

Conference Call Transcript

Event: Karnataka Bank Limited First Quarter Ended June 30, 2015 Conference Call

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Karnataka Bank Limited First Quarter Ended June 30, 2015

CORPORATE PARTICIPANTS**P. Jayarama Bhat**

Managing Director and Chief Executive Officer – The Karnataka Bank Limited

CONFERENCE CALL PARTICIPANTS**Abhishek Kothari**

Anand Rathi Securities - Mumbai

Nishid Shah

Ambika Fincap Consultants Private Limited - Mumbai

Sweta Sheth

Stewart & Mackertich - Kolkata

Nikhil Rungta

Anand Rathi Share & Stockbrokers Limited – Mumbai

Varun Rao

Maybank Asset Management - Singapore

Chinmay Desai

Anvil Shares & Stockbroking Private Limited - Mumbai

Alok Shah

Edelweiss – Mumbai

PRESENTATION**Palak – Moderator**

Good evening, ladies and gentlemen, I am Palak, the moderator for this conference. Welcome to conference call of Karnataka Bank on FY 2016 Q1 results. Mr. P. Jayarama Bhat, Managing Director & CEO of the Bank will be your call leader. For the duration of the presentation, all participant lines will be in the listen only mode. After the presentation, the question and answer session will be conducted for all the participants in the conference. Now I hand over the floor to Mr. Bhat. Thank you and over to you Sir!

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Thank you. Good evening. Thank you very much for joining for the concall. Our Q1 results analysis has been placed in our website and let me brief the performance of our bank, the deposits have grown by about 1.65% from March 2015 to June 2015 and for year-on-year it has grown by 9.31%, advances year-on-year has grown by 8.72% and the investment has grown by 4.41%.

As far as the other Numbers are concerned, we had an operating profit of Rs 239.02 crore as against Rs 238.14 crore as of last year's June quarter and if you take the exceptional item that is for Rs 50.10 crore due to the impact on account of change in depreciation method in the last year first quarter then the operating profits come to around Rs 188.04 crore and effectively the growth rate amounts to around 27.11%.

Net profit for the quarter has declined to Rs 109.34 crore as against the last years' Rs 121.60 crore and there was a negative growth of 10.10%. Here also if you take into effect the exceptional item less tax, then it comes to around Rs 88.56 crore with the growth rate of around 23.46%. So overall there was an improvement in the results and actually in the case of net interest income there was a good growth from Rs 278.21 crores YOY to Rs 331.31 crore, growth rate was 19.08%.

Coming to the net interest margin, YoY it has improved from 2.33% to 2.55% sequentially it has improved from 2.28% to 2.55%. Then gross NPA YoY, has come down from 3.43% to 3.26% and net NPA also has come down from 2.37% to 2.05%. Sequentially, gross NPA, has gone up from 2.95% to 3.26% and net NPA has gone up from 1.98% to 2.05%.

As far as cost of deposit is concerned, YoY it has improved from 7.88% to 7.67% and yield on advance has also improved from 11.96% to 11.98% that means the spread has improved from 4.08% to 4.31%.

Coming to the return on assets, last year's first quarter it was 1.02% and it has slightly come down to 0.84% and sequentially also it has come down from 1.05% to 0.84%. Return on equity has come down from 15.63% to 12.70%. As far as CRAR is concerned, as per BASEL III, it has come down from 12.97% to 12.07%.

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CASA percentage marginally improved to 25% as on June 2015 from 24.98%. Provision coverage ratio has also improved from 49.59% to 52.65%, cost to income ratio has slightly moved up from 41.62% to 46.94%. These are some of the highlights of our results for June quarter. We have performed fairly well and the credit growth in the first quarter was not there and going forward in this coming nine months for the three quarters we hope to have a good credit growth. We have got good credit enquiries and with this we hope to reach the business turnover target of Rs 91000 Crore set for the year March 2016. Please go ahead.

Palak – Moderator

We will now begin the question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Participants who wish to ask questions, may please press “*1” on their touchtone enabled telephone keypad. On pressing “**1” participants will get a chance to present their question on a first-in-line basis. To ask the question, participants may please press “**1”. The first question comes from Mr. Abhishek Kothari from Anand Rathi Securities, Mumbai. Mr. Kothari, you may please ask the question now.

