

“The bank has delivered stable returns with healthy business growth and improved asset quality.”

Ajcon Global's observations & views

1. The bank's net profit rose during the quarter, primarily driven by lower NPA provisions, reflecting improved asset quality and lower fresh slippages.
2. The bank is focused on expanding credit alongside strengthening its low-cost deposit base to safeguard margins, while continued investments in technology are enhancing efficiency and customer experience.

Q2FY26 Result Analysis:

- 1) **Total Business** rose by 3.74% QoQ to Rs. 15,62,446 Crores in Q2FY26 from Rs. 15,06,142 Crores in Q1FY26 and rose by 11.83% YoY against Rs. 13,97,100 Crores in Q2FY25.
- 2) **Total Global Deposits** rose by 2.35% QoQ to Rs.8,53,301 Crores in Q2FY26 from Rs. 8,33,698 Crores in Q1FY26 and rose by 10.08% YoY against Rs. 7,75,181 Crores in Q2FY25.
- 3) **Global Gross Advances** rose by 5.46% QoQ to Rs. 7,09,145 Crores in Q2FY26 from Rs. 6,72,444 Crores in Q1FY26 and rose by 14.03% YoY against Rs. 6,21,919 Crores in Q2FY25.
- 4) **Net Interest Income** was down by 2.57% QoQ to Rs. 5912 Crores in Q2FY26 from Rs. 6068 Crores in Q1FY26 and it fell by 1% YoY against Rs. 5986 Crores in Q2FY25.
- 5) **Operating Profit** was down by 4.69% QoQ to Rs.3821 Crores in Q2FY26 from Rs.4009 Crores in Q1FY26 and it fell by 7.86% YoY against Rs.4147 Crores in Q2FY25.
- 6) **Net Profit** was up by 13.45% QoQ to Rs.2555 Crores in Q2FY26 from Rs.2252 Crores in Q1FY26 and it rose by 7.62% YoY against Rs.2374 Crores in Q2FY25.

KEY FINANCIAL INDICATORS – Q2FY26

CMP (24.10.2025)	: Rs. 133.90
Face Value	: Rs. 10
Book value per share	: Rs. 151.30
Market Capitalisation	: Rs. 60,925
Capital Adequacy Ratio	: 16.69%
C/D Ratio	: 83.11%
CASA Ratio	: 39.39%
Net Interest Margin (NIM)	: 2.41%
Cost / Income Ratio	: 53.02%
GNPA	: 2.54%
Net NPA	: 0.65%
PCR	: 93.39%
Slippage Ratio	: 0.14%
Credit Cost	: 0.28%
Return on Assets	: 0.91%
Return on Equity	: 14.94%

- 4) **Net Interest Margin (NIM)** decreased to 2.41% in Q2FY26, compared to 2.55% in Q1FY26 and 2.81% in Q2FY25, respectively.
- 5) **Cost of Deposits** was same at 4.85% in Q2FY26 and Q1FY26 but it came down from 4.95% in Q2FY25. **Cost of Funds** increased to 4.84% in Q2FY26 against 4.66% in Q1FY26 but it was down from 4.94% in Q2FY25. **Yield on Advances** fell to 7.81% in Q2FY26 against 8.01% in Q1FY26 and 8.43% in Q2FY25, respectively.
- 6) **Total Non- Interest Income** rose by 2.49% QoQ to Rs. 2220 Crores in Q2FY26 against Rs. 2166 Crores in Q1FY26 and fell by 12% YoY from Rs 2518 Crores in Q2FY25.
- 7) **Cost to income ratio (Global)** rose to 53.02% in Q2FY26 against 51.31% in Q1FY26 and 51.22% in Q2FY25, respectively.
- 8) **Domestic CASA ratio** went down to 39.39% in Q2FY26 against 39.88% in Q1FY26 and 41.18% in Q2FY25, respectively.
- 9) **C/D ratio** rose to 83.11% in Q2FY26 against 80.66% in Q1FY26 and 80.23% in Q2FY25, respectively.
- 10) **Return on Assets (ROA)** rose to 0.91% in Q2FY26 against 0.82% in Q1FY26 and fell from 0.94% in Q2FY25.
- 11) **Fresh slippages** decreased to Rs. 887 Crores in Q2FY26 against Rs.2080 Crores in Q1FY26 and Rs.2357 Crores in Q2FY25, respectively. **Recovery + Upgradation** declined to Rs. 1440 Crores in Q2FY26 against Rs. 1779 Crores in Q1FY26 and Rs. 1769 Crores in Q2FY25, respectively.
- 12) **Gross NPA ratio** improved to 2.54% in Q2FY26 against 2.92% in Q1FY26 and 4.41% in Q2FY25, respectively. Net NPA ratio also improved to 0.65% in Q2FY26 against 0.75% in Q1FY26 and 0.94% in Q2FY25, respectively.
- 13) **Credit cost** improved to 0.28% in Q2FY26 from 0.68% in Q1FY26 and 0.97% in Q2FY25, respectively.
- 14) **Provision Coverage Ratio** marginally increased to 93.39% in Q2FY26 against 92.94% in Q1FY26 and 92.22% in Q2FY25, respectively.



