“CSB Bank Limited
Q2 FY2027 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to CSB Bank Limited earnings call for Q2 FY2027 financial results hosted by Yes Securities Limited. Please note that 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. Please note that this conference is being recorded. With that, I hand over the call to Mr. Shivaji Thapliyal from Yes Securities. Thank you and over to you, sir.

Shivaji Thapliyal: Thank you Swapnil. Good evening and a warm welcome to all those who have joined the call. The CSB Bank management is represented by Mr. Pralay Mondal, Managing Director and CEO, Mr. B.K. Divakara, Executive Director, and Mr. Satish Gundewar, Chief Financial Officer. We specifically thank the management of CSB Bank for giving Yes Securities the opportunity to host their result call. The management will first be making some opening remarks, after which we will throw the floor open for questions. I now invite the management to make their opening remarks. Pralay, over to you.

Pralay Mondal: Thank you, Shivaji. Thank you, everybody, for joining our call for Q2 FY2027. Let me start by wishing everybody Happy Diwali in advance.

On the macroeconomic side, especially in the banking landscape, the global environment continues to be uncertain. Financial market volatility and geopolitical uncertainties continue to persist. Global growth is revised upwards to 3.1% for 2026 and 3.4% in 2027, with stagflation risk continuing to remain a possibility. Global inflation is also projected to move upwards to 4.7%. Mid-term elections in the US and some agreement on ceasefire with Iran will decide the future course in energy prices and global growth.

On the domestic front, RBI has revised upwards India's GDP growth to 7.1%, along with several other global agencies like ADB and IMF. India continues to be one of the fastest growing major economies in the world and is outperforming global peers. The major setback to the Indian economy this year is rising crude prices, which put pressure on INR and domestic rates. Central Bank has brought currency situation under control by opening the FCNR swap window for banks on NRI deposits and have raised repo rates to contain inflation. The excess liquidity that persisted in the system due to FCNR deposits is gradually getting neutralized .

On the growth outlook, the economic outlook for India remains positive. The resilience in Indian economy is largely due to robust domestic demand, government infra-spending and steady service sector, even as global geopolitical and trade headwinds continue to pose external risks. India remains the fastest-growing economy in the world despite facing exceptionally high crude oil prices. The growth outlook remains robust, however, continued conflict in Gulf and second-order impact of El Niño may knock off few basis points in the coming quarters. Monetary, regulatory, and fiscal policies remain aligned with the growth

objectives, with RBI projecting a real GDP growth of 7.1% and CPI inflation expectation of 5.2% in FY2026-27.

Coming to CSB specifics, overall, we had a fairly good quarter. On the profitability side, net profit stood at Rs.183 Crores for Q2 FY2027, with a sequential growth of 22% and Y-o-Y growth of 14% over Q2 FY2026. Operating profit of the bank grew sequentially by 10% and stood at Rs.276 Crores for Q2 FY2027. Net interest income stood at Rs.510 Crores for Q2 FY2027, growing by 7% Q-on-Q and 20% on a Y-o-Y basis. Other income grew sequentially by 20% over Q1 FY2027, while other income excluding treasury profit grew by 27%. Cost to income ratio for Q2 FY2027 stood at 64.8%. NIM for Q2 stood at 3.81%, as against 3.66% for Q1 FY2027 and 3.81% for Q2 FY2026. ROA for the quarter ended 30th September 2026 stood at 1.29% as against 1.09% for Q1 FY2027. Contingency provisions are held intact and bank is continuing with accelerated loan provisioning policy, which will aid the bank in transitioning towards the ECL framework.

On the liability side, deposits recorded a strong Y-o-Y growth of 18%, CASA ratio stood just short of 19% - at 18.96%. To aid the liquidity, we also availed both domestic and FCY borrowings based on cost and tenor considerations. The liquidity risk was well managed. CD ratio stood at 90.39%. Average LCR for the quarter is 127%. NSFR ratio at 124%. On the asset growth, gross advances registered a Y-o-Y growth of 22%. Yield on advances for Q2 FY2027 stood at 10.92% as against 10.65% in Q1 FY2027.

