



“Karur Vysya Bank Limited
Q2 FY'26 Earnings Conference Call”
October 17, 2025



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Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '26 Earnings Conference Call of The Karur Vysya Bank. We have with us today from the management team of KVB represented by Mr. Ramesh Babu, MD and CEO; Mr. Sankar Balabhadrapatruni, Executive Director; Mr. Chandrasekaran, Chief Operating Officer; and Mr. Ramshankar, Chief Financial Officer.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ramesh Babu, MD and CEO, to take us through the highlights of the quarter gone by, after which we will open the floor for questions. Thank you, and over to you, sir.

Ramesh Babu: Yes. Thank you. Thank you, Neerav. So good evening to all of you on behalf of Karur Vysya Bank. I extend a warm welcome to everyone joining our bank's quarter 2 earnings call for the financial year 2026. Team KVB wishes you and your family advance Diwali greetings. Our financial results and accompanying presentation have been made available on our website and trust you have had the opportunity to review them thoroughly in advance of this meeting.

As a recap of discussion in the last 2 calls, in the current financial year, we continue to maintain a cautiously optimistic outlook for the second half of the financial year '25/'26, emphasizing the importance of managing margin pressures and closely monitoring asset quality. We strategically accelerated growth during the first quarter to ensure that our annual targets would be balanced throughout the remainder of the year.

Our current performance indicators are consistent with the guidance previously provided. The sustained inclusive results across all 3 primary metrics, that is growth, profitability and asset quality, underscore the continued strength and resilience of our performance since the year's outset.

I am pleased to announce that the bank has achieved a significant milestone of reaching INR2 lakh crores in business at the conclusion of the second quarter. Notably, the bank has added INR75,000 crores in business over the past 3.5 years. This progress demonstrates that management's initiative regarding key metrics are advancing effectively.

As of 30th September 2025, the bank's total business reached INR2,03,216 crores, reflecting our sustained growth momentum in the second quarter, with an overall business increase of 4% quarter-on-quarter and year-on-year growth of 15%. Advances rose to INR92,724 crores, representing a growth of 4% quarter-on-quarter, while deposits increased to INR1,10,492 crores, achieving a quarter-on-quarter growth of 4%. Both advances and deposits grew by 15% each on year-on-year basis.

Business mix remained same, with RAM verticals constituting 86% of the business, while corporate banking constitutes 14% of the business. RAM verticals grew by 4% quarter-on-quarter basis and 19% on year-on-year basis. Commercial business constituted 36%, followed



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by retail at 26% and ABG constituting 24%. Retail advances increased by 7% quarter-on-quarter, primarily driven by growth in jewel loans and mortgage loans. We saw an uptick in BNPL loans during the quarter on account of Dussehra and Diwali festivals.

The synergy between the branch channel and the open market channel continues to progress well as seen by a 13% increase in mortgages during the quarter. The early booking of assets supports consistent interest income recognition throughout the year. Considering the low yields and increased competition, we continue to lie low in housing loans and vehicle loans.

The commercial business segment showed a 3% growth over the previous quarter. Though lower sequentially compared with previous quarter, disbursements under small business category grew 35% quarter-on-quarter. However, lower utilizations in working capital facilities of business banking. Business banking, the exposures between INR5 crores to INR25 crores, we will consider as a business banking under the commercial segment, which has slowed the growth. We expect this to be improved in the current quarter due to GST rationalization, etcetera.

The agriculture loan portfolio recorded a growth of 4% during the quarter. Agri jewel loans constituted 91% of the portfolio and other agri loans constituted 9%. LTV of agri-jewel loans is 57.72%, indicating availability of sufficient margins. The prospect of a favorable monsoon across numerous regions is expected to contribute significantly to further growth within this segment. We have also set up a jewel loan sales team, which should further improve our growth in this segment.

With respect to the corporate and institutional loan portfolio, we had indicated in our previous calls that we would invest in corporate instruments of entities to lock the yields utilizing these as credit substitutes. This strategy is working out well. Our corporate advances portfolio, including credit substitutes, grew by 5% during the quarter and 7% year-on-year. The portfolio grew by 1% quarter-on-quarter, excluding credit substitutes during the quarter.

The bank's liability business constitutes to 54% of the total business of the bank. I'm happy to share that CASA balances across crossed INR30,000 crores at the conclusion of this quarter. Total deposits increased by 4% during the second quarter, driven by gains both in term deposits and CASA. CASA balances grew by 4% over the same period. Demand deposits and savings deposits grew by 4% each. Additionally, more than the anticipated, end of quarter inflows into current accounts further supported overall deposit growth.

