digital banking products, how many more units are we planning to open, and what is the response to such units?

Mahabaleshwara M S: Very, very good question, Amit. I am appreciative of you. The future is in digital mode, which is why in our second phase of the transformation journey, we have already aimed to emerge as the Digital Bank of the Future when we start our second-century saga. Next year is our Centenary Year. We have already started preparing ourselves for the Centenary Year, and all these preparations started when we embarked upon our transformation journey. It was mainly with an intention to have strong numbers, strong fundamentals and also to have a healthy underwriting practice and also to have a healthy credit portfolio as well as the liability portfolio. This being the case, we will continue to have a few brick-and-mortar branches, but our effort will be to have more and more digital touchpoints across India. DBU is one such initiative wherein, very recently, the honourable Prime Minister of India has inaugurated 75 DBUs across India from all the banks. In that 75 DBUs, there are two DBUs from Karnataka Bank also. Apart from that, we already have a Digi-branch, Digi-centers and quite a number of e-lobbies. Going forward, the physical brick-and-mortar branches would act as one of the channels or touch points for the customers. We may not aim big for opening new branches. We are aiming big for more digital touchpoints.

Amit Mishra: Okay, understood, sir. My next question is on cross-selling. Are we doing cross-selling, and which products are we doing?

Mahabaleshwara M A lot of effort is going on in my bank as far as cross-selling is concerned. In fact, we have started an initiative called 'Each One Sell One Every Day'. I have 8500 team members across India who have taken up this responsibility & apart from the asset and liabilities products, there are about 19 other revenue-generating products. To quote one simple example, it could be a fast tag, it could be a co-branded credit card. So, they have been amply trained about the product knowledge as well as the sales skill. Our team is out there, and I am optimistic that cross-selling and up-selling will continue to be the hallmark of Karnataka Bank hereafter.

Amit Mishra: Okay, sir, one last question on data-keeping. Can you give me the absolute number of CA and SA break up?

Mahabaleshwara M S: My total CASA is Rs.26,790.39 Crores, my SA is Rs.22,127.97 Crores, and CA is Rs.4338.68 Crores, and the balance is overdue deposits that are just Rs.323.74 Crores.

Amit Mishra: Okay, understood, sir. Thank you so much, and congratulations once again.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello, Sir, congratulations on a great set of numbers. I just wanted to ask about the profits. We are focusing on sustainability right now, but what do we see as our credit cost going forward? What would be a sustainable number?

Mahabaleshwara M S: Credit cost, as I said during this quarter for the first time, is negative. Last year for the full year, it was 1.04%, and for the current half year, it is at 0.67%. So, it may not go up but let us be conservative in projecting the credit cost at less than 1%.

Darshil Jhaveri: Okay, that is great for you, sir. We are talking about pre-provision profits that would also sustain at this level because we are planning 15% growth in the loan book. So, what kind of growth could we see in our pre-provision profits?

Mahabaleshwara M S: As far as operating profits, it is sustainable, and since our provision pressure has significantly come down, naturally it should help us to have an optimistic number on that front.

Darshil Jhaveri: Okay, thank you so much. That answers my question, and all the best. Looking forward to the next Con-Call. Thank you.

Moderator: Thank you. The next question is from Manish Dhariwal from Fiducia Capital Advisors Private Limited. Please go ahead.

Manish Dhariwal: Thank you for this opportunity and the stupendous results. Fantastic, sir, it was a great performance. I wanted to understand the quarter-on-quarter differential that has happened. There were two components which I wanted to get an understanding of. One was the other income. The other income has improved from Rs.132 Crores to Rs.260 Crores. Just wanted to understand the breakup of this and secondly, the employee cost has gone up from Rs.178 Crores to Rs.262 Crores. What has caused this increase on a quarter-on-quarter basis?

Muralidhar K Rao: The other income for Q1 i.e., Rs.132.79 Crore is net of depreciation on investment to the extent of Rs.156.59 crore. Otherwise, the other income would have been Rs.289.38 crore as against Rs.251.37 crore for Q2. Even after this, the other income in Q2 was lower than Q1 by Rs.37 crore on account of lower recovery in written off accounts and lower rental income on lockers.