Asset quality metrices looked pretty good. The GNPA and NNPA ratios for the quarter stood at 1.58% and 0.33% respectively. PCR now stands at 87.65% with PWO and 79.19% without PWO. Bank is holding a provisioning buffer of around Rs.177 Crores over and above the regulatory requirements. On the capital side, CRAR continued to be well above the regulatory requirement and stood at 19.55%. Tier 1 ratio stood at 18.54%. Proportion of risk-weighted assets continued to be lower compared to the industry. On the shareholder value creation, book value per share stands at Rs.290. EPS for Q2 FY2027 stood at Rs.42 as against Rs.35 for Q1 FY2027. ROE for the quarter improved from 12.71% Q1 FY 2027 to 14.74% in Q2 FY2027. Talking of distribution, we have a network of 872 branches and 844 ATMs as at September end 2026.

In conclusion, we believe that we delivered healthy growth across our key business metrices during this quarter, reflecting sustained business momentum. Deposits grew by 18%, while advances registered 22% growth YoY. Our liquidity profile remained comfortable with average LCR of 127% and NSFR of 124%. We continued to optimize our cost of funds through a balanced mix of deposits, borrowings, foreign currency borrowings, certificate of deposits and other funding sources like refinance, etc, while maintaining an optimal liability tenor profile.

On the asset side, we achieved healthy momentum across gold and corporate segments with Y-o-Y growth of 36% and 44% respectively. Growth in the SME segment remained moderate as we continued to adopt a calibrated and cautious approach. We will start seeing the growth on the SME side from this quarter onwards because most of the portfolio-related issues we faced in SME book for the last one-and-a-half years have been by and large corrected now. Growth in retail portfolio, excluding gold, was driven mainly from secured or income-generating assets, while we chose to degrow on loan against security, which is primarily loan against gold for the repledger businesses, which as per regulation, we have effectively stopped and it has almost zeroized now. On the unsecured book like cards, Agri, MFI, etc., due to regulatory and other risk considerations we have remained cautious. Effective management of funding costs and asset yields enabled us to improve our net interest margin to 3.81% from 3.66% in Q1 FY2027. As I said before, the wholesale banking momentum is picking up well across all the three segments, but I will talk about it a little later.

From a profitability perspective, our performance remained strong with net profit growing by 14% compared to Q2 FY2026. Net interest income recorded a healthy growth of 20% over Q2 FY2026. Asset quality remains stable and key metrices continued to be strong and well within our stated guidance. The efforts undertaken during the Sustain-and Build phases of our SBS 2030 journey have established a solid foundation aligned with our long-term vision. Our focus is now to expand our geographical footprint and deepen relationships across customer segments, including Retail, MSME and Corporates. In fact, over the last two years we have built distribution in slightly larger markets, especially in North, West, South, and partially we have started expanding in east as it is a good liability base to work on. Across our businesses, some of the metro markets have started showing the growth momentum, particularly after the completion of the core system upgrade and the technology development and transformation exercise. Still, some more developments are going on out there on the technology side, on the transaction banking side, and some of the other advanced digital framework, which I will talk about later as the questions come. We believe that the investments, which went into the metro and urban markets over the last few years, are starting to pay off, and now it is already evident as the jaws are opening in these markets well, both in terms of deposits and advances . Within retail banking, our focus will be on customer acquisition, especially on the liability side, and building a profitable granular franchise. Our retail asset portfolio strategy will remain centered on maintaining a balanced lending book, with a greater emphasis on secured/income-generating assets/collateral-backed products. Growth in unsecured lending will be calibrated and largely limited to well underwritten existing customers, leveraging strong internal behavior insights and data analytics. We won’t rush into this till we build the liability franchise well, which has just started and momentum is picking up. On the back of cross-sell, the unsecured part of the retail business will start probably by FY2028 onwards.

On the corporate banking side, as I said before, we will continue to deepen our engagement with large corporates and conglomerates through relationship-led coverage, complemented by sector-focused banking solutions. This will be driven through a corridor-based approach, with a strong emphasis on India's key economic clusters. The good part is in WSB, three segments are there - Corporate banking, Mid-market and FIPS - financial institutions. Broadly, all these segments are contributing almost equally which was our objective. Corporate banking and mid-market segments are growing faster and hence we believe that we will have a right balance within the corporate segment. With transaction banking now playing a large role with all the systems and solutions falling in place, we see a large play in corporate banking, also leading to mainstreaming in SME and other businesses as well.

For MSME business, with the operating structure, leadership team, and business capabilities now in place, and with our portfolio under control from a quality perspective, we are well positioned to accelerate growth and capitalize on emerging opportunities at the right time, which we will start seeing from this quarter.

