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SECRETARIAL DEPARTMENT

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The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra-Kurla Complex, Bandra (E) MUMBAI - 400051	The Manager Corporate Relationship Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street MUMBAI - 400001
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Madam / Dear Sir,

Sub: Transcript of Q4FY26 Earnings' Audio Conference Call

Pursuant to Regulation 30 read with Clause 15 (b) of Para A of Part A of Schedule III and Regulation 46 (2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith the transcript of the post results analysts / institutional investors audio conference call held on Wednesday, May 20, 2026, on the Audited Standalone & Consolidated Financial Results of the Bank for the quarter and financial year ended March 31, 2026.

The same is also made available on the Bank's website under the following web link:

<https://karnatakabank.bank.in/investors/quarterly-results>

This is for your kind information and dissemination.

Yours faithfully,

Sham K
Company Secretary &
Compliance Officer



**“The Karnataka Bank Limited
Q4 & FY 2025-26 Financial Results Conference Call”**

May 20, 2026

Management: **Mr. Raghavendra S Bhat – Managing Director and Chief Executive Officer**
Mr. Raja B S – Chief Operating Officer
Mr. Chandra Shekar – Chief Business Officer
Mr. Vinaya Bhat P J – Chief Compliance Officer
Mr. Vijayakumar P H – Chief Financial Officer
Mr. Jayanagaraja Rao S – GM (Inspection and Internal Audit and Internal Vigilance)
Mr. Niranjankumar R – Chief Human Resources Officer
Mr. Nagaraja Upadhyaya B – GM (Credit Sanctions)
Mr. Raghuram H S – GM (Branch Banking Department, Product Department and Business Solutions Group, and IT & MIS)
Mr. Chandrashekara G – GM (Credit Sanctions)
Mr. Sham K – Company Secretary & GM (Operations)
Mr. Sreedhar S – GM (Credit Monitoring)
Mr. Manoj Kumar P V – Chief Risk Officer

Moderator: Ladies and gentlemen, good day, and welcome to the Karnataka Bank Limited Q4 and FY '26 Earnings Conference Call. We have with us Mr. Raghavendra S Bhat, MD & CEO, along with the Management team. 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 in the conference call, 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. Raghavendra S Bhat, Managing Director & CEO of the Karnataka Bank. Thank you, and over to you, Mr. Bhat.

Raghavendra Bhat: Thank you. Good evening and thank you for joining the Karnataka Bank Q4 FY '26 Earnings Call. The Karnataka Bank, a bank which began its journey from Mangaluru, a coastal city of Karnataka, has emerged even stronger during the just concluded financial year 2025-'26, thanks to the collective resolve of every stakeholder, every customer and every employee of the Karnataka Bank. The results we announced yesterday reflect sustained momentum which we have built day after day and quarter after quarter.

As your Bank continues its journey into its second century of banking excellence, I am pleased to report that we have witnessed meaningful improvement in all the ratios and have delivered on the guidance given during my previous interactions with the investor community, a reflection of the disciplined execution of our strategy and improved operational efficiency.

Before going in detail about the results, let me have the opportunity to brief you about the performance of the Bank as against the guidance given earlier. Total business as against the guidance of INR1,92,000 crores of business, the figure was INR1,92,118 crores. Gross advances against a guidance of INR84,000 crores to INR85,000 crores, it was INR83,339.92 crores. Deposits, against the guidance of INR1,08,000 crores it was INR1,08,778.75 crores.

CASA, around INR34,500 crores to INR35,000 crores, the figure was INR36,559 crores. CASA percentage, we have mentioned as a guidance of 32% to 32.5% against which it was 33.61%. GNPA whatever guidance was given less than 3%, it was 2.78%. NPA guidance was less than 1%, it was 0.98%. NIM, we have mentioned at 3% plus, Y-o-Y, it was 2.88%, but Q4 it was 3.07%. Cost to income, what the guidance was given was 55% to 56%, against which it was 56.34% FY '26, and for Q4 it was 50.47%.

ROA, we have given the guidance of 1% plus, against which it was 1.05%. ROE, around 15% we have mentioned, Q4 it was 12.69%, Y-o-Y it was 10.36% for FY '26. Yield on Advances, around 9% was the guidance, against which it was 8.94%. CD ratio, guidance was 75% plus, it was 76.61%.