Manish Dhariwal: Another income sir. Rs.132.79 Crores, my understanding was that this recovery actually goes into the NII. It does not go into other income.

Muralidhar K Rao: No, recovery made for the written-off account is in other income only.

Manish Dhariwal: Written off account. Again it is for the written-off account it was provided.

Muralidhar K Rao: Yes.

Manish Dhariwal: Okay, sir, can we have the break up like Rs.132 Crores and Rs.260 Crores?

Muralidhar K Rao: Yes, I can give it to you later. Break up is there. I will give it to you later.

Manish Dhariwal: Okay, and the employee cost has moved from Rs.178 Crores to Rs.262 Crores?

Muralidhar K Rao: Employees cost. If you see, there are two break ups for employees costs, one is the salary cost, and the other is superannuation cost. In the second quarter, the superannuation cost has gone up.

Manish Dhariwal: Okay, you just gave the figures. Can you repeat that figures?

Muralidhar K Rao: Yes, in June quarter total establishment cost was Rs.178 Crores.

Manish Dhariwal: Sir, I am asking about superannuation.

Muralidhar K Rao: Correct, superannuation in the June quarter, there was a reversal of Rs.19.39 Crores.

Manish Dhariwal: Okay, after this September, sir?

Muralidhar K Rao: September there was a provision of Rs.50.80 Crores.

Manish Dhariwal: That explains that. Okay, sir, now this is a huge variation happening quarter-on-quarter, so anyone who wants to basically build an understanding about how the performance will move going forward. How should one understand how will it move?

Muralidhar K Rao: It is all market-linked superannuation benefits. We, too, do not have any control over it. Whatever is estimated by the actuaries, we have to provide for that amount, and it again depends on the market yield.

Mahabaleshwara M S:There are two events for superannuation. One is the yield for the residual maturity of the employee. Our residual maturity is around 21 years. So, any yield movement will affect the superannuation benefit, and number two is the increase in inflation. DA increase is also a part. Now, inflation is increasing. The DA component is also increasing for retired and regular employees, which will affect the superannuation provision.

Manish Dhariwal: Right, great. Thank you so much.

Moderator: Thank you. The next question is from the line of Yashwant Kumar, a Retail Investor. Please go ahead.

Yashwant Kumar: Hi! Mahabaleshwar. Firstly, Kannada Rajyotsava Subhashayagalu to all Karnataka Bank employees. Congratulations on the performance. Everyone has done a great job. My first question is, with respect to the provisions, why have we not made any provisions to increase the PCR?

Mahabaleshwara M S:Thank You. PCR has increased from 71.67% to 79.97%. That itself is indicative of increased provision.

Yashwant Kumar: Right, I understand that. My question is since we have made a good set of profit number, is there a part that has been gone behind saying okay, why can't we increase the provision coverage ratio to more than 80%? Because considering the economic situation that we are in, is there a reason why we could not really think of increasing much better levels?

Mahabaleshwara M S:I have another two quarters. Let me look into that consistently. We are increasing the provision and the PCR if you look into the various segments and if you look into the NNPA portion also, I have these portfolios, which are well secured. 93% security coverage is there for our NPA portfolio, also. Despite that, we have increased the PCR to around 80%. Most probably, we should be able to sustain the PCR at around 80% that is more than sufficient for the portfolio that we already have at present.

Yashwant Kumar: Okay, that answers my question. The second is with respect to the transformation. Right from the beginning, we are aiming now with respect to the advances the targeted 20% of large-corp that announced exposure and 30% of mid-corporate and 50% retail advances. So, I see that there is a slight increase in terms of large corporate advances going forward. Will we be making more or otherwise going more towards increasing our large corporate exposure, or will you stick back to whatever the numbers that we have started with?