Our strategical focus on higher balances variants in savings account by both branch channel as well as the sales channel is gaining momentum, with savings balances growing by 23% year-on-year under NTB. Similarly, NTB value in CA also grew by 20% year-on-year. For the existing relationships, lot of efforts have been initiated for deeper customer engagement at branch level with our branch sales and service executives.

Retail deposits increased by 2% during the quarter. We had reduced the rates -- interest rates for special term deposit schemes during the quarter, and the growth was slightly tad compared to the previous growth. These front-loaded deposits growth in the first quarter itself to fund the



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advances growth, hence, which did not affect our CD ratio much, which remained at 83.91% at the end of the quarter.

Before going to margins, I would like to share regarding major recovery of INR295 crores during the quarter from a technically written off account. This comprises of INR157 crores of principal amount and INR139 crores of interest amount. Our interest income is higher by INR139 crores during the quarter, which would affect the margin numbers. However, we have excluded this amount for margin calculations in the presentation to give a realistic picture.

Regarding margins, we had provided guidance in the range of 3.7 to 3.75 for financial year '25/'26. I am pleased to report that we could successfully navigate the quarter and maintained our net interest margin at 3.77%, representing a decrease of 9 basis points from the previous quarter, compared to 19 basis points reduction during the first quarter of the year.

The cost of deposits reduced by 17 basis points on a sequential basis as we had stopped 2 of our special deposit schemes during the quarter and reduced the rates in majority of the buckets of our retail term deposits. We also reduced our rates on savings deposits, and sequentially, cost of savings deposits have come down from 2.61% to 2.53% during the second quarter. The repricing of the retail time deposits have started from September and is likely to go till the end of third quarter.

To be competitive and to sustain the growth, we hiked the rates of interest at the end of September. Considering this, we expect a reduction of around 10 basis points during the next quarter in the cost. The yield on advances declined by 24 basis points during the quarter. We had informed that 37% of our EBLR book would be repriced during quarter 2, and the same has been completed.

Our loan portfolio comprised of 54% EBLR linked accounts, 29% MCLR linked and fixed rate accounts to now 15%. With the current visibility, as guided during our earlier calls, we endeavor to maintain our full year guidance of net interest margin at 3.7% to 3.75% for the year '25/'26 as a whole. We have taken lots of steps to improve the margins as we weeded out low-yielding advances last year in corporate portfolio. A similar exercise has been initiated in our retail and commercial portfolios this year.

The operating profit for the quarter was at INR1,017 crores, reflecting a 25% increase compared to the same quarter in the previous year and 26% sequentially, propelled by the recoveries, as mentioned earlier. Non interest income for the period stood at INR512 crores, increased from INR447 crores in the previous quarter. Recoveries from written-off accounts amounted to INR205 crores, that is INR344 crores including the interest recovery, compared to INR78 crores in the previous quarter.

During this quarter, sovereign yields firmed up by 20 to 40 basis points across the curve following RBI's shift in policy stance from accommodative to neutral. Consequently, treasury gains were limited in quarter 2 compared with quarter 1 gains of INR78 crores. When yields had eased by around 25, 30 basis points in quarter 1.



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We had guided recovery from written-off accounts would be like last year and the recoveries would not be even every quarter. But overall, during the year would be around INR600 crores, which we feel will be able to achieve. We had made income by way of sale of PSLC certificates amounting to INR8.5 crores during the quarter.

Our operating expenses for the quarter stood at INR756 crores, representing a sequential increase of INR35 crores. Establishment expenses, that is salaries, allowances remained flat quarter-on-quarter. Other operational expenses increased by INR34 crores over the previous quarter.

The cost-to-income ratio for the half year ended was 44.76%, which remains within the guided range of less than 50%. Net profit for the quarter was at INR574 crores, an increase of 10% quarter-on-quarter and 17% year-on-year.

During the quarter under review, there was a modest increase in fresh slippages. As indicated during the previous call, elevated SMA 30-plus levels were observed during last quarter due to certain corporate accounts. Fresh slippages for the quarter totalled INR350 crores compared to INR188 crores in the preceding quarter.

Of this, INR218 crores so out INR350 crores, what I mentioned during quarter 2, INR218 crores originated from the corporate book instead of postponing the issue of the stress. We prefer to recognize now itself so that realization efforts can be commenced fast. Excluding these 2 accounts, we do not identify any additional concerns within our corporate portfolio at present.

To give more comfort, I would like to state that slippages in our noncorporate portfolio have remained same in the last 6 quarters. Slippages at our corporate portfolio also, barring this quarter, as a one-off case where we saw elevated levels remained at muted levels during last 5 quarters.

During the quarter under review, an allocation of INR250 crores was made towards NPA migrations, standard assets and restructured assets, resulting in a credit cost of 0.27% for the quarter and 0.4% for the half year. We are sufficiently provided for the corporate accounts that slip during the quarter. This increased credit cost needs to be considered as a onetime measure for this quarter and it would return to normal levels from the next quarter onwards.