Standard restructured, guidance was INR750 crores, it was INR806.44 crores. I have been highlighting the need for having consistent progress in executing our strategy with greater clarity and direction, and I'm happy to note that we were able to deliver on it. I trust you have had the opportunity to review our financial results and investor presentation, which were shared following the conclusion of the Board meeting yesterday.

During my previous interactions, I had outlined our key priorities, namely strengthening growth in the retail segment, optimizing funding costs through a higher CASA mix and a reduced reliance on high-cost bulk deposits and sustaining asset quality while maintaining a sharp focus on margins. Our growth trajectory has

been robust and ahead of the detailed financial review. I would like to highlight that we have made significant progress across these priorities, which will be evident as I walk you through the financial performance.

Before moving on to the business highlights, I would like to take a step back and briefly touch upon the broader financial system. The Monetary Policy Committee (MPC) in its April, 2026 policy noted that global growth has remained resilient, while domestic economic activity has also sustained its strength, supported by private consumption, monetary easing and continued government emphasis on infrastructure-led investment.

Looking ahead, India's macroeconomic outlook remains resilient, despite elevated geopolitical tensions and persistent global trade frictions, strong underlying fundamentals such as steady growth, moderated inflation and fiscal consolidation provide the economy with the resilience to navigate external uncertainties. However, the war in West Asia, along with the rising input costs driven by higher energy prices and supply chain disruptions, could weigh on the growth.

The intensity and duration of such conflicts pose risks to both inflation and economic expansion. MPC has highlighted that in navigating through these turbulent times, monetary policy in India will continue to focus on reinforcing price stability while remaining growth supportive.

In this context of evolving external dynamics, we remain measured and cautious in our outlook. We will navigate these uncertainties with prudence while closely monitoring the evolving inflation trajectory.

Let me now present the business highlights. Bank has achieved its highest-ever aggregate business, which stood at INR192,118 crores as of March 31, 2026, up by 5.12% Q-on-Q from INR181,394 crores in December '25. Gross advances stood at INR83,340 crores as on 31st March '26, reflecting a Q-on-Q growth of 8% from INR77,283 crores as on 31st December '25.

Our overall strategy is to continue our focus on growing; Retail, Agri and MSME, that is RAM, which has grown from INR49,152 crores as on December '25 to INR51,197 crores as on March '26. On a Q-on-Q basis, Retail, Agri and MSME segments during Q4, FY '26 have grown by 4%, while mid-corporate advances have grown by around 13%.

In absolute terms, Housing, Agri, Gold and Vehicle Loans have contributed around INR1,547 crores of growth to our Retail segment during the quarter. As we move forward, we will continue to focus accelerating retail growth while stabilizing the corporate portfolio through high-quality and better-yielding assets.

The Bank is committed to reducing its exposure to low-yielding corporate loans that were opportunistically deployed for better yields than treasury. As conveyed during previous calls, we have started replacing IBPC book with higher-yielding loans. IBPC and Food Credit portfolio, which was at INR4,057 crores as of March 31, '25 has been brought down to INR1,707 crores as of 31st March '26. Accordingly, around INR2,350 crores have been replaced during FY '25-'26.

Aggregate deposits as at 31st March '26 was INR108,779 crores, reflecting a Q-on-Q growth of 4% over 31st December '25 at INR104,112 crores. CASA ratio stood at 33.61% of aggregate deposits as against 31.53% in December '25. In absolute terms, our CASA deposits have grown 11% Q-on-Q from INR32,829 crores as on 31st December '25 to INR36,560 crores as on 31st March '26.

CASA accretion remains a key priority and we have implemented targeted strategies to further accelerate its growth during the year. The Bank has continued to focus on shifting high-cost bulk deposits to granular, that is retail deposits of less than INR3 crores. Bulk deposits as a percentage of total deposits have come down from 4.8% as on 31st December '25 to 4.2% as on 31st March '26. Similarly, bulk deposits as a percentage of term deposits have come down from 7.1% as on 31st December '25 to 6.3% as on 31st March '26.

In line with the strategy, the Bank has deliberately reduced its reliance on high-cost bulk deposits and ensured that most renewals are executed at predefined card rates, thereby enabling tighter control over the overall cost of deposits. Retail term deposits have seen a growth of 2% on a Q-on-Q basis from INR66,252 crores as on 31st December '25 to INR67,648 crores. On Y-o-Y basis, retail term deposits have grown by 5%. CD ratio for the quarter stood at 76.61%, as compared to 74.23% in December '25 and 74.38% in March '25.

