



# **Kotak Mahindra Bank Limited**

## **Q4FY26 Earnings Conference Call**

**IST 5.30 PM on May 02, 2026**

**Management:**      **Mr. Ashok Vaswani - Managing Director & CEO**  
**Mr. Jaideep Hansraj - Whole-time Director**  
**Mr. Paritosh Kashyap - Whole-time Director**  
**Mr. Anup Kumar Saha - Whole-time Director**  
**Mr. Devang Gheewalla - Group Chief Financial Officer**

**Safe Harbour**

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Kotak Mahindra Bank Q4FY26 Earnings Conference Call. 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashok Vaswani, Managing Director and CEO of Kotak Mahindra Bank Limited. Thank you, and over to you, sir.

**Ashok Vaswani:** Thank you so much. Good evening, everyone, and thank you so much for joining us.

I'm joined in the room with Devang, our CFO; and the other Whole-Time Directors - Jaideep, Paritosh and Anup. As we do each time, I'll begin with a few opening remarks, following which my colleagues will walk you through the financials and the operating performance in detail.

There are two things that I'd really like to talk to you about today.

#1 The macroeconomic /geo-political environment and the implications it has across the group; and

#2 The progress that we are making on the core business.

Let me start with the macroeconomic environment. In addition to all the headwinds of the previous quarter, Russia-Ukraine war, U.S. tariffs, FPI outflows, this quarter saw enhanced volatility due to the West Asia crisis. The Strait of Hormuz has become a significant choke point for India. This has created disruptions in supply chain, significantly increased price of oil and gas and put pressure on the rupee.

On the flip side, India's forex reserves are strong, corporate balance sheets are resilient, and the Indian consumer continues to stay invested. But all of this is going to have an impact, particularly on the inflation front. The extent of impact is clearly a function of how long this continues.

In the Bank, business activity continues as normal and till date, we have seen absolutely no sign of any credit stress. In fact, the last quarter was an excellent quarter, both from a credit cost and slippages perspective. The year-end volatility in the equity and bond markets had an MTM impact across the group. We did see muted activity in our investment bank and continued FPI selling affected our institutional equities and custody businesses, while the domestic investment flows supported our asset management, alternate assets and retail brokerage businesses.

In this context, we are taking a watchful stance, monitoring leading indicators, particularly at the lower end of the spectrum and potential second and third order effects. We are also conscious of the potential impact of a projected lower-than-normal monsoon cycle this year.

Now let me move to the progress that we've been making in the core operating business. As I've been highlighting over the last few quarters, playing to the group's strengths, we had identified

four key customer segments for whom we would build differentiated propositions. We also run certain businesses as product verticals. And today, we will share with you the progress that we have made against each of these segments.

To support this, over the last year, we launched our mother group brand campaign, Hausla Hai Toh Ho Jayega and other proposition-specific campaigns to reinforce the uniqueness and differentiation.

On an overall basis in the Bank, we delivered year-on-year growth of 16.2% in average net advances and 14.9% in average deposits. This growth is in line with our stated philosophy of responsibly growing our advances in the range of 1.5x to 2x nominal GDP growth.

Our discipline was reflected in the Q4 results with healthy NIMs at 4.67%, significantly improved credit cost at 39 basis points and controlled expense growth with cost to assets showing an improvement of 36 basis points on a year-to-year basis. On a Y-o-Y basis, Q4 PAT is up 13% in the Bank and 6% on a consolidated basis. Book value per share grew by 15% on a year-on-year basis.

Our objective remains to transform the franchise for scale while building a responsible, well-governed bank, which generates return of equity in the high teens, aided with a couple of points of ROE from the subs.

With that, let me hand over to Devang to take you through the financials.

**Devang Gheewalla:** Good evening, friends. Thank you, Ashok.

Let me take you through the key highlights of the Bank's Standalone and Consolidated performance for the quarter as well as the full year.

#### **Starting with the Balance sheet of the Bank.**

Bank's balance sheet grew 13% Y-o-Y with net advances growing at 16%. Advances growth on EOP and average basis has been consistent at around 15% throughout the year. This quarter, SME and mortgage business continued to be key drivers, growing Y-o-Y over 18%.

Unsecured retail portfolio started showing gradual growth in absolute terms for Q4, which was INR 1,200 crore as against INR 517 crore for Q3. Unsecured mix in net advances has remained stable at 8.9% for last 2 quarters despite overall book growing at 16%. Q-o-Q advances got impacted by slower growth in corporate banking book.

On the liability side, the total deposit grew at 15% Y-o-Y, led by strong traction in low-cost granular deposits. Current account and fixed rate saving account grew Y-o-Y 23% and 18%, respectively, taking the CASA ratio to 43.3% as at 31st March 2026. During the year, we reduced our reliance on high-cost floating rate saving account, which reduced by 30% on a Y-o-Y basis. The term deposit growth was at 14% on a Y-o-Y basis.

During the quarter, average current account and fixed rate SA account grew 18% and 17%, respectively, on a Y-o-Y basis, and the average term deposit growth was 16%.

We continue to maintain comfortable CD ratio of 86.6% as at 31st March.

On 31st March, the Bank's net worth stood at INR 1,35,199 crore. This includes INR 8,108 crore of mark-to-market gain on investments, which are directly accounted in AFS reserves without routing it through the profit and loss account.

ROE for the quarter is 12.27% and for the full year is 11.08% on total net worth, including the AFS reserve, as mentioned above. Capital position remains strong. At the Standalone Bank level, the capital adequacy ratio is at 22.4%, of which CET-1 itself is 21.3%.

The Board has recommended increased dividend of INR 0.65 per share. This is on the INR 1 share after the subdivision with dividend payout ratio of 4.62%.

**Now let me come to the income statement and let me start with the quarter's performance.**

This quarter shows profit before tax growth of 17% on Q-o-Q as well as Y-o-Y basis. Q4 performance was driven by NII growth of 4% and significant improvement in credit cost, which reduced from 63 bps in Q3 to 39 bps in Q4.

