

Investor Brief for Dec 2022

A Very **Good Evening**, Happy New Year and Warm Welcome to all the participants.

First a brief look at the good and the not so good on the overall economic, geo-political and industry front.

On the global front, the major geo-political tensions especially the Russia - Ukraine war is showing no signs of cooling down and the Covid worries in China have once again surged though they have started reopening. Amid the supply chain disruptions and ensuing food and energy crisis coupled with the financial market volatility arising from the aggressive monetary policy tightening, there are some risks stemming from the possibility of global slowdown. Though emerging markets apparently were more resilient in the recent periods, but the US monetary policy and the US dollar shall be the deciding factor for these economies in the near future. Yet some cues suggest that the Central Banks are mostly through with their rate hikes and monetary tightening and a belief of a pause and easing is taking hold in the market. The US Dollar too is off its 20-year highs.

In India, there seems some respite on commodity prices and other costs amidst strong revenues which appears to have boosted corporate performance. Macroeconomic stability is getting reinforced with inflation being brought into the tolerance band and lead indicators suggesting narrowing of the current account deficit being on course. Indian economy is projected to clock a growth of 7.0 per cent in 2022-23. Increase in the monthly GST revenue suggests an acceleration in the economic activity. Financials have had a good year so far. Credit growth has been robust while the deposit growth hasn't matched resulting in an elevated incremental Credit-Deposit ratio, the rise in interest rates notwithstanding.

With the restoration of its pristine glory, 2022 has been a remarkable tourism year for J&K with over 16 million tourist arrivals - highest in the history of the UT. The tourist arrivals have continued through the winter months and with new destinations being explored and added to the tourist map, the flow is going to improve further. This has resulted in significant employment creation in the UT. The UT government is giving a big push to the development of infrastructure especially connectivity - rail, road, & air, social infra like mega hospitals / institutions (AIIMS, IITs, IIMs), smart cities - to market it as a favoured

destination not only for tourists but also for investments. Presently J&K is at the threshold of transformation with holistic development, large scale investments pouring in various sectors and efforts being redoubled to restore peace.

Now a look at the financial performance of the Bank during Q3 / 9-month period ended Dec'2022.

Continuing with the sustained improvement in our overall functioning and the operating results, the Bank has recorded a better set of numbers during the Q3 / 9-month period ended Dec'2022.

Our deposit growth was 8% on YoY and 1.91% sequentially QoQ while our Net Advances grew at 14% and 4% respectively. Personal Finance has grown at over 14% YoY and among this the Housing Loan segment has recorded growth of almost 17% YoY and the consumption loans to government employees 16%. Credit growth outside J&K and Ladakh has been quite encouraging clocking almost 21% increase over Dec'2021 and consequently the share of Rest of India in the loan book of the Bank has crossed the 30% mark.

On the operating results, improvement is conspicuous on every parameter be it pre-provisioning or bottom-line;

Interest Income is up by 21% YoY for Q3 and 14% for the 9 Month period;

Non-Interest Income is up by 42% YoY for the quarter and 8% for 9 Month period;

Net Interest Income is up by 27% YoY on quarter & 19% on 9 Months basis.

Despite proportionately providing for the Wage Revision (which is due from Nov 2022), **Operating Profit** is up by 65% YoY for the Quarter and 41% for the 9-month period.

Even on the sequential Q-o-Q basis, there is marked improvement in all operational parameters.

Consequently, we have registered a quarterly PAT of Rs. 311.59 Crore (which is the second highest quarterly profit during the last seven years) recording growth of 79% YoY and 28%

QoQ. The 9-month period PAT of Rs. 721.05 crore is 85% higher than the profit for corresponding period of previous year.

Cost-to-Income ratio has moderated slightly to 63.71% for the quarter despite creation of proportionate provision for the wage revision which is due from Nov'2022.

Asset Quality has further improved with GNPA moderating 42 basis points from Sep quarter. It could have been still better but some large ticket resolutions are taking some time and hopefully shall culminate during this quarter. We continue to maintain a provision coverage of 85% level.

The CRAR has improved to 13.82% owing to the raising of T-2 Bonds during Dec' quarter. With the inclusion of the 9-month profit, the resultant CRAR will be above 14.75%.

A look at the comparative quarterly results over the last seven years reveals best performance in Dec'2022 on a number of parameters like

Highest NIM 4.10%

Highest CRAR 13.82%

Highest productivity: Biz Per employee 14.82 Crore; per Branch almost 200 crore

Lowest GNPA 7.25%; NNPA 2.08%

And the trend is clear that every subsequent quarter shall be a path breaking one.

During the 3rd quarter, we raised Tier-2 capital of Rs. 1021 Crore to augment our Capital base. Pertinent to mention that T-2 Bonds amounting to Rs. 500 crore are getting redeemed in Dec 2024. We are also looking to further augment the Capital of the Bank especially the CET-1 during this quarter (Q4) through ESPS as also internal accruals which are expected to be encouraging this year thereby targeting a CRAR in the range of 15% by March'2023.

We acknowledge your guidance, support and trust and we expect it to continue in the coming days. I will be glad to have your questions now.....Thank you very much.

Concluding remarks after Q&A session

Thank you, _____, and thank you to all the participants for joining in today. For any further questions, queries, comments or anything else, the team is always available and you can also direct your queries to our Investor Relations desk and we will definitely respond.. Thank you and wishing you a Very Happy Republic Day. Bye-bye.