SMA 30-plus levels have come down to 0.27% from 0.6% of the previous quarter, and we are confident in our ability to maintain the slippages ratio below 1% level, as we have previously indicated. In spite of fresh slippages, owing to improved recoveries and upgrades as well as write-offs, our gross NPAs have slightly increased from 0.66% to 0.76%. Our net NPA remains steady at 0.19%, and we are committed to maintaining a net NPA below 1% of our loan portfolio.

The proportion of our standard restructured loan portfolio has further decreased to 0.5% of our total loans and continues to perform satisfactorily. At present, we do not anticipate any significant setbacks or slippages within this segment. Notably, a substantial portion is secured by collateral, and we maintain a provision of 45% for this portfolio.



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The ROA for the quarter stands at 1.81%, slightly better than the previously guided range of 1.55% to 1.65%. Our CRAR Basel III continues to be healthy and is at 16.58%, providing us comfortable headroom for growth. So as all of you know, the quarter profit of this year and last quarter half year will not be added for the purpose of CRAR. So the liquidity coverage ratio continues to be well above the regulatory requirement of 100%.

We had opened 7 branches in the first half of the year, comprising 5 lite branches and 2 regular branches. We have planned to open another 21 branches in the current year. We have already issued a statement last month explaining overall exposure of our customers to the U.S. market and the negligible impact on our portfolio on account of U.S. tariffs. The status remains the same.

When we strive to become better than we are, everything around us becomes better too,- Paulo Coelho. Our team continues to work harder and have demonstrated spirit in sustaining growth, and we remain confident in our ability to continue this momentum throughout the second half of the year too.

I would like to express my sincere gratitude to all our investors, analysts and stakeholders for their continued confidence and ongoing support. We are committed to upholding this trust through continued strong performance in the future.

To sum up, our guidance for credit growth of about 2% over and above the industry growth continues. NIMs for the full year will be in the range of 3.7% to 3.75%. Our gross NPA is expected to be less than 1.5% and net NPA will be less than 1%. And slippages to be less than 1% of the loan book. And as I told earlier, ROA will be in the range of 1.5% to 1.65%.

So now I'll be glad to respond to your questions. Thank you. Over to Neerav.

- Moderator:** Thank you very much. The first question is from Akshat Agrawal from SMIFS Capital.
- Akshat Agrawal:** My first question is on asset quality. Do you see these affected corporate accounts to recover in next few quarters? And how do you see credit cost for the full year? Is it like on the 50 bps range or higher?
- Ramesh Babu:** Yes. As I told, so if you look at the corporate accounts for the last 4, 5 quarters, the net slippages is in the range of 0.2 to 0.25. That continues. Even this quarter also, if these 2 accounts where actually we found we can absolutely continue for a few more quarters. But when we saw some sort of issues are there, we felt saying that it is better we bite the bullet earlier so that the realization will be better. So consciously a call is taken within the bank to upfront this one and all to take it forward rather than actually handling it after a few quarters.
- So if we exclude these 2 accounts of INR218 crores, rest of the corporate portfolio, literally, I can say, SMA 30-plus is currently 0, and if we exclude this, again, corporate net slippages will be 0.25. So that way, we don't feel corporate is going to hit us in the next half year. There should not be any issue.



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Now coming to the credit cost is concerned. Credit cost, you see, there are 2 options for us. First option is, being a substandard 15% leave it and all so within the guidance what all we have given and all of credit cost of 1%, you can continue as and when the maturities happens and all substandard doubtful next year and all, we can provide. No problem at all in that.

But what we thought, when you have the money, it is better to clean the balance sheet. So that is the reason we have sufficiently provided the net NPA is at 0.19% so that way, credit cost will be around 1%, but it is only on account of one-off call taken. It should not be generalized saying that credit costs have gone up on account of this. Earlier what all we have given it stands within that, maybe here and there slightly up and down because based on this onetime slippages of these accounts.

Akshat Agrawal:

My next question is on fee income is flat -- roughly flat Q-o-Q. So do we expect it to continue going forward? And what efforts are we -- is the bank taking to enhance it?

Ramesh Babu:

I agree, fee income, if you look at it, the asset growth what all have come few of the products and the segments where the processing fee is quite nominal. If you can look at the mortgages, other things, jewel loans, where the growth has come in the first quarter and relatively in the second quarter, it is these accounts we cannot have very good processing fee.

We have grown well actually in the corporate, you will get good fee. So there, actually, we have grown, but not at the same levels in respect of what we have done in the RAM. So this is one part. So disproportionate growth in the advances. So the RAM vertical, that has not allowed us to go with above 1% for the fee. That is first thing.