Net interest income; NII for Q4 FY '26 stood at INR843 crores, as compared to INR792 crores in Q3 FY '26, registering a quarter-on quarter- growth of 6%. On a Y-o-Y basis, NII for Q4 FY '26 stood at INR781 crores, recording an 8% Y-o-Y growth. Net interest margin stood at 3.07% for Q4 FY '26, versus 2.92% in Q3 FY '26 and 2.98% in Q4 FY '25. Improvement in net interest margin was driven by the bank's focused initiatives in the RAM segment with an emphasis on enhancing yield, alongside a calibrated improvement in CASA and retail term deposits aimed at optimizing the cost of funds.

Regarding loan yields; Yield on advances for Q4 FY '26 stood at 8.78%, as compared to 8.71% in Q3 FY '26, recording a 7 basis points increase. Loan yields will further be strengthened by accelerating retail growth while stabilizing the corporate portfolio through high-quality and better-yielding assets.

Cost of Funds stood at 5.38% for Q4 FY '26, as compared to 5.46% for Q3 FY '26, registering an 8 basis points improvement. The sequential Q-on-Q improvement in cost of funds is expected to be supported by our continued efforts to reduce the dependence on bulk deposits and replacing them with retail deposits at card rates and focus on CASA buildup.

Regarding Profit After Tax, Q4 FY '26 PAT was INR408.19 crores, as against INR290.79 crores in Q3 FY '26, an increase of 40%. There is an increase in PAT from INR252.37 crores in Q4 FY '25, which is a 62% increase for the full year FY '25-'26. The Bank has achieved its highest-ever PAT at INR1,310.50 crores as against INR1,272.37 crores, with a Y-o-Y growth of 3%.

Stressed Assets - Gross NPA percent as on 31st March '26 stood at 2.78%, as against 3.32% in December '25, thereby showing an improvement of 54 basis points. The gross NPA percent as on March '25 was 3.08%, which is a 30 basis point improvement. Net NPA percent as on 31st March '26 stood at 0.98%, as against 1.31% in December '25, demonstrating a 33 basis points Q-on-Q improvement. Net NPA percent as on March '25 was 1.31%, recording a 33 basis points Y-o-Y improvement.

The sustained quarterly improvement in both gross and net NPA ratios reflect the Bank's stringent efforts to curb slippage and enhance monitoring efficiency, supported by the functioning of regional collection centers. Credit cost stood at 0.1% in Q4 FY '26, against 0.11% in Q3 FY '26. Slippage was 0.20% for Q4 FY '26, against 0.47% in Q3 FY '26.

Recoveries for the quarter, excluding upgraded accounts, stood at INR150.46 crores in Q4 FY '26 versus INR114.18 crores in Q3 FY '26.

Standard restructured advances including related accounts - Standard restructured advances as on 31st March '26 was INR806.44 crores, as compared to INR867.95 crores as on 31st December '25, recording a 7% Q-on-Q reduction.

Provision Coverage Ratio - in line with the Bank's commitment to increase the PCR, the Bank has continued making accelerated provisioning and the PCR, excluding technically written off accounts, presently stands at 65.39% as of March '26 as against 61.23% as of December '25. PCR, including technically written off accounts, stands at 83.54% as of March '26, as against 80.90% as of December '25.

Cost-to-Income Ratio - For the quarter ended 31st March '26, cost-to-income ratio stood at 50.47%, as against 58.72% for the quarter ended 31st December '25. For the full year FY '25-'26, Bank's cost-to-income was 56.34%, as against 60.11% for FY '24-'25. The Bank has implemented various cost rationalization and monitoring measures to keep expenses under control. Concurrently, our focus on low-cost deposits to reduce the cost of funds, along with the emphasis on RAM and high-yield portfolios to enhance loan yields, is improving the net interest income and supporting sustained control over the cost-to-income ratio.

Return On Equity - Q4 FY '26 ROE stood at 12.69%, as against 9.06% in Q3 FY '26.

Return On Asset. Q4 FY '26 ROA stood at 1.27%, as against 0.92% in Q3 FY '26.

Liquidity Coverage Ratio (LCR) As on 31st March '26, LCR stood at 165.34%, as against 186.84% as on 31st December '25 and as against the statutory target of 100%.