NIM for the quarter is 4.67% as against 4.54% for Q3. As you know, Q4 always have the anomaly of the number of days. So, if I adjust the benefit from lesser number of days, the Q4 NIM remains same as Q3 which is about 4.54% despite full quarter impact of 25 bps repo cut, which you know happened during December. So, this quarter actually saw a normalization in NIM as the effect of repo cuts during the year got offset by repricing of deposits as well as continuing growth in low-cost granular deposits.

Fee income for the quarter grew at 9% sequentially and growth was contributed mainly by distribution income and general banking fees. Other income for Q4 includes a loss on account of unwinding of NDF positions.

Coming to the cost. Staff cost for the quarter reduced by INR 100 crore in retiral benefits due to increase in the discounting rate. Q3 staff cost, as you know, was higher by INR 96 crore provision on account of the new Labour Code, which was introduced from November '25. Actual payroll costs without this above retiral movement actually remained flat on a Q-o-Q basis. Other operating expenditure for Q4, INR 3,076 crore, up 11% Q-o-Q, mainly due to higher marketing spend towards brand and awareness campaign, plus uptick in the acquisition-related cost during Q4.

On asset quality parameters, we improved all parameters across during Q4 with lower slippage and with improved collection efficiency in granular retail segments, particularly in retail CV, MFI and credit card business. The gross NPA is at 1.2% versus 1.3% in December, net NPA 0.25% versus 0.31% in December quarter, with the provision coverage ratio now over 79% at 31st March.

Credit cost for Q4 at 39 bps versus 63 bps last quarter and slippages at INR 1,018 crore vis-a-vis INR 1,605 crore last quarter, showing significant improvement due to reduction in delinquencies. Secured book continues to have negligible delinquencies. All this improvement are on account of collection of retail granular accounts. We did not have any corporate lumpy collections or recovery during the quarter.

ROA for the Q4 improved to 2.14% with normalization NIM and improvement in credit cost.

**Let me summarize now the full year's performance.**

The full year FY26 saw a total repo cut of 100 basis points during the year. This resulted in reduction in interest income, which Bank partially mitigated by reducing cost of fund through SA interest rate cut and mobilization of low-cost deposits.

Full year NIM for the FY26 is 4.60% against 4.96% corresponding to last year, whereas cost of fund for FY26 was reduced to 4.67% from 5.10% for FY '25.

Non-interest income as a percentage of total income is marginally lower in FY26. While distribution income grew, the overall fee income growth was impacted by muted credit card business growth as card issuance activity resumed after last year's embargo.

Total opex grew by 4%, and we continue to invest in technology with tech spend for the full year at about 13% of the total opex. Our cost to assets for FY26 reduced to 2.75% as against 3.02% for FY '25, down by 27 bps. Credit cost during the FY26 progressively reduced each quarter, starting with 93 bps in Q1, with 79 bps in Q2, Q3 of 63 bps and now at Q4 of 39 bps. ROA for the year is 1.97% as against 2.21% for the last year.

**While I will cover the overall consolidated performance**, Jaideep will take up select subsidiaries performance later. Overall, our consolidated customer assets are at INR 6,16,000 crore, and the AUM managed by group is now at INR 7,47,000 crore, which grew 15% Y-o-Y and 12% Y-o-Y, respectively.

Equity AUM of Kotak Mahindra Asset Management Company was impacted by adverse movement in capital equity market in the month of March. The consolidated net worth now is at INR 1,81,000 crore with the book value of share at INR 182, which grew at 15% on a Y-o-Y basis. Our capital adequacy continued to remain healthy at group level at 23% with CET-1 itself of 22%.

ROE at the consolidated level stood 11.92% for Q4 and ROA for the quarter is 2.18%.

Q4FY26 consolidated PAT is INR 5,238 crore, this excludes exceptional gain on divestment in Infina, and it grew 6% from INR 4,924 crore in Q3 of FY26. Q4 of FY26 for subsidiaries were impacted by adverse movement in equity capital market and G-Sec yield due to the MTM losses on the price movement.

During the Q4, Kotak Mahindra Capital Company sold its 30% stake in its associate Infina Finance Limited, resulting in profit after tax of INR 1,094 crore in the Standalone book. At the consolidated level, the PAT on this divestment is INR 185 crore after considering the carrying value of Infina in the consol books. Post stake sale, Infina ceases to be an associate with effect from 24th March 2026.

Consolidated profit for the full year is INR 19,103 crore versus INR 19,113 crore for '25, excluding the above gains on stake sale.

With this, I hand over to Anup to take you through the highlights of the retail business.

**Anup Kumar Saha:** Thank you, and good evening. Devang has covered the financial performance for the year. I will now provide update on the retail business.

Our retail strategy is anchored around two focus segments: the HNI affluent and the Core India with a strong focus on lifecycle engagement across deposits, advances, supported by group-wide products and services.

Our high net worth proposition comprises of Private Bank and the Solitaire programme. The Private Bank manages the wealth of around 60% of India's top 100 families while Kotak Solitaire continues to gain traction by deepening affluent relationship across banking, investments and lifestyle offering, driving a superior revenue mix. We have been awarded India's Best Private Bank in 2026 by Euromoney.

The combined relationship value across the bank and the group, representing advances, deposits, demat and investment holdings of private bank and Solitaire families stood at INR 10.8 lakh crore, contributed by 66,000 families as of 31st March 2026. Brand recall for affluent segment remains very strong for Kotak.

For Core India, the other engine for us, the Kotak811 proposition continues to scale well, adding 250,000 to 300,000 accounts customers every month. It's digital-first model enables low-cost acquisition, low-cost servicing while delivering stable, granular low-cost savings deposit.

The Kotak811 savings account now contribute to 12.2% of total savings account book, which grew 32% Y-o-Y and 8% Q-o-Q. The 811 app continues to be ranked among the top banking apps in India.

At a franchise level, average deposit grew at 14.9% Y-o-Y and 2.3% Q-o-Q in Q4FY26.

On the retail side, current account strategy remains focused on self-employed individuals and business owners, a long-standing strength for the Bank. Lending relationship across SME, business banking and LAP continues to support acquisition and engagement, sustaining momentum through Q4 of FY26. At an overall Bank level, average current account balances grew 18% Y-o-Y for the quarter.