And the second thing, if you look at it, our other levers of the fee income like guarantees so these things compared to last year, the income has gone up by 10% to 15%. But the overall issue is, compared to the base, this is relatively lower so which we need to further take it forward.

Another big lever which we are talking about is the third-party income. Third-party income also so compared to last year, we may be growing by 10%, 20%, but that may not be sufficient. I agree with you. Earlier, if you see the DuPont, 1.1 used to be there, currently, we may be at 0.93 or 0.94. So that way, this gap of 14 basis points what all are there, we need to fix that. One is on account of the higher growth in the retail segment advances, and this is one. Otherwise, we are on the job as well as the cross-sell as well as the non-fund-based business.

Akshat Agrawal:

Very well, sir. And on the cost, what kind of -- I mean, you have previously guided 50% for the full year on cost to income. And so do we still expect the cost to increase from here on for investments, pension, actuarial assumptions and so on?

Ramesh Babu:

Yes, yes. You see, we have told already very few branches are opened. 21 branches are yet to be opened. Old branches, what all, are there. In addition to that, there are many new initiatives are there in the pipeline, which we are working. And for these new initiatives, we need to take the experienced manpower.



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For that, we need to invest on them initially. From day 1, you will not get the result of that. So that way, there can be cost we need to incur. But overall, we will try to manage within the cost to income of 50%, what we have told, that way because corresponding income is also growing. So that way, we'll be well within the 50% what we have indicated.

Akshat Agrawal:

Right, sir. So if I can squeeze in one more question. So if we think about NIMs from like a monthly perspective, do you see them turning around in October, mid-November or something in that perspective?

Ramesh Babu:

I agree with you, but there are 2 aspects we need to look at it. So the deposit repricing will start happening. It started already, it will work. But because the term deposits growth is relatively tepid, we need to increase our term deposit rates by 20 basis points again at the end of September.

So that way, what we visualize that sort of a cost reduction, 17 basis points what we have got for the cost of deposits in this quarter, which we may not be able to get, that is the reason we have indicated around 10 basis points. Coming to the asset side, because by first week or before 10, the repricing on account of EBLR has been completed because the last revision was around June 6.

So another issue, what we can see is a lot of competition we are facing. Few of the banks, they are offering some sort of a very finest rates. So while we are willing to forego few of the exposures at those rates because rest of the market also will get spoiled, but few other cases we need to keep the account with them because of the relationship what we had with them.

So on account of the yields, though it looks saying that we have reached the bottom and all, we'll be able to take it forward from here, but there can be here and there on account of the competition, the rates may come down. So that way, as we have indicated for the overall whole year 3.7 to 3.75, now having looked at 2 quarters, we are reasonably confident we will be above that confidently.

Moderator:

Next question is from the line of Jignesh from AMBIT Capital.

Jignesh:

So I had just on this one-off corporate -- 2 corporate accounts, large corporate accounts that you spoke about, INR218 crores, that is the exposure that you spoke about. This is something that you identified earlier and now you are recognizing it. And so has this anything to do with the U.S. tariff thing and all? Or this is something which was anyhow there in the pipeline now, you recognize it? Can you give some color on this? Or what sort of this portfolio was?

Ramesh Babu:

Absolutely. Jignesh, you have given me a multiple choice question. So absolutely, it is the pipeline. If you look at our June SMA 30-plus, it was 0.60. These accounts were there already. So the natural progression, what all, how to become, they have become NPA. They are nothing to do with U.S., because something about transport, something about rice, these sort of things have nothing to do with the U.S.

As far as U.S. is concerned, we have given a clarity saying that we have a miniscule exposure, which we will not have, much issues on account of this textile, which we have a major exposure,



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we have clarified last month by uploading in exchange. So these 2 are nowhere connected with U.S. and all. These are earlier were there so it has come out that. That's the only thing.

Jignesh:

Understood. Understood. And do you see any impact happening on the growth front because of the tariff? I understand that NPA part, we are more or less sorted. So do you see that incremental demand, specifically from textile or MSME segment might get impacted because of this thing? Or do you think this will be resolved and this will not much impact our growth estimates altogether?

Ramesh Babu:

I'll tell you when you talked about textile U.S., let me just brief you, after our what all inputs, what we have posted in the website. Now we are again in touch with our exporters. So surprisingly, the orders, what they are supposed to get from U.S., many of our exporters are still getting it. The reasons are simple. Suppose if they need to move to Cambodia or Vietnam, majority are based on the polyester, whereas we are good at cotton. So many of them who wanted cotton so they need to come here. First thing.

And second thing, few brands, actually, they have a relationship for 10 years. So suddenly going to some other countries, the brand also may take a hit there. Second point.