CRAR stood at 20.07% as on 31st March '26, of which Tier 1- 18.68% and Tier 2- 1.39%, in comparison to 19.94% as on 31st December '25, of which Tier 1 was at 18.44% and Tier 2 was 1.50%.

Products - We remain on track with our products development and launch initiatives with a continued focus on bridging the remaining gaps in our product offerings.

Launches planned during the coming quarters:

Agri input loans for tobacco crops, short-term agri input loans are extended to registered tobacco growers to meet the cultivation requirements, with digital onboarding and faster sanctioning under a tobacco board tie-up.

Programmable CBDC enables the funds to be used only for predefined purposes within a specified time or through designated beneficiary.

NFC-based QR payments, Tap and Pay facilities are provided for QR payments.

Surrogate-based lending for housing and mortgage loans.

Dropline OD for MSME, LAP for MSME.

Digital and Technology - The Bank is leveraging IT investments through modular and faster implementation of solutions. The Bank is also exploring leveraging AI tools for improving internal efficiencies, including process improvements.

A few major solutions that are planned for completion in FY '26-'27 are loan originating system revamp with collateral management, implementation of DevSecOps, HRMS revamp, Treasury revamp and BHIM 3.0.

The Karnataka Bank's strength lies in its well-established foundation and its readiness to leverage emerging growth opportunities. Over recent periods, the Bank has made meaningful progress in expanding its retail and MSME portfolios, rationalizing funding costs and enhancing asset quality, collectively creating a strong base for sustained growth ahead.

Our approach is firmly anchored in execution with the strategic initiatives spanning digital transformation and focused product offerings already gaining momentum. As these initiatives continue to scale, they are expected to translate into steady improvements in margins, profitability and key return ratios over the coming quarters.

Despite global headwinds arising from geopolitical tensions, volatile commodity prices and supply chain disruptions, the Bank continues to differentiate itself through its prudence, resilience, agility and strong customer-centric approach, supported by robust capital adequacy, comfortable liquidity and a disciplined execution framework. The Karnataka Bank remains well positioned to deliver consistent and long-term value to its stakeholders.

Looking ahead, with a focused strategic road map and improving business momentum, the Bank is confident of sustaining healthy growth and enhancing overall financial performance in the periods ahead. To our investors, customers and well-wishers, I wish to convey that the Karnataka Bank is not resting on the strength of a single year's performance.

We will continue our efforts in building an institution that is future-ready, customer-centric and governance-driven. We will continue to honor the legacy of our founders even as we embrace the opportunity in this fast-evolving era. Thank you for your trust and continued support and look forward to all your continuing partnership as we write together the next glorious chapters in the history of the Karnataka Bank. I would now like to hand over the call to the moderator for any questions and feedback from our callers and we would be glad to take.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Anshul Patel, an Individual Investor. Please go ahead.

Anshul Patel: Thank you. My question is whether advances have increased significantly during the quarter. Can you explain the rationale behind this and how it aligns with your funding and liquidity strategy?

Raghavendra Bhat: You are aware, as I was telling earlier in the beginning also, since our CRAR was good, I want to increase the advances first. To increase the advances, I need to have the fund. There was no shortage of funds. We could meet that funding requirement with the available resources and to some extent in between some short-term funds, we have also met it through borrowings. That was not the constraint at all.

Anshul Patel: That's it from my side.

Moderator: Thank you. Next question comes from the line of Chirag Singhal with First Quarter Fund. Please go ahead.

Chirag Singhal: Congratulations, Mr. Bhat and the entire team.

Raghavendra Bhat: Good evening, Chirag. Thank you.