We will continue to invest in distribution, technology, digital capabilities, and product innovation to enhance customer relevance, responsiveness, and overall experience. This phase is not only about accelerating growth, but also about ensuring that growth remains disciplined, sustainable, and aligned with our strategic aspiration of becoming a leading mid-sized bank with a strong pan-India presence. The tremendous success we had in our technology transformation journey - which we did 18 months back, is starting to pay off. Now we can dream of scaling the bank to the mid-sector on the back of the technology and the leadership team which we have built up. With foundations firmly in place now, our focus is on delivering consistent outcomes and creating long-term value through sustainable and profitable growth. We are optimistic. The leadership team is excited and looking forward to the next two to three years as this is what we have been waiting for so far, and hope that going forward, each quarter we will see the delivery much faster with more ambitious kind of a growth. With that, I end my initial remarks, and I will leave it open for questions. Thank you very much.

Moderator: Thank you so much, sir. We will take our first question from Akshat Agrawal of Nirmal Bang Institutional Equities.

Akshat Agrawal: Sir, thank you for the opportunity. If you can provide some color on sequential increase in other opex by 18% Q-o-Q. Is it just seasonal or is there something else over there? Just trying to figure it out. Thank you.

Pralay Mondal: On the opex, overall increase is around 11% Q-o-Q and Y-o-Y is around 3%.

Akshat Agrawal: But on the other opex, the 18% Q-o-Q, where is it coming from?

Pralay Mondal: Large part comes from technology because we have heavily invested in technology, . Technology is one of the biggest drivers, and obviously we are expanding our distribution and some of the infrastructure related spends also happened, so that is also increasing some of the costs. Those are broadly the large items. On the staff cost, increase is around 17% Y-o-Y. Primarily the opex is on the technology, staff, and infrastructure.

Akshat Agrawal: Thanks for that, sir. My second question is on fee income. It has a strong sequential pickup. If possible, if you can provide some breakup and reasons for the strong growth, and how should we see it going forward.

Pralay Mondal: On fee, what has happened is our core fee businesses have done extremely well in terms of whether it is bancassurance, processing fee etc. Almost all the fee lines have run extremely well. Core fee grew by around 27% Y-o-Y, while non-core fee lines like PSLC and treasury etc- which is primarily market linked, have de-grown. This led to an overall fee degrowth of around 22% Y-o-Y. But we have grown by around 20% Q-on-Q. Last year I had said that there was a one-off and our fee income was around 23% of total income, above the guided range. We always have maintained that we will have a core fee somewhere between 14% to 15% whereas overall fee will be somewhere around 17% to 18%. As we talk, we are just short of 15% on core fee and just short of 17% on overall fee. We are broadly in line, even at a time when the bond yields have touched unprecedented levels. Hopefully, we will be able to sustain our fee income growth, as it is granular and detailed.

Akshat Agrawal: . Thanks a lot. All the best, sir.

Pralay Mondal: Thank you, Akshat. Thank you for your question.

Moderator: Thank you. We will take our next question now. We have Parth Gutka of 360 One Capital. Parth, please go ahead.

Parth Gutka: Thanks a lot for the opportunity. My first question is, sir, what led to the sharp improvement in the yield on advances for the quarter?

Pralay Mondal: Two things happened, actually. One is our asset quality improved, and that helped to some extent on the yield side. We were careful in terms of managing the yields, both across wholesale as well as the SME businesses. Gold yields also did pretty well for us. Our cost of funds has remained the same on a quarter-on-quarter basis and we managed the yield and quality of portfolio. All these factors combined helped us in managing our NIM better.

Parth Gutka: Thanks a lot, sir. My second question is, again, as you alluded to the fact that gold yields have just increased by roughly 50-bps on a quarter-on-quarter basis. Anything to highlight

here? As far as the disclosure goes, I think this is the highest we have done in the last six to seven quarters.

Pralay Mondal: We have opportunities there because we understand this business well. Elasticity on the gold yield, we decided to try and improve leveraging our large distribution. We are in various locations including deeper geographies. Given that and given the yields offered by some of the competition institutions, whether it is banks or non-banks, we significantly had opportunity there. We used that opportunity to improve the yield a little bit better. Let us see how elastic it is. We are pretty good on the gold yield at this point of time. Whatever we have done, it has helped us. We took a smart move this quarter.