Abhishek Kothari – Anand Rathi Securities - Mumbai

Sir, our capital consumption rate was high in the quarter, if you see historically this quarter we have been conserving our capital very well and this quarter on a sequential basis 24 BPS was the consumption in capital. Am I right?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes, from 12.41% to 12.07% as per Basel III

Abhishek Kothari – Anand Rathi Securities - Mumbai

So, the point is that would this consumption rate continue or would we likely to see this as one off due to change in methodology of RWA calculation?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It is not on account of RWA, we are not considering the interim profit. If we take into account this interim profit, CRAR comes to around 12.40%. So here during the quarter, we do not include the profits, which we have earned for the quarter and at the year-end it will be added. So it is not on account of increased risk-weighted assets, but for not including the three months profit.

Abhishek Kothari – Anand Rathi Securities - Mumbai

Sir one question on slippages; we had a slippage of about 260-odd crores, right?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Abhishek Kothari – Anand Rathi Securities - Mumbai

So there was no slippage from restructured books?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

No slippages in the restructured book.

Abhishek Kothari – Anand Rathi Securities - Mumbai

So, these are fresh slippages to understand?

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Abhishek Kothari – Anand Rathi Securities - Mumbai

So, can I know the large accounts like two or three accounts contributed to what quantum and going ahead what would be our run rate for slippages?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Total slippages was Rs 264.91 crore out of which the priority sector accounted around Rs 169.56 crore and non-priority sector was Rs 140.34 crore. In the priority sector, the agriculture and allied activities, there were slippages to the extent of around Rs 50 crore, in industrial sector it was around Rs 48.44 crore, then services sector about Rs 50.51 crore and personal and others Rs 11.06 crore. In the non-priority sector, there are two major industries, which have accounted to Rs 46.62 crore, services sector about Rs 10.12 crore and others put together was about Rs 48 crore. So to answer your specific question on the specific sector broadly in agriculture there were slippages of Rs 49.56 crore and we are hopeful of recovering the accounts going forward in another two three months maybe to the extent of 75% to 80% in the agri sector. Then in the steel sector, we had one account around Rs 38 crore, in the jewellery sector, we have one account around Rs 30 crore and others smaller accounts.

Abhishek Kothari – Anand Rathi Securities - Mumbai

So, where would we see our slippage run rate going ahead?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

This may be one off and in the agricultural sector whatever slippage is there, have already been accounted and going forward there are no major accounts, in the offing, As the industrial climate is also improving I think slippages may not be to the extent what we have declared in this quarter.

Abhishek Kothari – Anand Rathi Securities - Mumbai

Business growth has been subdued for us, right in this quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Abhishek Kothari – Anand Rathi Securities - Mumbai

Where would we see FY 2016 ending at with business growth and margin outlook if you can share?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Margin outlook, we are targeting around 2.75%. We have recently changed our base rate from 10.75 per cent to 10.50 per cent. This may impact our margins slightly, but going forward we have also reduced our interest rates on deposits. One year deposit rates, were reduced in two or three tranches. Latest we have decreased the interest rates from 8.60% to 8.35% so this will match any decrease in our yields and going forward I think we may expect NIM around 2.75% to 2.80% by year end. We have set a target of Rs 91000 crore of business at an average increase of around 17% , which we are hopeful of achieving.

Abhishek Kothari – Anand Rathi Securities - Mumbai

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What will be the movement from HTM to AFS in the quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Pardon.

Abhishek Kothari – Anand Rathi Securities - Mumbai

Any movement from HTM to AFS in the quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

No.

Abhishek Kothari – Anand Rathi Securities - Mumbai

That is it from my side. Thank you.