- Chirag Singhal:** Yes. This is I think the second quarter with consecutive growth and very good improvement across all the metrics, particularly in this quarter. Sir, first question on the guidance. So in Q4, clearly, many metrics have seen significant improvement. So, I'm just trying to understand how much we should extrapolate for the current fiscal. So, if you can please provide guidance on all the key metrics, advanced growth, ROA, credit cost, gross NPA and net NPA?
- Raghavendra Bhat:** Yes. I was mentioning earlier also in various meetings and forums, while meeting you also in person in Mumbai, I was telling that we want to grow steadily, slow but steady, but with a conservative outlook we want to grow. The overall position I have given, I will stand firm on it with the overall business growth of around 15% and maintaining we want to have the deposit growth between 10% to 15% and advanced growth of 15% to 20%.
- While focusing on CASA, we have assured that 33% plus, we want to maintain 33%-plus of CASA percentage. And all these ratios, once we do that with the CD ratio of 80%, we are able to meet all that I had mentioned, maybe it is NIM, maybe it is ROA or spread or GNPA and NNPA level. By and large, we will stick to the stand which I have taken earlier. We will move further.
- Chirag Singhal:** Yes. So advance growth 15% to 20%. What about ROA and credit cost for the current fiscal and then cost-to-income?
- Raghavendra Bhat:** Yes. ROA, I was telling 1% plus. 1% plus may be anything. So 1% plus, I will still hold on to it. Right now, I am not in a position to tell, but when the ROA was less than 1%, I was telling that 1% plus. Today, in the Q4, you have seen it is 1% plus only. Now also, I'm telling 1% plus. That 1% plus will be definitely towards improvement only.
- Chirag Singhal:** Okay. And also, credit cost and cost-to-income ratio because even your cost-to-income has fallen significantly in Q4. So, is it fair to assume it will remain around these levels for the entire year?
- Raghavendra Bhat:** Yes. For the entire year, cost-to-income ratio has been brought down from 60% plus to 56%, which I was by and large telling 55% plus. It stood at 56%. But Q4, there was a significant improvement of 50% and our efforts will be there to reduce it further. It will be between 52% and 53%. Once the costs are under control and the business is running smoothly, we will certainly work on further improvements.
- Chirag Singhal:** Okay. So 52% to 53% for the cost-to-income. Coming to the employee expenses. So in Q4, there was a sharp decline on a sequential basis, but there was an increase in other opex. So if I look at the total opex, it's largely flat on a sequential basis. So was there any restatement, like one line item has increased significantly and one line item has decreased significantly?
- Raghavendra Bhat:** It is not like that. While all efforts are on to reduce the cost, cost reduction is ultimately helping to improve overall efficiency. One is working towards the continuous reduction in cost. Other one is improving the income. Here, one time such measures are not there. To some extent, there is an upward movement in the yield that has helped us and whatever upward movement in the yield has happened, has helped us to make accelerated provision also.
- Chirag Singhal:** Okay. So, what will be the expected range for employee expenses for the current fiscal?

- Raghavendra Bhat:** See, I will tell you, employee expenses cannot be reduced. That part you will agree. But all efforts will be there to reduce the other expenditure, while employee expense also, we will ensure that whatever required will be there. Improvement in employees cost is a difficult task, no doubt about it. The number of employees who are working, whether additional staff is required, and all those things are part of a business plan. I cannot answer that question right now. All efforts will be made to control the cost.
- Chirag Singhal:** So you are saying that the employee expense for entire FY26, like the full year FY26 employee expense, we should expect a similar number for FY27 also, not any significant decline because in Q4, clearly, there is a steep decline on a sequential basis?
- Raghavendra Bhat:** Yes, it will be under control, that is my assurance. But sometimes, see certain business expansion and other things, we may require additional manpower also. Taking that into account, it will be duly compensated from the business. Need not worry. While expenditure quantum may go up, it will be duly compensated for by the increase in the business.
- Moderator:** Mr. Dama. Please go ahead.
- Anand Dama:** Sir, my question was on the other income. So other income had sharply risen during the current quarter. Is it more because of the core fee income going up? And if yes, what's the reason or is it more about treasury performance which has led to such kind of higher other income for us?
- Raghavendra Bhat:** One minute, my CFO, Mr. Vijayakumar will answer.
- Vijayakumar P H:** Good evening. The other income increase is on account of fee-based income and also recovery from the technical write-off portfolio. We have a technical write-off portfolio of about INR2,500 crores.
- Raghavendra Bhat:** Recovery under technically written-off account. When the business grows along with the interest income, other income also will grow from processing charges and other fee-based income. If it is a non-funded commission on bank guarantee, all those improvements will be there.
- Anand Dama:** But is it more significant in nature because when you look at the treasury gain, it's about INR13 crores, but then your fee income quarter-on-quarter jumped to about INR320 crores to INR230 crores run rate? Last year also, we had a similar situation. So, is it a lot of fee, the general banking fees, what we typically bundle up in the fourth quarter and that's the reason?
- Vijayakumar P H:** Yes, that's what processing charges and recovery from written-off account has majorly contributed to the increase in the other income.
- Anand Dama:** Sir, I'm talking about fee income, core fee income, does this, including recovery from bad debt they are INR66 crores?
- Raghavendra Bhat:** The fee income in the sense, every year, there will be income in the Q4. With regard to ATM card, one-time card fee is there, it is will be there every year, in the Q4.
- Anand Dama:** Okay. Got it. And sir you said that you want to grow at about 15% to 16%, notwithstanding the macro seems to be deteriorating. Do you see that would lead to some kind of yield pressure going forward in FY27? We've already seen sequential improvement in margins, whether we have seen the peak of margins now, how do you basically balance the growth and margins for FY27?