Parth Gutka: Sure, sir. Thanks a lot, sir.

Moderator: Thank you, Parth. We will move to our next participant. We have Rishabh Jogani of Dolat Capital. Rishabh, please go ahead.

Rishabh Jogani: Okay. I have three questions. First is breakup of other income. Can you give that? Second one, other expenses were higher. I know you have explained it as related to tech expenses, but I was seeing that whenever our other income is high, the expenses are also high. Is there any relation to it? Third is, this quarter, there were elevated write-offs. Anything attributable to it? Our credit cost was low, but the write-offs were high.

Pralay Mondal: Thanks, Rishabh, for your question. On the other income, I have given a detailed response, so there is nothing more to add. On the other expenses, again - I have given a detailed response. Coming to the third question, which is write-off. Yes, we had a fully provisioned vintage book on the credit cards and on the unsecured side. As you know that on the unsecured side, chances of recovery are low after a certain vintage where we have already made provisions. Further we are not even getting any benefits against that, they are not even PSL book. Hence, we decided to write it off. It has no impact on the credit cost We are happy with the 24-basis points kind of a credit cost, which we achieved this quarter. The quality of the entire portfolio is looking good. This shows that we are hopefully on a glide path on our guided GNPA, NNPA, credit costs and slippage numbers. Even slippage number net of upgrades and recovery was quite good. Overall, it was a good quarter. Write-off being more of technical nature - it has little impact on the credit cost.

Rishabh Jogani: Okay, sir. But our PCR has improved, so our credit cost was low, our write-offs were more, but PCR has improved. If the fully provided book is written off, our PCR should go down, and it has improved.

Pralay Mondal: Recoveries were quite good. We have made some additional provisions in some of the cases where we could have taken a call either way on prudent lines

Rishabh Jogani: Okay. Thanks.

Moderator: Thank you, Rishabh. We have Mr. Shivaji Thapliyal. Sir, please go ahead.

Shivaji Thapliyal: Thank you for the opportunity. The first question that I would like to ask is with regard to balance sheet growth. I think one of the actionable has been the buildup of retail deposits, and I think the technology has been put in place for that. What are some of the early signs with regard to that and what does that imply for loan growth for this year and beyond that on a steady state basis? That is the first question. Secondly, on the fee income aspect, would you like to make any comments with regard to the IRDAI consultation paper in terms of any long-term mitigating approaches that the bank may adopt, or what will it really mean for corporate agents in the long run? Thirdly, from an asset quality perspective, after a temporary wobble a few quarters ago, the bank seems to have settled down once again. What is the kind of credit cost that we are looking at for this year as a whole, and then on a steady state basis beyond this year? These would be my three questions. Thank you.

Pralay Mondal: Thanks, Shivaji, for your questions and fairly detailed questions. Let me try and address. On the balance sheet growth side, we have said that we will grow faster than the system, and we have continued that. This quarter, of course, because of the FCNR (B) and related opportunities, the overall ecosystem has grown a little faster. We were not a large player in FCNR (B), and we did not have those leverage opportunities that many other players have. To that extent, for us, it is pure, while we did some FCNR, but that is not something to talk about. Ours is mostly organic normal growth, which we continue to do. To that extent, the growth will sustain and it is not just a quarter or a half year phenomenon. More important thing is how to build the franchise, and that is why we invested heavily in technology, distribution, people and leadership. Technology, if I briefly talk about it, we have invested in three, four parts. One is basically running the bank and building the bank. Secondly, creating the digital infrastructure. Thirdly, we are building lot of capabilities on the back of our ServiceNow platform through the in-house teams , which is helping us in taking lesser incremental costs. Fourthly, on the customer experience side, on the TBG side, whether it is supply chain, CMS, or trade, on the OBDX, on the corporate net banking, on corporate LOS, all these developments are happening. OFSAA is just getting implemented as we are talking. There is a tremendous amount of capability which we have built now in technology, which needs to be leveraged.

The next question is how to leverage and get businesses out of it. Retail, I will measure it by how we are building the customer base over a period of time. Finally, your question about the loan growth on the retail side will depend on the number of liability customers we'll get into our ecosystem, because that is where the cross-sell will happen. All of these are getting

in place. We have created VRM, i.e., Virtual Relationship Management team and we have created a large infrastructure in terms of how we service our customers in our Turbhe office. We just completed our DC DR switch seamlessly. These things were unimaginable in this bank few years back or even few quarters back.