“The bank has delivered stable returns with healthy business growth and improved asset quality.”

Management Comments

- 15) In his opening remarks, Shri Rajneesh Karnatak, MD & CEO, stated that the bank is focused on balancing credit growth with increased mobilization of low-cost deposits to safeguard margins and ensure sustainable profitability. He added that enhanced technology, improved operational efficiency and strong governance will further strengthen the bank's long-term resilience and growth momentum.
- 16) Further elaborating on the bank's strategic direction, Shri Karnatak outlined key initiatives such as the launch of *Trade Easy*, a digital supply chain finance platform for MSMEs, waiver of minimum balance charges to boost financial inclusion and the introduction of the Star Pravasi Deposit Scheme at GIFT City for NRIs. He also mentioned about the establishment of a centralized Testing Center of Excellence to strengthen compliance and system security, along with employee-focused initiatives like a 24x7 wellness program and AI-driven training modules to enhance staff development and engagement.
- 17) In response to an analyst's concern on reduced NIM, the MD & CEO replied that the repricing of term deposits will be completed in Q3 FY26 and the NIM is expected to start improving from Q4FY26. He further added that, for FY26, ROA guidance is maintained at around 0.90%, while credit growth is projected at 12-13% and global deposit growth at 10~11%, consistent with earlier guidance.
- 18) Talking about sectoral growth, Shri Karnatak highlighted that the bank is witnessing healthy growth across all segments with a global advances pipeline of over Rs 70,000 crores, including Rs. 50,000 crores from corporate credit and Rs. 20,000 crores from RAM segment and expects H2 FY26 to show stronger growth.
- 19) The Bank's credit cost has reduced to 0.28% in Q2 FY26 due to lower fresh slippages of under ₹900 crore and is expected to remain stable going forward, with the full-year credit cost projected at around 0.60% versus 0.76% in FY25, explained Shri Karnatak.
- 20) Addressing an analyst's query on digital spending, the MD & CEO stated that the bank has an annual budget of ₹2,000 crore for IT that includes digital and cybersecurity. He further highlighted that the bank has created a digital loan book of ₹1.2 lakh crore, which is about 20% of the domestic loan book, across 20 digital products in retail, agriculture and MSME segments.
- 21) The ECL transition is expected to have around 1% impact on the bank's CRAR, given the five-year implementation window till March 2031 said Shri Karnatak. He, however, mentioned that it is too early to decide on front-loading the impact through higher provisions.
- 22) Responding to an analyst's concern on stress in MSME segment, the MD & CEO shared that the MSME segment remains stable with SMA levels improving — total SMA book declined from ₹7,000 crore to ₹6,100 crore and MSME SMA reduced from ₹1,600 crore to ₹1,200 crore, with most accounts in SMA-0 and limited stress in SMA-2 at ₹470 crore. He further added that the bank has set an internal recovery target of ₹10,000 crore for FY26 primarily from the NPA book.