Palak – Moderator

Thank you very much sir. The next question comes from Mr. Nishid Shah from Ambika Fincap Consultants Private Limited, Mumbai. Mr. Shah, you may please ask the question now.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

Good afternoon Mr. Bhat. Congratulations on a good set of numbers in a difficult environment.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Thank you.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

I think I was hearing what you said 91000 crore and 17% growth in business but could you throw some light as to why the NPA on a quarter-on-quarter basis had to go up in this quarter despite all that we have done over the last 12 months and how do you see the roadmap on recovery. I heard that 75 BPS can get upgraded over the next two quarters, but if you elaborate on that first?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

I know that questions would be only on NPAs. The agriculture NPA's were not expected and you know the climate in the country as per the agricultural loans are concerned, but with our consistent effort, we are bound to recover the arrears. If you take total exposure in NPA agriculture and allied activities accounts to around 11.99%, which we are hopeful of recovering at least up to the extent of another 75%. In non-priority sector it is around 68%. In fact we have gone for SARFAESI route we are going for some asset sale also. With all these we are hoping to reduce the gross NPA considerably, but as to answer your question as to how these slippages happened in the first quarter one is agricultural sector and other there were some temporary aberrations here and there and we are trying to attack these accounts to see that there will be recoveries plus our main target is that going forward in the next nine months to avoid fresh slippages and see that slippages are at the minimum.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

So, what would be the internal target for gross NPA for us and for the net NPA?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

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For this year is it?

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

For March 2016?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We are targeting around 2.25% gross NPA.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

And the net?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Net 1.33%.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

So this should be very good. You should be almost in line with the private sector banks, isn't it?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes that is our target and we are trying our level best.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

I mean, return on assets most of the good private sector banks are at 1.5% to 1.8%, so where do you think the bank would be by the end of the year?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

The return on asset is a derivative of all other yields and as you know our exposures to RIDF is getting reduced. RIDF at one point of time was around Rs 3000 Crore, now it has come down to around Rs 1700 Crore. CASA also we are targeting. We are bringing more and more, technology based products and you know CASA, which has gone up to 25% and we are targeting around 27% to 27.5% CASA by this year end. With this the cost of deposits may come down. If you look at the cost of deposits for year-on-year from 7.88% it has come down to 7.67% and this should be an indication of the trend. We have increased the interest spread from 4.08% to 4.31%. These are all efforts in increasing our return on assets, still we have a long way to go but for the time being in the medium term, we are targeting say in another three years a ROA of around 1.25% and which is now at 0.84%. Definitely we are targeting around 1.25% by another two or three years.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

On the profits, you gave us a guidance on 91000 Crores business but if your NPAs are under control then your profit should see a substantial growth, isn't it?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Definitely yes. That is our aim to meet our shareholder's expectation.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

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How many branches and ATMs you target to reach by the end of the year?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Another 50 branches from 675 we want to increase it by 50 so to reach 725 this year. Last year we have opened 75 branches and this year we wanted to consolidate and we want to open only 50 branches and ATMs from 1000 to 1275, 275 more ATMs, so 1275 and 725 total business outlets will be 2000 this year. To correct myself I have targeted gross NPA at 2.70% and net NPA around 1.22%.

Nishid Shah - Ambika Fincap Consultants Private Limited - Mumbai

That is it from my side. If there are any questions, I will come back again. Thank you once again and congratulations.

Palak – Moderator

Thank you Mr. Shah. The next question comes from Ms. Sweta Sheth from Kolkata. Ms. Seth you may please ask the question now.

Sweta Sheth – Stewart & Mackertich - Kolkata

Good afternoon. Sir, just wanted the breakup of provisions for this quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Provisions for this quarter as of June 2015 provisions for depreciation on investment was Rs 12 crore, provisions towards NPA Rs 86.13 crore, provisions towards fair value loss for restructured account was Rs 8.70 crore, then provisions for standard assets, additional provision of Rs 8.52 crore then other provisions of 0.50 crores. So this comes to Rs 115.85 crore and provisions for tax Rs 13.83 crore.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, secondly a little bit generalized question about your NPA and recoveries going forward. Sir from 3.26 in the first quarter you have targeted to around 2.70. So the journey from 3.26 can you just make me understand about some slippages going forward and any stressed accounts right now in your radar?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We do not have much stressed accounts in the restructured portfolio. Even the existing stressed accounts in a few categories we are tackling as I have already told you it may not be to that extent what we have declared in the first quarter and we want to reduce the slippages. I think with we are confident of achieving 2.75%.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, you just mentioned that there was some one off slippages which you were not expecting this quarter in agri sector. Sir, what would be the amount for that?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Around Rs 49 crore.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, Rs 49 crore. Sir, in total slippages as in the new accounts you said that there is no slippages from restructured account, right. These are all fresh slippages.