Third thing, first, 25% when the U.S. tariffs have come so people are able to manage. Second one, tariff comes, so a few of the buyers have asked the sellers to absorb 5%. So a few of the others, few of the sellers have started absorbing 5% and a part is being absorbed by the U.S. seller, because the Christmas is there, they need their shelves to be there and all. So that way, things are going on well.

For the time being, both they felt saying that it is going on. But somehow both the parties, they feel that within 1 or 2 months, this issue will be resolved. And even last 2 days back also when we are talking to the people for any additional funding support is required so 3, 4 people who are actually having majority exports to U.S., they have told saying that we may not require, we'll be able to manage whichever show.

And they do not have a piled-up inventory also with them because tactfully what they did was, the piled-up inventory, instead of holding it, it's better to take a hit of 5% and all, send it there. So buyer as well as seller, together, they are sharing the load, and they are pushing it. For the time being, there is no problem.

One more thing also, what we came to know is the manufacturers here, they have in turn gone back to their suppliers. They have told them saying that, now that we have to take a hit and, maybe a few months, all of us, we need to bear this, and if all of us we go out of the business, will be difficult. Can you share a part of this load?

Surprisingly, many of the suppliers have come forward to bear this shock, this short shock, what is there. So that way, the shock has been passed on to buyer at U.S. and a seller here and seller sells. So that way overall things are going on well, not that grim as it looks.

Jignesh:

Sure. That's really helpful, sir. And secondly...



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- Moderator:** Jignesh, sorry to interrupt you, your voice is breaking.
- Jignesh:** Secondly, I just wanted to check, you say that 20 bps kind of rate hike you have done on the deposit side. Is it correct, right? On the term deposit. And then our EBLR book, almost 37% of the book has already been passed on so rate cut has already been passed on. So do we see that 3Q, we will see further?
- So I understand for the full year, you're maintaining that 3.70%-3.75%, but do you see that last quarter, this quarter, the overall sequential decline in margins have been lower? Do you expect that 3Q, there will be further steeper margin cuts? Or do you think it will be manageable in the similar level? I'm saying sequential decline will be similar, or do you think there will not be...
- Ramesh Babu:** It will be more or less similar. It may not be steeper because that's why as earlier I clarified. So the yields are concerned, ideally, it should have been bottomed out. But because of the competition, how it pans out, we do not know, but that may not be a big hit there and all.
- As far as cost is concerned, the 17 basis point reduction may not be there, 10 basis points. That's overall, if we can see that the third quarter, either there can be an uptick or there can be same quarter whatever, second quarter what all is there we may have to continue. But it looks fourth quarter so normalcy slowly will be restored.
- Jignesh:** Perfect. Sounds great. And just one data point. I mean, I just wanted to check. You have a material rise in your credit substitute this time. Can you -- corporate side, there is a corporate substitute, I can see it around here in your investor presentation. Can you clarify what is it exactly?
- Ramesh Babu:** A good question. I'll tell you, earlier, absolutely we are giving everything under a term loan. So term loan when the repricing and EBLR, these things happen and all so these are all susceptible for the rate fall. So that way, what we thought, instead the same corporate, instead of giving a term loan or working capital here, if they have a CP or a bond, something they are issuing there, if we go and book it for 1 year or 2 years, at least you are locking the rate there straight.
- So that's what we thought, is the same borrower, we would have taken in a normal course, many of them instead of giving them as a fund-based limit in our books, we are giving other side there. So that way we can take care of these rates, we can protect the rates what all are available there.
- Jignesh:** Understood. And just lastly, we have already done 15.8%, 16%, we are touching the credit growth. Do we see there is further upside to this in the second half? We can go to 16% kind of level? Or do you think this is the same level you will be hanging on.
- Ramesh Babu:** No, no, I agree with you. So if you look at our few products, how they are growing. So actually, the momentum is there. But the point is the biggest break is the liability growth. Liability growth in the sense that you need to get the correct mix of liability. If that is not coming overall only time deposits you are growing, you grow at 20%, your existing NIM of 3.77%, all these things will be crashed.



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So we wanted to balance between the NIM quality as well as the growth. That is the reason we thought saying that we may have to mellow down our growth, depending upon the liability mix what we are getting and not growth we are getting. Once that pipe is working well, we are able to get the funding well, CASA and all these things and all, growing at 18% should not be a problem for the bank.

Moderator: Next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Congratulations on the quarter. Sir, on -- I wanted to get this adjustment right. So let us say, this quarter, we had one lumpy recovery. Part of that has come in NII, other income. And let us say, there is lumpy slippages. So just wanted to understand, sir, of this lumpy recovery, how much has flown to NII? You have given the NIM adjustment. But how much of that has gone into -- it looks like it has gone into income on investment, and how much it has gone into other income?