Given all this, we are now ready to launch the bank in its true sense in the scale phase, and we will start seeing retail growth as well. Not immediately on the balance sheet side, but first on the customer side. To be more specific, we are starting first on the current account side because our mandate for the team is launching 3-4 products on the retail side, on the liability side every quarter. In the last two quarters, we have launched new products and have seen some initial success in that. We are focusing on current account acquisitions right now, and gradually we will build that story on the savings account acquisition as well. On the loan growth, we are growing reasonably well. While we had a muted growth on the SME side for some time, it will start contributing from this quarter onwards. Wholesale is growing well for us and we see quality growth. Gold loans continue to grow reasonably well, though we are not growing as much as we have been doing before. Now we have all the fee levers in place, and we are not just a single trick pony from that perspective. Given all this, we will have more balanced growth across all the franchise, which is really about building a proper bank.

On the fee income side, it is a question which we have to answer gradually. We have to see how it plays out, because it is still a discussion paper at this point and final guidelines have not come yet. But indications or direction, it is very clear. However, the advantage of being a full-scale bank with a universal banking license, and having all this technology and other capabilities in place, is that we are not dependent on just one business here or one fee product there. Banks have this advantage, because they hold the customers. Eventually, even if there are few percentage drops that happen on the fee income side, on the insurance, if it is good for the customer, there will be other avenues which will open up. Hence, even if the guidelines come exactly as outlined in the draft guidelines, there will be a bit of a challenge in the short term for the insurance industry, the banking industry, and corporate agents from a fee income perspective. But we are small, so to that extent, navigating the ship is a little easier for us. We believe we have shown the flexibility to do that.

Will it be that material? For us, the answer is no, but we need to navigate it a little better, understand this and figure out. I do not think this will impact much, at best half a percent or 1% here and there in terms of overall fee income to total income. If we say 18% is the guidance, maybe it will come down to 17%, and then we will figure out how to take it back to 18%. At the same time, if the bond yield starts coming down at some stage, we are sitting on large AFS book, which should also help us with some non-core fee income on that side.

Banking ecosystem is like that. You lose some, you gain some, and overall it remains in a range.

On asset quality, I am happy that we have started showing improvement not just in one metric, but across the board, whether it is slippages, recoveries and upgrades, gross NPA, net NPA, or credit cost. Whichever way I look at it, every vector is looking good. I understand that people would like to see this trend continue for the next two to three quarters to believe that this is not a one-off. We will demonstrate that it is not a one-off in the next two to three quarters because our SMA book is looking better in most businesses. Gold loans have traditionally had a large SMA book, which does not lead to any credit loss. Excluding gold loans, our SMA book is declining, which gives me confidence that asset quality trends will continue to improve. I hope I have answered all your questions. Thank you.

Shivaji Thapliyal: Thank you.

Moderator: Thank you so much. We will take our next question now. We have Navneet Bhaiya, who is an individual investor. Mr. Navneet, please go ahead.

Navneet Bhaiya: Good evening, sir. I hope I am audible.

Moderator: Yes, please.

Navneet Bhaiya: Good evening, Pralay. My question was, further to deliberate on the balance sheet growth. In your build and sustain phase that you had completed in FY2026, the balance sheet of the bank was still growing quite reasonably. In fact, I checked it from a sequential basis. On an average, it was growing at about 5% to 6% for 12 quarters in a row. Now that you are in your scale phase, do you see this growth accelerating over what you did in your build phase or, how is the growth going to be different from what you did in your build phase?

Pralay Mondal: Sure. Is that the only question? Then I will respond.

Navneet Bhaiya: Yes. This is one. I saw your disbursements in this quarter. It was lower than what you did in the same quarter last year. Your CASA percentage has also gone lower than what you did in the last year. I was just trying to get my expectations right in terms of what are we trying to achieve in our scale phase. Is it going to be faster overall? When would the numbers also start reflecting what we are trying to achieve in this phase?

Pralay Mondal: Now I got the perspective, so let me respond. Let me answer the second part first, then I will move to the first question because these are related. If you broadly see on the disbursement side, wholesale is there, SME is there, retail is there, and gold is there. These

are the four verticals primarily we are talking about disbursements. Retail, we have not really taken off yet because we will do it only once the liability side of the franchise grows, and that is where we are putting a lot of hard work. Now that we have the technology, we are launching products, we will build that, and hence that part will happen only after that. Otherwise, we are unnecessarily building a risky portfolio, which we do not want to do.