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

As of now we do not see any slippages in the restructured sector, and I am right.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, how much of it would be provided as in already provided till now?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

In the case of restructured accounts if you take all provisions it comes to around 14%, and it includes the fair value provisions,. The NPA portfolio of around Rs 182 crore is restructured, all put together it is around 14%.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, out of this fresh slippages of 265 crores how much of it is provided?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We have provided as per the prudential norms, so the total provision for NPA including migration, total provision stands at Rs 388 crore.

Sweta Sheth – Stewart & Mackertich - Kolkata

Sir, second thing about your RIDF, how much of the amount was received in this quarter, the outstanding is 1700 crores, if I heard right?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

RIDF stands at Rs 1767 crore. as of March it was Rs 2069 crore.

Sweta Sheth – Stewart & Mackertich – Kolkata

Sir, how much do you expect to get this figured down more this year around?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

May be around Rs 300 crore.

Sweta Sheth – Stewart & Mackertich – Kolkata

So each year as in total would be Rs 300 crore, right Sir?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Sweta Sheth – Stewart & Mackertich - Kolkata

Thanks a lot. That is it from my side. All the best.

Palak - Moderator

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Thank you very much Ms. Seth. The next question comes from Mr. Nikhil Rungta from Anand Rathi Share & Stockbrokers Limited. Mr. Rungta, you may please ask the question now.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

Sir, just wanted to check what was your fresh restructuring during the quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Fresh restructuring during the quarter was Rs 226 crore.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

226 crores and any large or chunky account in this?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It was in?

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

Any big account in this or this was all granular small accounts?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

There are some big accounts of around Rs 40 crore, Rs 50 crore two to three accounts, otherwise all smaller accounts.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

These two three accounts what sectors would they comprise of?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

One is in power sector, another is in steel sector, and then others are in industrial sector.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

Sir, second question is what was the sale of assets during the quarter and was there NPA sale?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It is a sale of NPA.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

Sale of NPA.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It comes to Rs 50 crore we have sold in this quarter.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

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Out of this Rs 50 crore this is the gross value of the asset sale, right?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

I mean what was the book value of these assets sold?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

It was book value of Rs 50 crore we have received 50% of the book value, 25 crore, we have already made a provision of around Rs 12.5 crore. So rest we have absorbed proportionately in this quarter.

Nikhil Rungta – Anand Rathi Share & Stockbrokers Limited – Mumbai

Thank you.

Palak - Moderator

Thank you, very much Mr. Rungta. The next question comes from Mr. Varun Rao from Maybank Asset Management, Singapore. Mr. Rao, you may please ask the question now.

Varun Rao – Maybank Asset Management - Singapore

Thank you. Mr. Bhat, just wanted to get the breakup for the reduction in NPA numbers, which is 175 crores out of that if you can just let us know how much was the recovery then? How much was written off and the reductions in the NPAs?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Total reduction was 175.16 crores out of which write off was 25.34 crores, rest is recovery, 149.82 crores out of that one major account recovered that is upgraded was around 88 crores, rest are cash recovery, upgradation and sale of an asset.

Varun Rao – Maybank Asset Management - Singapore

Thank you.

Palak – Moderator

Thank you very much Mr. Rao. The next question comes from Mr. Chinmay Desai from Anvil Shares & Stockbroking Private Limited, Mumbai. Mr. Desai, you may please ask your question now.

Chinmay Desai - Anvil Shares & Stockbroking Private Limited - Mumbai

Good evening Sir. Sir just wanted to know, I mean on the yield front on the yield on advances we have been more or less flat on a sequential basis. The costs have seen quite a sharp reduction. So, one what was the reason for the sharp reduction because CASA has not really moved too much as such on sequential basis. So what was the reason for the sharp reduction? What gives us the confidence of sustaining this kind of margin improvement going forward?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

I have already answered this. The cost of deposits has come down from 7.88% to 7.67% and sequentially also for the standalone quarter for March it was 7.86% and why it got reduced is three times we have reduced our interest rates on