The savings franchise delivered steady growth with average savings balance increasing 10% Y-o-Y, driven largely by balance accretion from existing customers, reflecting strong customer engagement.

The average term deposit balances grew 16% Y-o-Y with continued emphasis on building a granular and durable franchise. As a result, the CASA ratio remained resilient at 43.3% as of 31st March 2026.

Moving to retail advances growth in Q4 was led by secured businesses such as mortgages, tractor finance, gold loan. Unsecured businesses, including personal loan, business loan, retail microcredit recorded sequential growth. The credit card portfolio remained flat sequentially. Unsecured retail advances constitutes 8.9% of net advances.

Within secured businesses, the mortgage portfolio across home loan, LAP grew 18% and 4% Q-o-Q. The strategy remains focused on affluent self-employed customers to deepen wallet share and drive deposit cross-sell.

Moving to tractor, industry volume remains strong with 35% Y-o-Y growth and 23% Y-o-Y growth for FY26, driven by GST cut, subsidy support and adequate rainfall and replacement demand. While reservoir carry-over supports near-term prospects, IMD's below normal monsoon forecast for FY27 due to El Nino adds to some uncertainties.

While our disbursement growth trailed industry trends in quarter, we retained our industry-leading market position as the second largest tractor financier in the country with 10.9% market share for FY25-26. Collection efficiencies improved during the quarter and is expected to remain supportive into Q1 FY27, aided by harvest-led cash flows.

Gold loan remains a small portfolio, but delivered a strong Y-o-Y growth and represents a key area of focus with plan to scale up over the next 18 to 24 months.

Secured asset growth was supported by robust demand, disciplined underwriting and superior credit evaluation with stable asset quality.

Within unsecured lending, business loan growth remained steady with continued focus on portfolio quality.

Personal loan balances grew sequentially, driven by salaried customers and expanded digital origination journeys. Credit performance remained stable, supported by tighter underwriting and data-driven analytics and stronger risk controls. Disbursements were largely to existing customers, while the Standard Chartered personal loan portfolio, which we have bought continued to run down.

Credit cards remains a key driver of customer stickiness and engagement. The portfolio has been fully restacked through launches such as Solitaire, Air+ and Air and Cashback+, delivering segment-specific value proposition. Solitaire continues to scale in the HNI segment, while Air+ and Cashback+

are gaining traction in emerging and mass segment, reinforcing the 'right product to right customer' strategy enhanced by our data models and analytics. This, along with moderating delinquencies, better collections and stronger risk model drove sequential improvement in the portfolio quality.

Moving to microfinance. The industry advances declined 16% between March '25 to December '25, with a gradual recovery expected in FY27. Our retail micro credit grew 8% Q-o-Q in Q4, driven by new customer disbursement. Portfolio originated using our risk-based underwriting model continues to demonstrate strong performance, supporting expectation of further improvement in portfolio quality.

Overall, unsecured portfolio improved sequentially in Q4, supported by healthier flow rates and improved collection efficiency. We, however, remain watchful and continue to invest in adequate collections capacity.

Investments made over past few years in technology at overall level across retail businesses are now started yielding benefits through lower acquisition cost, lower servicing cost and reduced branch congestion and improved service level.

In summary, our customer-centric approach is enabling seamless linkages of savings, investment, insurance and credit across Kotak ecosystem. Our focus continues to remain on calibrated growth, portfolio resilience and proactive risk management. We continue to closely monitor potential second-order impact from global geopolitical developments and El Nino-related risk to rural income, while maintaining a disciplined, data risk approach.

I will now hand it over to Paritosh.

**Paritosh Kashyap:** Thank you, Anup. Good evening, friends.

We have identified SME and institutional as our key focus segments to drive growth while leveraging the group's conglomerate structure.

The SME franchise book, which accounts for 24% of the bank's advances anchors the primary banking relationships and delivers scalable balance sheet growth with portfolio diversification.

The Institutional segment enables capital-efficient profitable growth through an integrated wallet approach led by fee-based and advisory-driven businesses yielding higher ROEs. The corporate bank contributes 17% of the Bank's total fee income, growing at 14% Y-o-Y. Cross-selling of investment banking and institutional brokerages products adds about 200 basis points to our corporate banking ROE.

The commercial vehicle and construction equipment segment is managed as an independent product business within the Bank. That complements our SME businesses and extends our reach into semi-urban and rural markets across logistics and infrastructure ecosystem. We are among the top 5 financiers in the country in this space with a market share of 5% in CV and ~8% in CE segments,

respectively. The CV/CE book at about INR 46,000 crore, up 7% Y-o-Y and 3% Q-o-Q, and forms 9% of total advances.

The proposition-led approach is translating into deeper engagement and higher wallet share.

Now let me take you through the franchise in more detail.

On the institutional side, this quarter, corporate advances grew 22% Y-o-Y while being flat sequentially. The credit substitute book declined 6% Y-o-Y, but increased 3% sequentially. Growth continues to be driven by granular expansion in the mid-market vertical, supported by new customer acquisitions. The book remains well diversified, driven by working capital and flow-based business and strong cross-sell potential.

In large corporates, we continue to focus more on flow-led businesses and profitability through higher cross-sell and deeper transaction banking penetration. The trade book showed strong growth. Focus remains on client onboarding, deeper penetration and digitization. EwayGo, our digital supply chain platform is scaling steadily on strong market adoption.

GIFT City continues to be an important growth lever for the franchise, unlocking multiple opportunities. The portfolio has shown strong year-on-year growth.

Asset quality across customer segments continues to be robust.

Beyond balance sheet growth, our focus is on improving returns through fee-led and capital-light businesses. Debt capital markets delivered strong volume growth, and with banks now permitted to participate in acquisition financing, the addressable opportunity is expanding for us.

Collection and payment flows continued to grow, supported by technology investments and new CMS mandates, including from BFSI and e-commerce clients. The payments and collection stack was upgraded, improving speed, scalability and customer experience.

The capital market businesses had a muted quarter with the impact seen across investment banking, institutional brokerage and custody, largely reflecting FII outflows and an overhang on the markets due to the geopolitical tensions. We continue to maintain our leadership position across all these businesses.