Mahabaleshwara M S: That is general guidance that we have. Our thinking is that we should have retail and mid-corporates at 80%, with 50% retail and 30% mid-corporate and around 20% corporate. As of now, I have 49.63% under retail, 29.32% under mid-corporate and 21.04% under the corporate sector. But this is a general guidance. The more significant thing for us is how this particular portfolio is behaving and the yield from this respective portfolio. Even though the corporates all have an external rating and the risk is relatively low, yield is also low compared to the other sectors. So, we have to take an informed decision about what should be the composition of these things going forward depending on the external economy, my own risk perception, and the yield advantages we have. So, to that extent, we will always be exercising our judgment and always aim to have a healthy and remunerative portfolio out of these three sectors from the advances.

Yashwant Kumar: Okay, and one last question. I have seen the presentation that has got elaborate information very much. So, I hope we continue to do a presentation like this, and I was looking towards this restructuring. I see that there is a restructured portfolio based on geographies. I was looking for sectoral wise loan restructuring that will give us more confidence on which particular sector there is more restructuring. Do we have that numbers?

Mahabaleshwara M S: Very interesting Mr. Yashwant. If you look into the GBC and compare it with the NPA and the restructured portfolio across all the regions and all the major performing states, there is an improvement. Look at the Karnataka State NPAs to the GBC, which has come down from 2% to 1.53%, and the restructured portfolio has come down from 4.23%.to 3.68%. So this general trend overall also the NPA from 4.5% to 3.36%, 7.8% to 6.1% there. Do you want it to be further elaborated, or what is it?

Yashwant Kumar: Look at slide 22, which says sectoral loan exposures. Similarly to that, I was expecting that sectoral loan restructuring.

Mahabaleshwara M S: Okay, earlier we had given and we can provide that. Going forward, I will make a note to provide the sectoral loan restructuring. Even though about a year back our restructuring was at around 7.5%, fortunately for us it has already come down by about Rs.1000 Crores and going forward, I am optimistic that it will further come down. However, nevertheless, I have made a note that sectoral restructurings like what you have said about agriculture, what is the restructuring, MSME, housing and all such things we will try to provide. Thanks for that suggestion.

Yashwant Kumar: Yes, and the only reason I raised that point is that I have been comparing the restructuring with other banks. We see very much 3 to 4% of the restructuring. I am hopeful that Karnataka Bank will soon reach the levels where we compare with other banks. Thanks very much for taking my questions

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Ganesh Shetty and Individual Investor. Please go ahead.

Ganesh Shetty: Congratulations on the blockbuster results. Be it revenue growth or be it NIM, be it NII, be it GNPA, be it NNPA and every phase of the area, we have performed exceedingly well. This is an unprecedented performance by Karnataka Bank, and it is like what the Kantara movie has done for the film industry, same way we are repeating in the banking industry. Nevertheless, our performance is also very, very excellent this quarter, and I also congratulate you for sailing the bank through very difficult times with your visionary leadership. Just one question regarding the NNPA front now, as far as our vision for 2020 was concerned, we were targeting 1.5% of NNPA, and now we are very, very close to it. Going forward, how are you taking special action for big accounts so that there won't be any substantial increase in NNPA and what is the road forward for NNPA? Can you please explain this? This is my final question.

Mahabaleshwara M S: Definitely, the asset quality will continue to engage our continuous attention. There will not be any complacency in the monitoring of the accounts, and while taking any exposure, irrespective of the size of that credit, we have put in place lots of filters. So, our underwriting capabilities have improved immensely. As a result, I am very confident that we will be able to stick to our original estimation of around 1.5% NNPA and below 3% GNPA. So we are very much on track.

Ganesh Shetty: Okay, that is all from me, sir. Congratulations, and all the best. Hope to see you at the Centenary day celebration. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Mahabaleshwara M S for his closing comments.

Mahabaleshwara M S: Thanks to all the analysts, all the investors, and all the well-wishers of Karnataka Bank for the keen interest they have shown on the Con-Calls every quarter. We have had very insightful interactions; this time also, it is not an exception. While seeking your best wishes for continued performance, on behalf of my entire Karnataka Bank team, I convey my greetings to each one of you, and we are determined to continue to give our best and we will continue to work hard in the days to come to realize the transformation dream of our Karnataka Bank when we enter our second century. Wish you all the best.

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

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