Raghavendra Bhat: Unless there is a movement in EBLR it is at the lowest now, if it is moving upward and all and it gets compensated. Otherwise, if the trend is continuing, we will be on the same trend. I feel it has bottomed out. There may not be any chance it is coming down further.

If there is a movement in upward movement, that will also take care of the interest income also. It is, by and large, is happening to the market. As and when the situation comes, we have to plan accordingly. ALCO is taking care during meeting as and when required. We will work out. We are cost conscious and we are always working on the pressure of margin.

Moderator: Thank you. Mr. Dama. Please rejoin the queue for more questions. Next question comes from the line of Parth Gutka, 360 ONE Capital. Please go ahead.

Parth Gutka: Sir, if I look at your slide 24, the number of employees in the first 9 months had increased. And in the last quarter, it has actually declined. What is actually happening here?

Raghavendra Bhat: See, the number of staff is always going down. Every month, it will go down, with the superannuation. As and when required, we will recruit people. In between, last year, we have opened around 31 branches, staffs are required. In between, we recruit also. That during the first H1 or up to Q3, we have recruited some people. Again, Q4, there was no recruitment rather. Rather, people retired in 3 months. On average, 50 to 60 people getting superannuated and the number will go down to that extent and that is a continuous process. Every month, it will be there.

Parth Gutka: Okay, sir. And my second question is what is the impact of ECL guidelines on the net worth and what would be the increase in the credit cost run rate post the implementation of the ECL guidelines?

Raghavendra Bhat: Yes. We have got adequate capital adequacy ratio, number one. I believe the guidelines which has now come, which is available to spread over to the next 5 years and we have studied the impact also maybe around 1% to 1.5% overall will be there. Even that also available for the next 4 years or 5 years, that will be spread over to 25 basis points, 30 basis points. And we have sufficiently taken care of that.

Moderator: Thank you. Next question comes from the line of Yash Dantewadia with Dante Equity Research. Please go ahead.

Yash Dantewadia: Yes. Hi, so congratulations on a good set of numbers. I really appreciate the way you increased your PCR by 400 basis points. I'm pretty sure the bottom-line number would have looked much, much higher if you would have done it at the pace that you've done it in the previous quarters, which is only 100 basis points. So, this sort of acceleration, where are we aiming to reach by, let's say, in the next four quarters in terms of PCR or are you happy with where we are?

Raghavendra Bhat: See, it is a continuous process. As and when the quarter comes, do the business and how we are working with the efficiency in working, we will decide then and there. Don't think otherwise. We are very carefully moving forward. As you only said, it is very good, very well provisioning has been made. We do understand our responsibility working taking all precautions. We will take care. For the time being, yes, as it is going forward, we will decide.

Yash Dantewadia: So, you don't have any number in mind where you would want the PCR to be by the end of this next coming financial year?

