

## INVESTOR BRIEF FOR SEPTEMBER 2025

**Good Evening** and a warm welcome to all the investors, analysts and other stakeholders joining us today for the J&K Bank September 2025 Earnings Call.

First of all, let me introduce my fellow colleagues from Bank's senior management who are accompanying me on this call:

Executive Director, Mr. Sudhir Gupta

Our new Chief General Managers - Mr. Sunit Kumar and Mr. Imtiyaz Ahmad Bhat  
Retail Banking Head, Mr. Rakesh Magotra

Corporate Banking Head, Mr. Nishi Kant Sharma

Impaired Assets Portfolio Management Head, Mr. Rajesh Malla Tikoo

Chief Financial Officer, Mr. Ketan Kumar Joshi

Chief Risk Officer, Mr. Altaf Hussain Kira

And our Treasury Head - Mr. Ajay Kohli

Indian economy has exhibited marked resilience in Q1 of FY 2025-26 with a better-than-expected Real GDP growth of 7.8%, reaching a five-quarter high with the dual engines of growth - consumption and investment remaining strong even though global uncertainty remains elevated in the wake of geopolitical tensions and renewed tariff related frictions among major trading blocs. Acknowledging India's consistent outperformance amidst this challenging global environment, IMF has increased India's growth projections by 20 bps to 6.6% for 2025 while also revising the global growth forecast upwards to 3.2% for 2025.

With the domestic economy picking up momentum, the Bank has also recorded a substantial improvement in its business numbers with deposits growing by 2.4% sequentially and advances recording a 3.9% sequential growth. On a YoY basis, the Bank has recorded a deposit growth of 10.2% and advances growth of 9.4% which is broadly in alignment with the overall YoY deposit growth of 9.5% and advances growth of 10.3% recorded by all Scheduled Banks as on 19<sup>th</sup> September 2025 as per the latest data published by RBI.

One of the highlights of this quarter has been the growth in CASA Deposits, at 2.8%, outpacing the growth in Term Deposits at 2%, resulting in an improvement in the Bank's CASA Ratio from 45.71% recorded on 30<sup>th</sup> June 2025 to 45.89% as on 30<sup>th</sup> September 2025. Even though the improvement may seem marginal, however it is remarkable considering that it is after a period of 9 consecutive quarters that the Bank has witnessed an improvement in its CASA Ratio on a sequential basis and it comes at a time when the industry CASA Ratio has fallen from a 25-year high of over 42% in March 2022 to around 36% in June 2025 as per a CRISIL report.

On the advances side, ROI book has recorded a YoY growth of 16.1% against a growth of 5.9% in JKL, which is in alignment with the Bank's vision of achieving a 50:50 split of the loan book between JKL and ROI over the medium to long-term. Quarterly numbers also present a similar trend with JKL recording a loan growth of 2.8% whereas ROI, which at present contributes around 30% of the total loan book of the Bank, has recorded a growth of 6% for the same period.

Sector-wise, Corporate and Agriculture, which together constitute around 40% of the Bank's loan portfolio, have been the best performers, both on a YoY and sequential basis, witnessing a growth of 11.7% and 27.4% YoY respectively. In Personal Finance, which alone constitutes around 38% of the loan book, YoY growth is 6.9%. Within personal finance also, the ROI growth at 12.9% YoY is more than double that of JKL - 6.2%, again in line with our plans of expanding our retail footprints across the rest of the country. Major growth contributors in the Personal Loan category are housing and car loans, constituting roughly half of the personal loan portfolio, with both recording a double-digit YoY growth in ROI geographical division.

Profitability for the quarter has moderated on YoY basis, in line with broader industry trends, though sequential performance has still marginally improved with net profit for this quarter being recorded at Rs.494 crores with a 1.9% QoQ growth despite a substantially lower TWO recovery in this quarter. The

moderation in profitability across the industry has been brought about by pressure on margins, as expected, after RBI's cumulative rate cuts of 100 bps, with our NIM also contracting to 3.56% for this quarter against 3.90% for the same period in the previous year. The contraction in NIM has been brought about by faster transmission of rate cuts on the lending side compared to the transmission on liabilities side as well as due to migration of CASA balances to Term Deposits. As per the RBI Bulletin of September 2025, whereas the Weighted Average Lending Rate on outstanding rupee loans of Scheduled Commercial Banks for the period February to August 2025 declined by 49 bps, Weighted Average Domestic Term Deposit Rate on outstanding Term Deposits has declined by 17 bps only. The impact is evident in our case also with our yield on advances declining to 9.20% for this quarter against 9.57% YoY and Cost of Deposits being recorded at 4.86% for this quarter. However, we believe that the Cost of Deposits has now peaked and NIM has bottomed out, unless there is a further repo rate cut.

Besides the aforesaid factors which have had an industry-wide impact, our profitability in this quarter has again been impacted due to reduction of Other Income on account of impairment provision of Rs.92 crores on our investment in Jammu and Kashmir Grameen Bank, in addition to the provision of Rs.87 crores made in the previous quarter. Despite taking this one-off hit of Rs.180 crores during the half year, we have still posted a YoY growth of 1.3% in our half-yearly net profit. If we exclude the impact of Rs.180 crores, our net profit growth for the first half-year would have been around 20% YoY (without considering tax impact).

On the costs side, our operating costs for the quarter continue to be well under control with just a marginal 2.2% YoY growth.

GNPA has not only been contained but reduced to 3.32% with GNPA in absolute terms also reducing sequentially and gross slippage ratio for the quarter on an annualized basis being below 0.90%, which is pleasing and should allay concerns around asset quality, especially in light of the disturbances affecting our core geography in the first quarter, followed by natural calamities - floods and

landslides in the second quarter. Consequentially, NNPA has also been reduced to 0.76% while PCR continues to be healthy above 90%.

It is pertinent to mention here that post declaration of the unfortunate Pahalgam incident and subsequent conflict as disturbances across the UT of J&K by the Government of J&K, on the recommendations of Jammu & Kashmir Union Territory Level Bankers' Committee, Bank has formulated a special rehabilitation package for the affected borrowers wherein the borrowers can avail relief by way of extension in repayment period, interest funding, moratorium and additional working capital.

CRAR has been recorded at 15.27% with CET 1 at 12.11%. This is without reckoning the net profits for HY which has an incremental impact of more than 90 bps.

Due to the hit of Rs.180 crores on account of the impairment provision, the annualized Return on Assets and Return on Equity for the half-year have been recorded below our guided range at 1.17% and 14.52% respectively.

Consequently, we are revising our guidance for RoA and RoE for the current financial year to reflect this exceptional and unforeseen substantial impairment provision. However, excluding this one-off item, our underlying operating performance and upward core profitability trajectory remain intact.

#### **Market Guidance for FY 2025-26**

- Credit growth - 12%
- Deposit growth - 10%
- CASA - 48%
- NIM - 3.65% to 3.70%
- RoA - 1.20% to 1.25%
- RoE - 15% to 16%
- GNPA - Below 3%

Thank you for your time today, on a Saturday evening. We appreciate your continued interest and support.

We can start with the questions now.

**Concluding remarks after Q&A session**

Thank you Steev and thank you to all the participants for joining in today. Before we conclude, I would like to wish all of you a happy and prosperous Diwali.

For any further questions or queries, you can contact our Investor Relations desk.