Wholesale disbursements have done well, but of course, wholesale will always have some quarters with more chunky disbursements and some quarters that are leaner, as some of these businesses move from quarter to quarter. Broadly, they are doing extremely well on both disbursements and growth. Though SME disbursements were there, the growth was flattish as we also had some run-offs as well as some exits based on a detailed analysis of the SME portfolio from a quality perspective. As we had some issues last year, we created an exit list and exited a number of customers. We also lost some customers because of the rates they were asking for, which we could not match. To that extent, while we disbursed, we also lost some customers, which is why the SME portfolio did not grow as much.

What has really changed and moved the needle is gold loan disbursements. Previously, if your portfolio was around ₹19,000 crore, we would disburse around ₹16,000 crore because customers would rebook loans for various reasons, and that would be shown as a new disbursement. As a result of price dip and regulatory changes, you are seeing disbursements are naturally coming down quite a bit, although we are still growing the gold loan portfolio by around 36%.

Having said that, we have also taken a conscious call to slow down, given that apart from wholesale, SME is also expected to grow, and eventually retail will pick up as well. We need to maintain a reasonable mix. Based on our Board's guidance, we have decided that by the end of this year, the gold loan book should be around 50% of our overall mix. Last year, it ended at around 53%, and even last quarter it was 54%. We can bring this down to around 50% without impacting ROA, ROE, or any other financial parameters. This will help us create a more balanced bank and ensure that all segments of the bank continue to grow equally well.

From that perspective, gold disbursement has shown some kind of a flattish or negative growth on the disbursement side, which is leading to this trend. Part of this is regulatory or technical in nature, as we are no longer renewing some of the accounts by closing and rebooking them, which used to be shown as disbursement. Some of it is also a conscious call, not to focus solely on gold loan as a business because we want to grow all businesses together. That is broadly what is happening. Coming to the overall balance sheet growth and the CASA point you mentioned, I have said before that this is the last year in which CASA will grow slower than the term deposits. From FY2028 onwards, CASA will grow

faster than TD, and then our CASA ratio will grow. There is no magic to it. It is simple math. CASA has to grow faster than the TD, only then CASA ratio will start going up, and that will start happening from FY2028. It is a well-calibrated, thought-out strategy that we are working on. This will also help us in reducing the cost of funds because CA is what we are focusing on and our wholesale is also doing some business there. All of this together will help us in building a more profitable balance sheet. From that perspective, we are on track in our scale phase and will continue to grow.

Navneet Bhaiya: Sir, just one overall commentary. In your build phase as well, you grew your balance sheet quite robustly, I would say, at a sequential growth of 5% to 6% for almost 12 quarters in a row on an average. Now that you are in your scale phase, I am not asking for one quarter, two quarter guidance, but where is your aspiration? Is it more than what your build phase is? How should one think about it?

Pralay Mondal: If you ask me about our aspiration, I can say, but what we guide is growth of 30% to 50% faster than the system. We know that we did not do that this quarter, as the system grew much faster because of factors like FCNR inflows. Generally, what we guide is 30% to 50% faster than the system, which we will retain. Going ahead, aspiration, of course, is more than that. It all purely depends on how well we are able to build the liability franchise because growth on the asset side is not a problem. With all the cylinders firing, now wholesale, SME will start firing, and retail will fire on the back of customer acquisition; Asset growth is not a problem for us. But we need to have a calibrated growth based on how quickly we can build up the liability franchise, and that is what will take us there. Now technology is there, teams are there, products are coming, so we should be able to grow it. But a liability franchise takes few years to grow. It just does not happen overnight. Even if I add double the customers, it will not lead to equivalent balance sheet growth on the liability side. It takes two to three years to build that kind of growth. That is where, and hence, we have to continue to focus on little bit big tickets. We are around 48%, 52% on the retail, wholesale kind of deposits. Our FCY, CDs, all of that dependence will remain for some more time. Having said that, it will start coming down from next year with CASA growing and other things growing. This year we will grow like this only. We should be able to grow faster than what we have guided for going ahead from next year, FY2028 onwards, but it all depends on how well we are able to build a liability franchise.

Navneet Bhaiya: Great, sir. Thank you so much. I will join back the queue.

Pralay Mondal: Thank you.