And similarly, on these 2, let us say, one-off kind of corporate slippages, how much have you provided? Just to get the, let us say, the one-off -- just to get the normalized NII and the normalized provisions, if you have that bifurcation?

Ramesh Babu: Yes. Jai, in fact, as we have mentioned in the presentation, INR139 crores has gone into interest income and INR156 crores has gone into the written-off recovery. Okay. These 2 are over.

So now coming to this INR218 crores of these what all we have, become NPA, I think INR186 crores has been provided out of that as a provision. Because luckily, Jai, great convergence for us, both of them coincidence is there. Both of them are come in the same quarter. We thought it is better we appropriate that so that at least the future is clean and safe. So INR186 crores of the INR218 crores has already been provided there. And so these 2 are like that. So that way we have balanced it.

Jai Mundhra: Right. That is very helpful, sir. And sir, of this, other INR259 crores of fee income, except the core fee? One -- sorry, how much is the total TWO pool apart from this INR156 crores, and if there's the treasury, if you can quantify?

Ramshankar: Ramshankar here. See treasury gains, we didn't have anything in this quarter. Though last quarter, we had around INR78 crores here, this quarter we didn't have. To give the correct number, see, INR344 crores is the total recovery, okay, for this quarter. Out of this, INR205 crores is coming under other income, INR139 crores are coming under interest income.

Jai Mundhra: Right. So in the other income, it is only INR205 crores, right?

Ramshankar: Yes, INR205 crores.

Jai Mundhra: And treasury is 0?

Ramshankar: Zero, yes.

Ramesh Babu: The treasury didn't make any sense, Jai, because the rates are up and down, that's why we lied low.



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- Ramshankar:** We had around INR6 crores, not material, compared to...
- Jai Mundhra:** Yes. Negligible, right. Right. And sir, I mean, on ECL, sir, while we have a decent INR200 crores contingent/countercyclical provisions, if you have any -- done any rough math, and we also have the lowest net NPA and a very decent PCR, if you have any initial comment as to do you need to make any additional provision as you transition, this is the rough guidelines?
- Ramesh Babu:** So in fact, Jai, what all you have said, the same comfort I also have, because INR200 crores is there. And second thing is the decent and the finest NPS, what we have. So this will sail us through comfortably. There should not be a much problem because once the final guidelines come, we can arrive at. You see we are one of the banks, which we have started 1.5 years back itself with ECL. So we are so prepared that way.
- So what all is there would be ideally sufficient, but we will look at it. But anyhow, glide path also, they have given for 5 years. We may not choose all those things. So that should not rock the boat of the bank. That's what.
- Jai Mundhra:** Right. And sir, did I hear correctly that you said that you have raised the term deposit rate by 20 basis points, but you expect 10 basis point decline in overall cost? Is that what you said, cost of deposit? Or what was that?
- Ramesh Babu:** Correct. I'll clarify how it works. Actually, we may have increased to 6.8%. There are many deposits of the last year above 7%. We get repriced it to 6.8% so that way when they reprice so we will get a benefit of the 10 basis point reduction in the overall cost. That's what we estimate.
- Jai Mundhra:** So sir, while I believe there are a lot of moving parts on margins and you've kept the margin guidance intact, but assuming there is no further rate cut, the cost of deposits declines by 10 basis points. And let us say, yields more or less have settled because there are no further rate cut, this should be a commensurate increase in NIM, assuming similar competitive intensity, right? Is that the way to look at it?
- Ramesh Babu:** Subject -- we only mentioned that there are many moving parts. Which part moves how fast, we do not know. So that is the reason we still maintain at 3.7% to 3.75%. And above all suppose you see, when people think of the worst quarter, second quarter so we are at 3.77%. So we have given for the whole year 3.77% so that way first quarter, second quarter, so we may be better off that way.
- So for the time being, that's why, Jai, this year is the only year where we are asking some elements, some amount of some flexibility for us because where, what goes, we are unable to know. But we are with you all, what all is the best for the bank, we will be trying to do always.
- Jai Mundhra:** Right. And lastly, sir, the gold loan growth, have you changed -- I mean this -- the growth has been phenomenal across industry and for you as well, after the final guideline by RBI, have you changed any product tweak, any -- the LTV you mentioned is there, which is very comfortable. But have you made any product launch -- new product launch in the gold, with the revised LTV?



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And yes, so that is the question then. And how do you see the growth and the proportion of growth at -- gold loan at 28%? Is that the upper limit or then it can still rise?

Ramesh Babu:

No, no. In fact, there's a lot of demand for the gold loan. There is no doubt in it. So as we said, we have increased the rates also. Agriculture has been made 10.25% and retail has been made 11.4%. And both of them, we have made fixed also. Still a lot of demand is there. So what we say is we didn't bring out any new products.