Now moving on to the SME franchise. At its core, Kotak is an SME Bank. We have a comprehensive relationship-led business proposition across Corporate SME, Business banking and Agri SME segments. We are driving scalable growth through transactions flow and fee-based revenues. The portfolio remains diversified, granular and pan-India. Total SME advances book of about INR 1.2 lakh crore grew 19% Y-o-Y and 5% Q-o-Q.

In Corporate SME, we sustained momentum in new business origination while maintaining stable spreads. This quarter book grew 17% Y-o-Y and 5% Q-o-Q.

In Business banking, demand for working capital remained healthy across sectors. The secured portfolio grew 24% Y-o-Y and 5% Q-o-Q.

The Agri SME business also delivered growth of 15% Y-o-Y and 6% Q-o-Q, driven by cross-sell and higher fee income through holistic customer engagement. This business is a specialized vertical that also supports our priority sector objectives. We follow a cluster-led strategy to drive deeper penetration and sustained NTB acquisitions.

Across SME businesses, asset quality continues to remain resilient, supported by disciplined underwriting and proactive portfolio management. Investments in coverage, process simplification and technology have improved turnaround time, engagement and scalability. The House-Bank approach continues to enable cross-sell across the Bank and the Kotak Group.

Now moving to commercial vehicle and construction equipment businesses. The commercial vehicle industry saw strong momentum in Q4FY26 with 19% Y-o-Y and 12% Q-o-Q growth, resulting in 13% Y-o-Y growth for FY26, driven by GST reduction and demand acceleration ahead of OEM price hike from April of 2026.

We continue to maintain our overall market position with an appropriate customer segment mix ranging from fleet operators to retail. Stress in the retail segment has begun to ease with recent vintages showing improved delinquency trends, supported by tightened underwriting and strengthened collections.

The construction equipment industry declined 18% Y-o-Y in Q4 and 8% for FY26 due to slower infrastructure execution, tight state finances, muted project awards, extended monsoon and raw material shortages amid geopolitical disruptions. While institutional and mid-sized contractors remain resilient, liquidity is constrained for smaller contractors and first-time users. Industry recovery will depend on faster project awards, improved raw material availability and a pickup in government spending.

In this environment, our disbursements broadly tracked industry trend while maintaining market position.

We will continue to pursue opportunities in the CV/CE space through calibrated, risk-led interventions while closely monitoring the impact of geopolitical developments on economic growth and segment performance.

Across all our businesses, we continue to invest in technology offerings, we have enhanced functionalities on our unified enterprise portal, FYN, which is seeing good customer adoption, both for transactions and servicing. Our one-click working capital disbursements are being well received across corporates and SME customers. I will now hand over to Jaideep.

**Jaideep Hansraj:**

Thank you, Paritosh. Good evening, all. Let me talk about our group companies now.

In Q4FY26, our subsidiaries reported PAT of INR 1,215 crore, contributing 23% of consolidated profits for the quarter. This was against INR 1,453 crore in Q3 of FY26 and INR 1,382 crore in Q4 of FY '25. The Q4 PAT was impacted by negative MTM on capital market-linked equity investments and movement in yields in March '26.

The power of our conglomerate model is exemplified through focused propositions designed for the customers, as highlighted by Anup and Paritosh earlier. The Bank as well as subsidiaries support the distribution of various products and services manufactured by the group, thereby strengthening our One Kotak strategy.

I will take you through the performance of subsidiaries now.

Starting with the lending subsidiaries, Kotak Prime customer assets grew to INR 44,933 crore, up 12% Y-o-Y and 4% Q-o-Q, with the PAT for Q4FY26 being at INR 240 crore against INR 250 crore in Q3 of FY26. The quarter was negatively impacted by INR 68 crore on account of MTM on OIS due to movement in yields.

Turning to the capital market businesses. A key strategic move this quarter has been rebranding of Kotak Securities' retail business as 'Kotak Neo' to reflect the power of a Bank-supported trading platform with unique features such as seamless money transfer through one click deposits and instant withdrawals to a linked Kotak Bank account. We also launched 'Neo trading account' opening journeys on Kotak811 app and opening of 'Kotak Bank savings account' journey on the Neo app. Our overall market share increased to 13.5% from 12.0% on a Y-o-Y basis and MTF market share is now at 14%, driven by strong pricing and product edge. Kotak Securities Q4FY26 PAT was at INR 400 crore, up 15% Y-o-Y, with 7% down sequentially on account of negative MTM, as mentioned earlier.

For Capital Markets FY26 was a challenging year with subdued FPI activity in both cash and derivative segments. However, our institutional equities business, KIE and the investment banking business, KMCC, have continued to maintain a leadership position in their respective segments.

Turning to the Asset Management business. Despite market volatility, Kotak AMC's scale has continued to translate into strong cost efficiency and operating leverage, supporting healthy margins and steady profitability through the cycle. The average assets under management of Kotak Mutual Fund for the FY 25-26 was INR 5.7 lakh crore, up 22% Y-o-Y. The full year PAT grew at 11% over FY '25.

Kotak Alternate Asset Managers is one of the largest domestic alternate asset managers in India with total funds raised since inception of approximately USD 11.5 billion, with up to 15% of the commitment coming from the deployment of excess capital of the group while targeting high-teens IRR across strategies.

This quarter, Kotak Yield and Growth Fund, KYGF, raised INR 4,400 crore approximately with Kotak Private Bank acting as a sole distributor, underscoring our distribution strength and in-house

capabilities of manufacture. We had successful portfolio exits, which are reflected in KAAML's profitability with FY26 PAT of INR 292 crore versus INR 139 crore in FY '25.

Talking about life insurance. In Kotak Life Insurance, the gross written premium grew 16.7% Y-o-Y in FY26, reflecting good momentum. Value of new business, VNB grew 31.4% Y-o-Y in FY26, showing quality of the business book. VNB margin expanded by 350 basis points to 28.5%, driven by a higher share of protection and non-participation savings products. Embedded value increased by 9% Y-o-Y, and it is at INR 19,224 crore currently. Operating ROEV for FY26 was at 16.4%, underscoring steady operating performance and capital efficiency. Year-on-year comparability is impacted by GST-related regulatory changes absorbed during the year.