Moderator: Thank you so much, Navneet. We will move to our next participant. We have Prabal Gandhi of Incred AMC. Prabal, please go ahead. Prabal, you can unmute your microphone and go ahead with your question, please.

Prabal Gandhi: Hello, am I audible?

Moderator: Yes, we are able to hear you now.

Prabal Gandhi: Thank you for the opportunity. Sir, first question is, since Board had their meeting today, how are you thinking or how is the board thinking in the context of Fairfax and IDBI deal? With respect to that, I believe Fairfax also had a chunky deposit in the CSB Bank, about Rs. 4,000-Rs.5,000 Crores. How are you thinking on both these aspects?

Pralay Mondal: Good evening, Prabal. First of all, the second one is easy to answer because Fairfax has no deposit with the bank. I am not sure whether it is regulatorily allowed or not. I know that there is no deposit of Fairfax or FIHM in the bank at this point of time.

Prabal Gandhi: The related party number of Rs.5,000 Crores in the annual report, that does not pertain to the Fairfax?

Pralay Mondal: There is no deposit.

Satish Gundewar: There is no deposit, Prabal. It may be other transactions.

Pralay Mondal: There could be other transactions or some limits. The second question on Fairfax, Board have not even discussed this point in the last two board meetings. Because it is amply clear from the various media and other press releases which have been made by Fairfax and Prem that they have got two years to decide on the two options given to them. At this point of time, the transaction is yet to be completed, so it is too early to even discuss this. I am talking about the IDBI transaction, because there are formalities out there such as the share purchase agreements, regulatory approvals etc which have to be completed. Hence, I do not even think whether they have time to discuss this at this point of time. Our Board has not discussed anything and currently we are not even thinking on those lines. As and when they come back and discuss with us, we will figure this out. But no, Fairfax does not have any deposits with us.

Prabal Gandhi: The second question is on the gold loan. We saw a 6% Y-o-Y decline in the tonnage. How should we think about our market share in the gold loan business?

Pralay Mondal: Typically, what happens is our segment is slightly higher end segment for gold loan compared to some of the NBFCs and some of the more focused gold loan kind of banks, which is also evident from the yields and the ticket size which we have and the quality of customers. In these segments, almost 28% of our gold loan is above Rs.20 lakhs kind of a value. These are not really the people who are taking gold loans to run their kitchen. They are taking it to run a business. It is like cash flow for their business and is defined by how

much cash flow they need, because they have enough metal in their hand. What typically happens is when prices go up, tonnage comes down, and when prices go down, gold tonnage goes up and things like that. That typically happens. When you see that our tonnage Y-o-Y has gone down, it is primarily happening because it has been going down in the Q3 and Q4 of last year as well, because that is where gold prices had gone up significantly.

As we are talking, we do not see too much of an outflow of tonnage on a daily basis or a quarterly basis that we had seen, and because it is an annual number, it is showing annual tonnage degrowth of almost close to double digit. It depends on the customer's requirements, and it is only a collateral. It is not that just because he has more collateral, he will take more loans. It is not that segment we are operating in. That is one reason. Second reason is, as I said before, that we want to focus on balanced mix. Now that we have the right kind of system, right kind of products, right kind of franchise together across verticals, we would rather start to focus on TBG and SME, and as and when we want to focus on the retail assets, we will do that. It will be a more distributed bank, and hence, we do not want to just focus only on gold loans as a business. Whatever is coming, we are good with that. But as I said before, first we will achieve somewhere around 50% mix from our 53% last year, then we will further take it down because I had given a glide path of going to 32% gold by 2030. To keep that trend going, naturally we will continue to see this happening.

Prabal Gandhi: Understood and just on the LTV side, when I compare CSB Bank's gold loan LTV with, say, peers like Karur or Federal Bank, their LTV is somewhere between 60%, 65%, but for us, that number is about 75%. So how should we read into this?

Pralay Mondal: We have a slightly larger agri portfolio, and in agri portfolio, LTV allowed is higher, and that is what is leading to this. Also, agri portfolio gives us PSLC and other benefits as well, which helps us overall. That is a conscious strategy which we have played out. We managed it even in the most difficult scenario when LTV was brought down by the regulator from 90% to 75%. We know how to handle this. Even if we do a price sensitivity analysis, even if there is a further drop in price, I do not see any reason to worry given the kind of quality of customers which we have and also the segment we operate in. A large part of our portfolio consists of agri loans and from a regulatory perspective on LTV, we are comfortable there.