Second thing also I'll tell you, the rigor what we had when earlier guidelines were issued, the same rigor we are trying to continue now also. So that way, we have put in so many checks and balances when the original guidelines have come.

And after that, a lot of controls are there, centralized team, concurrent audit team and everything digitally doing and all and margin calls, everything we are continuing the same, the reappraisals, mystery shopping, all these measures, what we are supposed to do, we have been doing that way. No additional products. The existing itself what all is there, the demand is coming up and all, even if we have increased the rate. So that way, the momentum is there.

As we said earlier, so the maximum cap can be between 30% to 35%, and we are at 28%. Still we have room to grow. That should not be a problem. And we are growing majorly in the agriculture as well as in the retail segment, the jewel-loan component. Now if we look at our LTV, there are no accounts above 75 now. All accounts are below 75 LTV.

Jai Mundhra:

Sure. And sir, this rate, how much was it earlier? So agri 10.25% and retail 11.4%.

Ramesh Babu:

9.75% used to be there, 10.25% it has become. So likewise, the personal segment, how much it used to be like, it used to be 10-point odd something like that, Jai. They have made it 11.4%.

Moderator:

Next question is from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh:

A couple of questions. One, sir, just a housekeeping question, on this INR274 crores of provisions, can we have a break up of that sir, between loan loss and others?

Ramesh Babu:

Provisions breakup. Mahesh, please, 1 second. Just provision breakup we are giving. A slide is there for the gap and all, just 1 second. Yes. Provisions and contingencies I'll tell you, INR261 crores on account of NPA.

Out of that, as I said, the INR186 crores on account of these 2 lumpy accounts and all rest is normal. Standard assets, INR10 crores we have provided. Restructured advances because repayments are there, upgrades are there, INR18 crores, we have reversed it.

M.B. Mahesh:

Sir, the other question is pertaining to what was asked in the past by Jai as well. This retail provisions, while I understand it doesn't have an impact for you personally given the levels at which you are, do you still have to make higher than what we thought in terms of provisions or we will -- we can continue at the levels at which we are assuming slippages are where it is today?

Ramesh Babu:

You are talking about which provisions? ECL provision...



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- M.B. Mahesh:** Sir, ECL. Yes.
- Ramesh Babu:** No, no. In fact, Mahesh, in fact, we have done that. So just because earlier, we were knowing when RBI will come out of these guidelines. Now a date also has been given something will come out. So it is for rainy day, it is better. Suppose if you are hand-to-mouth, we are unable to reach our ROA of 1% and all, doing all these things make sense. Then absolutely are comfortable for a rainy day, it's better we leave it. Once we get a clarity on that, then we can take a call to how much to reverse, how much to appropriate.
- M.B. Mahesh:** But you don't think that we need to materially alter the provisioning levels at which we are today?
- Ramesh Babu:** Absolutely.
- M.B. Mahesh:** Perfect. Second question, sir, on this corporate loans that you continue to wind down, it's now down to one of the lowest levels that we have seen in many years. In what level are you comfortable?
- Ramesh Babu:** No. In fact, Mahesh, let me be frank, which is not the question of any vertical now. The stage has come, even in a vertical, we are looking at a product which gives us the better yield, risk-adjusted better yield it will give. Suppose if you look at our retail segment slide, so home loan may be secure and safe, but our growth in the quarter is only 1%. So we have -- so our current focus is to take there the risk and the margins.
- Tomorrow, suppose corporate itself is giving the highest margins as well as the risk-free or risk-mitigated return, we do not mind keeping the money there. Second thing, if unlimited amount of flow of deposits are coming CASA just like that whatever, post COVID, when we have come up and all, you need not worry. Anyone asking, even the corporate also, 8%, 7.5%, 7.75%, you could go on lending.
- But the money is limited now that money, if I do not deploy it properly, every vertical, every product we are looking at ALCO also, where it has to go, is it going to maximize the yield overall or not? Otherwise, we have more or less brought down a few other products in few segments altogether. Vehicle loans you see, we have brought it down.
- Until and unless someone is very close and attached to the bank and all for so long, we'll give it. So there is no attachment to any vertical or a product. Wherever bank makes money and risk-mitigated way, then that product and vertical will get the money.
- Second thing also, you see, corporate, compared to last 2 years, it started growing. Now the same way instead of putting the money there, we are getting a better yield in the substitute there. We started putting the money there. So that way, if you look at it, overall, the corporate growth is quarter-on-quarter 5% so which is more or less like other verticals. So we cannot say that corporate is not degrowing. The way corporate used to grow has undergone a change.
- Moderator:** Next question is from the line of Yuvraj Choudhary from Anand Rathi.