Finally, in pursuance to compliance with the RBI regulatory directions issued in December '25, we undertook two actions:

We reduced our ownership in Infina, which now ceases to be an associate of the group;

With regard to our subsidiary, KMIL, for operational simplification, the business activities of KMIL will now be conducted within the Bank effective 1st April.

In conclusion, our key strength is the seamless integration of our in-house financial products with the Bank's distribution relationships and digital platforms, enabling customers to access a comprehensive suite of solutions through one unified ecosystem. With full ownership and alignment across the group, we are well positioned to capture evolving customer needs and market opportunities.

I'll now request the operator to begin the Q&A session.

**Moderator:** Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** Thanks for taking the question. So firstly, wanted to understand the NIM outlook and particularly our rate action. We have raised TD rates, and we are almost 30 basis points higher than the peers now. The peak deposit rates are at 6.8%. So, what is the thinking behind that in terms of maybe increasing the rates? And given this scenario, maybe what would be the outlook on NIM? So that's the first question.

Secondly, on unsecured, we have been flat on a Q-o-Q basis in terms of the proportion. So, should we now expect the growth to pick up in line with the or maybe better than the overall advances growth and the proportion to inch up?

And on corporate, many of the players are participating in the corporate lending and they are indicating that RAROC is still holding on, but we have not seen that much of growth coming through in the corporate lending. So, what is leading to a relatively slower growth than the peers on the corporate side, we're not participating very actively out there?

**Ashok Vaswani:** Kunal, thanks. Let me cover the deposits and unsecured retail piece and maybe Paritosh, you can cover the corporate one. Look, on the deposit side, it is a function of putting many, many propositions out and many, many segments that we are going after. So, on the one hand, you have something like 811, which, as Anup kind of mentioned, is already nearly 13% of all our total SA book growing at about 32% per annum, right? That's low-cost granular deposits.

At a higher rate, the 6.8% rate is more targeted towards the senior citizen kind of segment and positioning our book for the future. So, we are seeing how that kind of goes, and then we will adjust over a period of time. On the unsecured retail, like I've been mentioning, Kunal, for the last couple of quarters in the first...

**Kunal Shah:** Sorry, just on this TD, then outlook on margins would be, should we see the pressure going forward because we have raised the TD and there won't be any obviously, on the yield side, not very sure if there is too much of benefit that flows in. So, deposit repricing would also be over, and we are raising the rates. So, would there be pressure in margins on -- maybe pressure on margins in FY27?

**Devang Gheewalla:** Kunal, hi. Devang here. So, if you have seen the TD rates, which we are increasing, are for the longer duration. So, the effect of the increase in the TD rate in the cost of fund and then impacting NIM will be gradual and if I look at it, in the current year, the NIM drop was close to 36 bps. So, we expect NIM will be reducing next year, but the rate of reduction will be much lesser and far more gradual, as I explained, based on the tenure profile of the TD. And also remember, at the same time, we are growing also the CA and SA book growth, which has picked up, if you have seen in the last 2 quarters, right? So, we expect some of them also to offset the increase in the rate of TD.

**Ashok Vaswani:** On the unsecured retail, Kunal, like I've been mentioning last couple of quarters, we've stabilized the businesses. And we have 4 businesses under that, right? We have PL, cards, business loan and MFI. MFI, we are back to disbursements, and that kind of business is actually growing quite nicely. QoQ, MFI grew about 8%. Business loans has also grown quite nicely. PL is picking up traction and doing quite well. Cards has been flat Q-o-Q. And we've got the whole product stack now in place, and now it's a matter of pushing through momentum.

Like I've mentioned for about the last 2 quarters that in the first instance, we will be looking for growth on a rupee crore kind of basis and then on a percentage basis. I'm not going to hold back secured growth just to get a better unsecured ratio. This is about each business doing the right thing for it, and the ratio is a kind of fallout.

So unsecured as a whole, Q3 grew about INR 516-odd crore and Q4 grew about INR 1,200 crore. And that kind of momentum we'll continue to see. Now having said that, obviously, the West Asian crisis is something that we are monitoring very, very, very closely. Like I said, I'm seeing no stress right now.

But clearly, the bottom end is the first area that gets affected. So, some level of tightening at the bottom end, we have done to make sure that we don't face any kind of credit issues going forward. On the corporate side?

**Paritosh Kashyap:** Yes. Kunal, hi. Paritosh. Kunal, we grew corporate banking book by 22% year-on-year. On Q4, we did not grow the book because, as you know, in the March month, the short-term interest rates go up substantially high. And what we did was, because the short-term lending book that we carry as part of the wholesale business, there, we were not really getting the right margin. And hence, we did not roll over that book, and which is what is reflected in flat growth in the wholesale businesses in that quarter, but that's more of a March phenomenon and which is normally every year, we see a similar situation. But we continue to focus on wholesale businesses, and that's a very strong franchise for us, and we will continue to build that business going forward.

**Kunal Shah:** Got it. Thanks and all the best.

**Moderator:** Thank you. The next question comes from the line of Abhishek Murarka from HSBC. Please go ahead.

**Abhishek Murarka:** Yes, hi. Thank you for taking my question. So, one question on the SA and TD Y-o-Y number, and I'm talking about averages. So, if I look at the Y-o-Y number, the numbers look good. They are going up. But if I look at Q-o-Q, it's actually coming off. And I guess the Y-o-Y is also helped by a favourable base in '25. So, my question is now to accelerate or reaccelerate the SA and TD growth, do you think a deposit rate increase is needed, apart from what you have already done?

The second question regarding the average current account, is that directly correlated with corporate loan growth? Because every quarter where there's been a sharp growth, we've seen a sort of increase on a sequential basis. And this quarter, it's become a little more soft.

And I'll just squeeze in a third one. Just in terms of ECL transition, have you got an impact that you can share, the transition impact and whether provisions will be higher on a run rate basis after the transition? Yes, these are my 3 questions.

**Anup Kumar Saha:** Yes. So, this is Anup here. As Ashok spoke about at an aggregate level, if you look at the deposits, Y-o-Y, there has been a very strong growth. And it started off, of course, by we bringing down the SA rate and still growing. I think that's the important point to note that during the year, our rates are similar to the other large players. Keep that in mind.