Prabal Gandhi: Understood. Thank you, sir. All the best.

Pralay Mondal: Thank you. Thank you, Prabal.

Moderator: Thank you, Prabal. We will take our next question now. We have Sameer Baisiwala of Sakman Capital. Sameer, please go ahead.

Sameer Baisiwala: Thank you and good evening, everyone. Pralay, what is the outlook for ROA for this year and next year, and what are the drivers for that?

Pralay Mondal: Thanks, Sameer. Generally, if you look at the trend for us over the last one or two years, you will see that we start with a lower ROA in the first quarter and peak in Q4. This year is also looking the same, and quarter-on-quarter the ROA has moved to 1.29%. While we wish to go towards 1.5%, we will be somewhere between this and 1.5%, this year. Eventually, next year, our cost of funds will start coming down. As I said before last year we had a very big income on the non-core side, which is treasury and PSLC. The differential between that income and current income is so high that if you get some of this income back next year, I am not expecting it this year, we will reach around 1.50% levels. This year everything has gone wrong when it comes to ROA for a bank like us, given our dependence on the fee income was a little bit more. Despite this fact, we are showing ROA, which is close to 1.30%, which was our benchmark for this quarter. Next year, we can safely say that we will cross 1.5%, and our objective is to be between 1.5% to 1.8% next year. Probably closer towards 1.5%. Eventually, we want to aim somewhere close to 1.8%. But it all depends on how the bond yields and other things also shape up next year.

Sameer Baisiwala: Okay. Thank you so much.

Moderator: Thank you. We have a follow-up question coming in from Mr. Shivaji Thapliyal. Sir, would you like to go ahead, please?

Shivaji Thapliyal: Yes. Just wanted some color on net interest margin. What are we looking at for the full year and beyond that, in FY2028, and beyond? What kind of margin are we looking to settle at? Thanks.

Pralay Mondal: Good question, Shivaji, but we will have a consistent response on this. I had always said that our net interest margin, we are aiming somewhere around 3.75% to 3.8% levels. We are a little higher than that and we will be pretty much where we are at this point of time. Having said that, if you look at slightly longer term, because you asked also about next year. What will happen is, the core fee income will grow even more. We expect a lot of income to come from, if not treasury, which is not necessarily core income, but from wholesale banking, from SME, from transaction banking, especially because we are investing heavily into transaction banking. As retail starts picking up, there also we will get some fee income. A lot of these things happening, the overall income trajectory, in spite of the impact on the insurance income on the corporate agency side or bancassurance side, will improve. We should be able to safely assume 17% to 18% on the fee to total income. Given that, we will be happy to retain a NIM of somewhere around 3.75% next year. As our mix changes in the bank, the only way we can retain the NIM is by bringing down the cost of funds and that is something which we are going to focus on. Now we are going to focus a

lot more on current accounts across all the franchise. Whatever change happens on the yield side because of the mix change in the bank, which is a welcome move and everybody has asked for it, including Board, and we are working on that, we will compensate by cost of fund management. Our cost of funds is slightly high at 6.55%. I would say that we would aim to bring down the cost of funds to somewhere around 6% next financial year, which will give us a 50-basis points lift. Some of that will be absorbed because of the business mix change. From a ROA perspective, I am more positive because the core fee income will do better, and that will effectively give us a better ROA than where we are having today.

Shivaji Thapliyal: Thank you.

Moderator: Thank you so much, sir. As there are no more questions in the queue, we will take this as the last question. I will now hand it over back to the management for further proceedings and closing remarks. Over to you, sir.

Pralay Mondal: Thank you very much for joining our Q2 FY2027 earnings call. It is a privilege to address your questions. Let me assure you that in spite of some of the challenges and some of the other global uncertainties, the bank remains focused on delivering the SBS 2030 objective. In the scale phase, now we have everything with us, especially technology leadership and distribution. Rest is a question of execution, and we believe that we have a good execution team with us. With that, we believe that best is yet to come. Thank you very much and have a wonderful evening.

Moderator: Thank you. On behalf of CSB Bank Limited, that concludes today's conference call. Thank you all for joining us and you can now click on the leave icon to exit the meeting. Thank you, everyone.

Note: This transcript has been edited for clarity and readability purposes and does not essentially purport to be a verbatim reproduction of the conference call.