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- Yuvraj Choudhary:** Just have one question. We talked about INR295 crores recovery from a large account. So this account, are we the sole lender or was it in a consortium sort of lending?
- Ramesh Babu:** No, we are the sole lender here.
- Yuvraj Choudhary:** Okay. Got it. And do we expect any such lumpy recovery maybe in any coming quarters?
- Ramesh Babu:** No, no. For the time being, we cannot, but we have a good pool and variety many of the initiatives we are taking on many of the accounts. That is the reason, if you can look at my March call, we told saying that we'll be able to get the number of last year INR600 crores, but it may not be evenly we'll be able to get, but in different quarters we'll be able to get that. So here and there, that is there. No lumpy accounts are there, but we'll be able to get the money what all we thought by March.
- Moderator:** Next question is from the line of Pritesh Bumb from DAM Capital.
- Pritesh Bumb:** A couple of questions. One, just a clarification, this recovery was part of a regular pool of return of accounts, right? We were supposed to do about INR500 crores, INR600 crores this year, and that is the part of this?
- Ramesh Babu:** Correct. Perfectly correct.
- Pritesh Bumb:** Absolutely. Second question was on -- in terms of growth, you gave an answer earlier in terms of loan growth outlook. But given that there is a pent-up demand, which is coming in vehicle loan, some parts happening in consumer as well. Do we see between, in the retail, we see further mix change in second half?
- Ramesh Babu:** Vehicle loan is concerned, there may not be a change. The reason is very simple. Our past experience has shown -- anyhow, the higher capital adequacy we have to maintain the risk rate is high. And second thing, the fixed rates, it is when the interest rates are low, you will be locking in for 3 years or 5 years. And third thing, the delinquency levels are high.
- And fourth is when a delinquent account is there repossessing the vehicle and disposal, then there the loss given default is relatively high. Suppose if we do not have any other better product where you can deploy and get more value and more money, then you may have to go to vehicle loan.
- So based on our past experience, what we thought was maybe let us put the money in other products. And as and when we exhaust revenues in other products, then we'll come to the vehicle loan. So for the time being, there can be a spike in the vehicle loan demand, it may not be there in our bank.
- Coming to the consumer segment loans, You would have seen a slight uptick during this quarter in our consumer loan segments. But we have a good reserve there. So our BNPL program with Axio so what all is there with Amazon, we have created more or less 90 lakh customers there.



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These 90 lakh customers, if you apply different filters through analytics and all, if you bring it down so even if you get 1 lakh or 2 lakh customers for the personal loan, these are tested a lot compared to someone on the road we are going to finance them. So we can -- we are thinking of that. Once it works and we'll be able to work along with our partner on a co-lending basis so which will work well, that is a better risk-mitigated way, and to a known customer than an unknown person.

So these 2 can grow. We are working on that. Vehicle loan will not work, and consumer loan, this way, it will work.

Pritesh Bumb:

Got it, sir. And last question, in terms of gold loans, how is our gold pricing done? And I wanted to understand the mechanism, because the prices are moving up quickly, and what period reset it happens at a price?

Ramesh Babu:

More or less every 15 days, we can say we will reset the loan. But relatively slightly, we are conservative also. So totally not giving that way, because we do not know what all has gone up, how fast it will come down also. So we sufficiently keep some sort of margins.

Good thing is with these sort of margins as well as the pricing also, we are able to grow well. So we do not want to be caught on the wrong foot there and all. That's why there are few divisions of the bank, divisions comprised of 50 branches, 60 branches. Their divisions LTV of the gold loan portfolio is below 50. Below 50.

So that would be the case, earlier someone has mortgage or pledged 3 ornaments, now at the time of renewal, he may be taking 1 ornament out and all with 2 ornaments, is able to get the money there and all. So that way, overall, if you look at it, so it will work well, but we need not go tweak and give a higher LTV to book the business. The only thing we require is a service.

Pritesh Bumb:

Got it, sir. Just, again, to reclarify that, 15 days, we -- every 15 days you reprice...

Ramesh Babu:

Around 15 days, we look at what is the market and all. So scientifically, we have a team there and all, they will look at it. And accordingly, they'll change per gram rate, what all is required. And based on that, we'll be advising the branches and we'll input in the system also. So that anyone coming from that day onwards, automatically, they'll be getting the same rate irrespective of the location of the branch.

Moderator:

Thank you very much. I would now like to hand the conference over to Mr. Ramesh Babu, MD and CEO, for closing comments.

Ramesh Babu:

So once again, thank you all for the interest all of you have shown there and on. So Diwali is in the offing in the next 2 days that way. Happy Diwali to all of you and your family members, and thank you very much again for the encouragement and the guidance from all of you. Good day to all of you. Thanks.

Moderator:

Thank you very much. On behalf of Karur Vysya Bank, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.