And with that, we continue to grow our SA book very granularly, driven by the affluent and the high-end customers in terms of SA and also the core 811, which is growing at a very, very steady rate. I think as we spoke about the overall deposits, it's a mix of between looking at the affluent, looking at the core and building the granularity around it. And we are quite satisfied with the way that's progressing.

At the same time, as we've said about the TD and so on and so forth, we want to build a slightly longer tenure TD, because if you think about this whole TD, it moves between a cycle of the floor and the ceiling. And we believe it's time to lock in on the longer end of the curve on TD as our CASA is growing quite rock solid.

On the CA part, as Paritosh also spoke about, we are fundamentally very strong on self-employed. So, as we provide our combined solution between advances, deposits and all the products, we believe the strength is showing up quite well. And whether it's wholesale or retail, that's far more stickier for us. That would be my response to the overall CASA and the deposits.

**Paritosh Kashyap:** Anup, I'll just add just one point on the Q4 CA. See you would recall, we keep talking about it in every quarterly investor call that as part of the wholesale business, lot of -our focus on transaction banking has been consistent and we have been growing our penetration with both SME, retail and corporate customers on the cash management businesses, which helps us increase the corporate and consumer bank current account balances. Incrementally, our capital market businesses get us a lot of deal CA. So Q3, we had substantially large deal CA sitting in the balance sheet on quarter end. And hence, Q4 CA may look a little muted, but that's because of one large deal CA sitting in Q3.

**Devang Gheewalla:** Let me take the ECL question. I think, yes, finally, the ECL guidelines are out, and I think it's more or less same as the draft version. So based on the computation, which we had done on the draft ECL guideline on 31st December, the impact of the ECL on the net worth is about less than 2% and it's not material. And given our capital position, we don't expect on an ongoing basis as well the impact to be material on the ECL part.

**Abhishek Murarka:** 2% of?

**Devang Gheewalla:** Less than 2% of net worth onetime effect, that is on the transition. And then on an ongoing basis also, it's not material.

**Abhishek Murarka:** Got it. Thank you for the answers and all the best.

**Moderator:** Thank you. Our next question comes from the line of Jai Mundhra with ICICI Securities. Please go ahead.

**Jai Mundhra:** Hi, good evening sir. Two questions. First on NIM. So, Devang, if I heard you correctly, you mentioned that Y-o-Y NIM may still have a downward bias. But I was thinking that this year, we had the entire repo rate transmission, our share of unsecured retail also declined quite meaningfully? And going ahead now that, that share has broadly stable at least in percentage terms and the repo rate impact has already gone. Your SA which is a fixed plus floating, those headwinds are also receding. So, I mean, apart from this, what is it that could make the downward pressure on NIM? I was thinking that maybe your worst phase on NIM is probably over. So, what am I missing or if you would like to provide an outlook on the NIM?

**Devang Gheewalla:** Yes. So I think, Jai, as I said, at 40%-odd of CASA, my 60% is still the term deposit. And the term deposit tenure for the current TD was about 9 to 12 months, which we are now obviously elongating it as we go forward as explained by Anup. And obviously, we have also increased the TD rate for that. So, as I mentioned, while yes, there will be a NIM reduction, but it will be far, far more gradual and lower than the current year. So, to answer your question, it is largely because of the TD rates

which may slightly move up towards the second half of the year. Therefore, it will be gradual as well as lower than the current year. That's the answer to that. Yes, it will be offsetted by obviously, the increase in the unsecured buildup as well as the CASA, which we do, yes.

**Jai Mundhra:** Sorry, you said first half, second half? Sorry, I missed that?

**Devang Gheewalla:** Second half of the year.

**Jai Mundhra:** No, sorry, what is second half of the year? It will change the direction, the NIM trajectory or how is it?

**Devang Gheewalla:** So directionally the NIM, as I said, will gradually go down and the reduction will be towards the second half of the year. That's what I'm saying.

**Jai Mundhra:** Okay. Secondly, sir, on credit cost like this year, we have reported around 65 basis points full year impact. And this quarter slippages have been phenomenally good, less than 1%. And you have been mentioning that the drag from unsecured has been coming off. So how to look at credit cost going ahead? Because I believe, as you mentioned, that the ECL impact will be taken through net worth. So, I think, ECL will not have any bearing on your FY27 credit cost, I would believe. So how should one look at credit cost for FY27?

**Devang Gheewalla:** So, I think Jai let us look at the credit cost on a steady-state basis before ECL. So clearly the efficiency in the credit cost has come in the retail segment, which is largely commercial vehicle retail, microfinance, personal loan, credit card. So, as we move forward, we will obviously be continuing with our good work of increasing collection efficiency as well as tightening in the underwriting norms. We remain watchful on the credit cost on the commercial retail business and some rural business because there could be some seasonality, which would have come in Q4. However, we are far more comfortable on the credit cost reduction on the MFI, credit card and personal loan going forward.

**Moderator:** Thank you. Our next question comes from the line of Piran Engineer with CLSA. Please go ahead.

**Piran Engineer:** Hi, team congrats on the strong set of numbers. Firstly, just a clarification on this NIM thing, Devang, you're talking about full year FY27 versus full year FY26 not versus exit FY26?

**Devang Gheewalla:** No, that's correct.

**Piran Engineer:** So, versus FY26, it should be flattish, right?

**Devang Gheewalla:** As I said, it will be range bound.

**Piran Engineer:** Okay. Because I think people here are getting the impression that versus exit numbers, it is going to go down. I think that's the message that got painted, but anyways thanks for the clarification.