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deposits since last say three to four months, and this has impacted and this has given us a good cushion as far as the reduction in the cost of deposits are concerned, almost from 9.25% one year deposits interest rates we have come down to 8.6%. So naturally, even when the deposits get reprised the cost of deposit is bound to come down. As far as yield on advance is concerned sequentially it was 11.80% it has gone up to 11.98%. In the March standalone quarter it was 11.80% and it has gone up to 11.98% and we have tilted this ratio of retail to corporate now. We have retail around 51% and corporate is 49%. This is one of the reasons why the yield on advances has come down. These are sustainable interest spread, I have to say that we have recently reduced our base rate from June 1st by 25-basis points, this will have some impact on our yield on advances, but we have once again reduced our interest rates on deposits by about 25-basis points to 8.35 % (one year). This may match our impact on the yield on advances. So going forward we may sustain it and our net interest margin, now at 2.55% year end we have set a target at 2.75%.

Chinmay Desai - Anvil Shares & Stockbroking Private Limited - Mumbai

But there is a lot of pricing pressure both on the retail side as well as on the corporate side, so I mean how are we looking at improving our margins by close to 20-basis points in such a competitive pricing environment?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

We have to and we are also increasing and trying to increase our CD ratio. Now it is around 68.07% and going forward we have set the target of 72% CD ratio for March 2016. So we are bound to see that there is an increase in the net interest income, which now has gone up by about 19%, so quantum wise also we may get some benefit in income, which will add to sustain in any impact on our provisions as well. So naturally our net interest margin should go up.

Chinmay Desai - Anvil Shares & Stockbroking Private Limited - Mumbai

Sir, on this capital infusion we have taken an enabling resolution, any plans to go for any capital raising right now?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

As of now our capital adequacy ratio is comfortable at 12.07% and I think at this moment, we are not taking any decisions as to go for expansion in capital. We have just taken an enabling resolution, in case we get a robust increase in our advances portfolio, then we may think of going for capital expansion in the third quarter of this year. Otherwise we may not go for capital expansion this year.

Chinmay Desai - Anvil Shares & Stockbroking Private Limited - Mumbai

That is it from me now. Thank you.

Palak – Moderator

Thank you very much Mr. Desai. The next question comes from Mr. Alok Shah from Edelweiss, Mumbai. Mr. Shah, you may please ask the question now.

Alok Shah- Edelweiss – Mumbai

Good afternoon Sir. Sir, we just wanted to check what is the interest income reversal this quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Interest reversal, is it?

Alok Shah- Edelweiss – Mumbai

Yes.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

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We have reversed about Rs 30 Crore.

Alok Shah- Edelweiss – Mumbai

30 crore and outstanding SRs in the book and any mark down on the same?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

You are talking about reversals, it is not of NPA?

Alok Shah- Edelweiss – Mumbai

First was interest income reversal to that you said 30 crores, right sir?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Yes.

Alok Shah- Edelweiss – Mumbai

Second, I wanted to check was what is the outstanding SRs lying in the books?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Around 200 crores.

Alok Shah- Edelweiss – Mumbai

Sir, any mark down from the last quarter?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

No mark down from the last quarter.

Alok Shah- Edelweiss – Mumbai

No mark down and sir what is the current employee base, the number of employees?

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

7625.

Alok Shah- Edelweiss – Mumbai

7625.

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

7280 as of March now we have increased to 7625.

Alok Shah- Edelweiss – Mumbai

Now it is 7600?

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P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

7625 now.

Alok Shah- Edelweiss – Mumbai

7625 okay. Thank you sir.

Palak – Moderator

Thank you very much Mr. Shah. At this moment there are no further questions from the participants. I now hand over the floor back to you. Over to you Sir!

P Jayarama Bhat - Managing Director and Chief Executive Officer – Karnataka Bank Limited

Thank you. We have set a business turnover increase by 17% for this year. We have targeted a deposit growth of overall for the year 16%, advances growth of 18.3% and CD ratio, 70.09% from last year's 68.88% and number of branches as I said it will be around 725 then ATMs 1275 total business outlets 2000. So this is our target for this year and we hope to do well in the next three quarters. Thank you very much.

Palak – Moderator

Ladies and gentlemen this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.