**Devang Gheewalla:** It is for the full year.

- Piran Engineer:** Full year. Got it. Okay. So, my first question is just on the business banking and corporate SME books where we've been growing quite fast. What are the average yields and credit cost now like in this business?
- Paritosh Kashyap:** We do not give the yields on the corporate book, but we don't really have any significant credit cost. Yes, I'm talking about corporate SME. I would say, very, very small amount part of the book is in our SME category. And we have actually been recovering money from some of the old cases. So, I would say, as of now, the book is absolutely clean.
- Piran Engineer:** Okay. My main question is, is this ROA kicker, a NIM kicker or not these businesses?
- Paritosh Kashyap:** So, we look at corporate SME as an ecosystem banking. We look at how we can provide banking, in addition to banking, sell more products to them, which is trade, transaction banking, take care of their exports, remittances and also provide banking from our private banking to their families and etc. So on an overall basis, we look at the ROE for the customer on a holistic basis. And on that front, it is working well for us.
- Piran Engineer:** Understood. Just secondly, our distribution fees were down Y-o-Y. What has driven that?
- Devang Gheewalla:** I think the distribution fee largely includes the insurance premium. And there was some impact of the commission income, right? Yes. So that's basically the impact. There were some changes in the GST rates as well, which you know this has happened. So that has also impacted the distribution fee income.
- Piran Engineer:** Got it. Got it. And just lastly, one more theoretical question. If we acquire an 811 customer fully digitally, now let's say he scales up over 3, 4 years, has a.....he'll become a customer, right, with the relationship manager, etcetera.
- Devang Gheewalla:** Sorry. We lost your voice. Piran, can you repeat, please?
- Piran Engineer:** Yes. So just a conceptual question on how you all classify 811. Today, if I'm an 811 customer, I've joined you all digitally, 3-4 years later, I scale up, I have a balance of, say, INR 5 lakhs to INR 10 lakhs. I'll become a branch customer, right?
- Ashok Vaswani:** One second. 811 is, first of all, the primary target market for 811 is core India. We acquire digitally, we service digitally and we cross-sell digitally. If the customer wants a different kind of account or wants to make investments or whatever, the customer can do it on the 811 app, no problem.
- But there's no question of taking a customer out of an 811 proposition and putting that customer into a branch proposition. If the customer wants an RM, yes, we can open an account in the branch. He'll get an RM and the RM will do everything as a branch wants. But as far as 811 is concerned, it's digital acquisition, digital servicing and digital cross-sell.
- Anup Kumar Saha:** And if I just add up, Piran, you know, think about it as one engine is running on unit economics and the other is on value economics.

- Piran Engineer:** Yes. No, fair enough. That's why I thought that when the customer becomes more valuable, you would want to have not just a digital relationship, but also a more personal relationship.
- Ashok Vaswani:** No, it's a question of what the customer wants as opposed to what we want. If the customer wants a digital relationship, that's it. If he wants a personal relationship, that too is available.
- Piran Engineer:** Understood. Understood. And just lastly, you know this year was a very strong year for tractors, the OEMs, but we've not really participated in that growth. So just why?
- Anup Kumar Saha:** So, see, on tractor, we continue to remain a very large player. This is a business we have built over many, many years. We are the number 2 player here. But in a competitive rates, there are times where we don't want to buy business. So, to that extent, we have stayed focused on building it for long-term sustainability. And it's a very strong focus for Kotak, and we are inherently very strong at it. But we don't want to be price leaders here.
- Piran Engineer:** Understood, understood. Okay yes this is it from my end. Thanks and wish you all the best.
- Ashok Vaswani:** Thank you.
- Moderator:** Our next question comes from the line of Ankit Bihani with Nomura.
- Ankit Bihani:** Yes, hi good evening. Congrats on the quarter. So, my first question is on LCR. So, our LCR ratio has been running close to around about 135% and is well above peers who are comfortable at 115% to 120%. So, what is the need to keep this level of excess liquidity? And wouldn't if you bring it down, could provide some support to margins as well?
- And my second question is on yield on investments. That seems again lower than peers largely on account of your G-Sec portfolio being skewed towards shorter tenure. Why is the composition like this? Yes, those are my 2 questions.
- Devang Gheewalla:** So LCR for the year-end, you are right, it is looking higher. But if I look at average LCR during the year, it is around 120, 123 sort of number. So that's the first thing. At the year-end, it is higher.
- On the investment book, yes, we had short-term portfolios and some excess SLR, which we have sort of unwounded the position. And that's the reason why you see the reduction in the investment position.
- Ankit Bihani:** No. So why was this done? So basically, generally, whichever banks I have seen their HTM portfolio accounts were around about 70% of their investment portfolio. So why was it other way around for us? Any rationale on that?
- Devang Gheewalla:** No, no. So historically, if you have seen we have a higher trading book compared to the HTM book compared to the peers. So that gives us the flexibility to make decisions based on the price movement. So, this has been the case historically with us compared to peers. And this time, given

the yield movements, we have decided to reduce the trading positions. And therefore, you are seeing the reduction in the investments.

**Ankit Bihani:** Okay. And on the LCR, just to clarify the disclosure that we make, that shows 134%, but that is on a consol basis. So, but however, we don't disclose LCR basis Standalone, right? If one has to look historically how it has stranded?

**Devang Gheewalla:** Yes, yes. So roughly, as I said, LCR at the Standalone is at the level, which I just clarified to you. It is normally between 120 and 125.

**Ankit Bihani:** And that is the average number, right?

**Devang Gheewalla:** Yes.

**Ankit Bihani:** Okay, thank you.

**Moderator:** Our next question is from the line of Nitin Aggarwal from Motilal Oswal.

**Nitin Aggarwal:** Yes, hi good evening. Thanks for the opportunity. I have 2 questions. One is around the margins. So, if I look back like Kotak has always been regarded as a bank with a very high risk-adjusted margins. I simply mean like net interest margins minus credit cost by risk adjusted. But over the recent years, with the margin compression and with the rise in credit cost, we somewhere have kind of like lost on to this leadership. So how do you internally look at it? How do you benchmark versus the peers? Because even for next fiscal, we are talking about some moderation from here and credit cost has been ranging around 60, 65, which is also a tad higher than the peers. So how do you look at this equation? That's first question.

**Ashok Vaswani:** Yes. So, I guess you're right. What really happened was that in the first instance, the whole microfinance industry went through a massive downturn. That was an industry kind of issue. And being part of it, we took some hits there. Secondly, the unsecured portfolios, particularly in personal loan and card went through a credit kind of cycle. Now, we have been saying for the last couple of quarters that our credit is improving. And as Devang highlighted, in Q1, our credit cost were 93 basis points, and we've ended Q4 at 39 basis points. We feel very good about where we are from a credit cost perspective on our unsecured book now.

We are back in the microfinance business, and we are back to growing cards, back in the business of growing personal loans, and the early delinquencies on these kind of portfolios, all look very, very much in the acceptable range. So effectively, the kind of stress that we saw on the credit cost line during the first 3 quarters of the year is effectively behind us.

**Nitin Aggarwal:** Right. And any interest on IT refund this quarter?

**Ashok Vaswani:** No interest. No refunds on IT this quarter.

**Nitin Aggarwal:** Okay. Sure. And the other question is around the cost ratios. Now we have done a commendable job in terms of controlling the overall opex for the last 2 years, while the revenue line is under pressure. So, any indication as to how much of improvement do you foresee on the cost to asset line over the coming years, how much room we further see in terms of improving operating leverage from where we are?

**Ashok Vaswani:** So, look, like I've always said that there are 3 pillars of my strategy. Number one is the focus segment. Number two is the product verticals. And number three is the automation and digitization of Kotak. And the automation and digitization of Kotak, the power of that is demonstrated by the cost to total assets. And as you can see, during the year, that has come off by 27 basis points.

We will continue strongly at this effort to continue to automate and digitize the company as much as possible to be able to take out costs. In fact, now with the technology embargo behind us, with the credit cost issues behind us, a lot of my attention and focus is really on going to be getting cost efficiencies in this coming year.

**Nitin Aggarwal:** Sure. Thank you so much, sir. Wish you all the best.

**Ashok Vaswani:** Thank you.

**Moderator:** Our next question is from the line of Param Subramanian with Investec.

**Param Subramanian:** Thanks for taking my question. Most of them have been answered. Just on 2 lines, the fees and opex. So, this year, the growth has been soft, 5% on fees, opex has grown 4%. I understand it has something to do with the unsecured piece not growing as well. But how to look at both these lines going into next year?

**Ashok Vaswani:** On the fee side, honestly, what has affected us most significantly has been our credit card book, right? Our credit card book has been relatively flat. And therefore, we have not seen the kind of kick up in fees.

Like Anup mentioned, credit card is a business that we are spending a lot of time. And we spent a lot of time rejigging the entire product stack so that we have the right product for the right kind of customers. So, from a Solitaire card for the affluent customer to a cashback card for the everyday customer. With this product -- right product, right customer in place, we are now getting ready to kind of really step up acquisition volumes and spend volumes and ENR volumes. Of course, the gestation crisis and stuff like that is something that we've got very, very conscious of, and we're not going to do anything that is going to get us into trouble. But we have put building blocks into place to grow the credit card business.

Generally speaking, the other fees are doing pretty okay, and we expect to see normal growth. And particularly, I mean, if you focus on what Jaideep mentioned about our ability to now really get the products of the subs sold into the customer base of the Bank, both physically as well as digitally, we should see progress. That is something that we are working on as we speak. And hopefully, that will start showing some results soon.

**Param Subramanian:** Ashok, just a follow-up, if I can. So, would it be fair to say both fees and opex grow in line with the balance sheet? Or is there some operating leverage that could play out next year as we saw this year?

**Devang Gheewalla:** Let me take this. So, see, obviously, if the fees have to increase, there will be acquisition costs related to the volume, right? But if I look at the opex cost, which has been achieved, is largely in the payroll and the staff cost line, which is a fixed cost reduction, which is more of a permanent reduction. So, I think what will happen essentially is that as we grow the fee line, variable costs associated with the volume may show some increase, but in line with the growth in income. However, we will continue to focus on the fixed cost reduction as well going forward, which we have been doing for last 1 year. And that obviously will continue to result in cost to asset going down and improving the ROA. So, ROA will improve through fee as well as fixed cost reduction both.

**Param Subramanian:** Thank you so much. All the best.

**Moderator:** Thank You. Our next question comes from the line of Prakhar Sharma from Jefferies. Please go ahead.

**Prakhar Sharma:** Thank you and Congratulations on the results. I just wanted to take a quick update. What's the status of Panchkula branch...

**Moderator:** Sorry to interrupt Prakhar, but your line is not very clear.

**Prakhar Sharma:** Is it clear now?

**Devang Gheewalla:** Yes, better.

**Prakhar Sharma:** So, I just wanted to check if there is any update on this Panchkula branch-related case and if there is any charge taken into the P&L this time. And in any case, has this been any implication on the way the rate increases have been done?

The second question is on this INR 100 crore reversal of staff cost you've had. Just wanted to check that a couple of other banks have had an increased provision because of the rate change and impact on the retirement benefits whereas you have had a write-back. Could there be any clarification on how this divergence happens within the same environment broadly? Thank you.

**Anup Kumar Saha:** Okay. Anup here, I'll take the Panchkula. The matter is currently being investigated by law enforcement agency. Therefore, it would not be appropriate to say anything at this stage. The Directorate of Enforcement is investigating the matter. The preliminary FIR reveals a set of embezzlement in terms of the funds, some reveal that there is nexus between officials of the corporation, officials of bank and private persons. And there have been certain arrests which have happened. We are cooperating with the relevant authorities. That's where the position today stands on Panchkula.

In terms of specific provisions, we have overall adequate provisions. So, there is no specific conversation on specific provision on the matter. But as a Bank, we do carry adequate provisions.

**Devang Gheewalla:** Yes. On your question of INR 100 crore liability, I think, the way it works is that we have pension and gratuity liability both, which are discounted at the rate by the actuary. And as you know, the discount rate actually has gone up during the last quarter. So, others may not have the pension liability relating to the IBA staff. We have that. And therefore, we are seeing the reason. Because of the increase in the discounting rate, you are getting a write-back basically.

**Prakhar Sharma:** Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Ashok Vaswani for closing comments. Over to you, sir.

**Ashok Vaswani:** Thank you. Thank you very much for joining us on this Saturday evening. I look forward to again chatting with you for the next quarter results. Thank you so much.

**Moderator:** Thank you. On behalf of Kotak Mahindra Bank, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.