- Raghavendra Bhat:** We want to increase 1% every quarter. That number still I'm holding on. But last quarter, we have done more. That is why I said, while moving forward as and when the requirement will be there, we will take appropriate decision.
- Moderator:** Thank you. Next question comes from the line of Priyank Chheda with Vallum Capital. Please go ahead.
- Priyank Chheda:** Yes. Hi, sir I would request you to note down the questions.
- Priyank Chheda:** Thank you. I will link the story. There were two, three surprises which I will note it down. I mean would like to call it out. One was gross slippages came down significantly in quarter 4 at INR147 crores versus a run rate of INR250 crores, INR300 crores. What has been the reason for that?
- This leads to maybe interest reversal because lesser slippages lead to lesser interest reversal. So, what has been that quantification or what has been that contribution in the interest income, which ultimately leads to NIM going higher because yields benefit. So, if you can link these three aspects together. First, on what has been the slippage, why are the slippages were so low? What should be the normal run rate? Should we read more to it? How much was the interest reversals contributing to the overall income of Q4? That is my first question?
- Raghavendra Bhat:** Yes. You're asking the question. Should I answer then and there.
- Priyank Chheda:** Yes. You can answer one by one.
- Raghavendra Bhat:** Yes. With regard to slippage coming down, I was mentioning earlier also and our focus on the day of taking over charge, I was telling, I want to control the stress. The main area of controlling SMAs , CMAs , recovery and restructured advances efforts, continuously, best efforts have been put by my team. And because of that, stress has come down, both under SMA and CMA. Interest reversal and all - it is a regular phenomenon. Some accounts during the course will be added, interest reversal will happen. When it is getting upgraded, it will be reversed. I cannot answer that. I can get that, right now, I'm not having, but it is day in and day out.
- Regarding the slippage, yes, we will further increase our efforts to improve the quality. That was the main focus. I assured our investors earlier also, now also I stand by it; we will see that slippage is stopped. For that, two - three reasons. One, our CrMD team in Head Office, CrMD team in all the Regional offices, ARMB at all the centers, all these are putting their best efforts to recover.
- Number two, selection of borrowers, at the entry level, that also we have a focused attention. And I want my team at all 15 centers and loan sanctioning center at the Head Office that whatever may be that, quality cannot be compromised. With all these things put together, definitely going forward, further we will improve as far as recovery is concerned. Recovery, I mean, I will not restrict it only to NPA. Recovery under restructure, recovery under stress, recovery under CMA, whatever. That is the reason for improvement.
- Priyank Chheda:** No problem. Second surprise for sure was on the employee cost. Whenever in our history we have seen employee cost less than INR300 crores at least for last 13, 14 quarters, that I can see. First, I understand it's because of the actuary revaluation what CFO sir had mentioned. What would be the fluctuations or the sling that leads to this, the reason why I'm asking is that or else on a full year number, what should be that number?

Because it was INR1500 crores in FY25, we are strengthening our team, branches, sales office and the retail branches. So, what should be that cost of employee that we are budgeting out for full year in FY27 given that there are so much of variations that come through because of the actuary revaluations. That is on the question on the employee expenses?

Raghavendra Bhat:

This question is very difficult to answer. Why because it all depends upon the yield movement. It is all because of geopolitical situation, country's monetary policy and so many other factors. But as far as we are concerned, we are always working on monitoring the cost every now and then.

Definitely, I will assure that, as you know everything, again, you are asking this question, no problem. We will assure you that with this, definitely we will take care of this. We are always leveraging cost to all other things, the cost control as I told in the beginning itself, controlling cost and improving overall efficiency and increasing the fee-based income and other things. We will work on it, Priyank.

Priyank Chheda:

Wonderful. My last question, sir, we had a target of INR85,000 crores book to be ended by this year and we are close to it, there's no doubt about it, we are nearing the target. When it comes to the way to achieve this target and when I see the composition within the book, 65% of the incremental growth has yet been coming via corporate and not via retail or MSME. In fact, MSME has yet remained flat.

And incremental growth via retail to the total loan book is yet slower and lower. So, what's your thoughts around, what more needs to be done for us to see that firing out? And if you can further bifurcate in terms of what are the key milestones so that we should think of it that would be X, Y, Z things needed for you to achieve 15% to 20% advances growth?

Raghavendra Bhat:

Yes, I will answer in a different way. Earlier also, like you, so many people have answered this question. Last year was a difficult year for us. I admit that. INR78,000 crores of advance had come down to INR71,000 crores. If you look at from INR78,000 crores and INR83,000 crores, that is not a growth at all.

If you take into account from INR71,000 crores to INR83,000 crores, there is substantially good growth. Why I am telling this, agri and retail has not grown because somewhere I have told you also regarding though our intention is to reduce the bulk advances. Why because, the yield is low.

Growth in retail and mid-corporate - Somewhere or other, you will ask the question - why you have grown negatively? So we have to balance those acts also. But taking that into account, all these retail segments which have degrown, while the advances had degrown from INR78,000 crores to INR71,000 crores, retail also had degrown.

When I joined, my team said there is no growth in the retail and mid-corporate, that is the need of the hour. I understood that. What is the time available at my disposal? I joined on July only, while studying situation October onwards, this retail credit center were started. Retail growth will not happen overnight. It will take time.

Bulk advances, yes, four, five parties can contribute larger amount. But I'm not interested in that. Growth has to happen in this sector only. For me, growth should come from retail and mid-corporate only.

Going forward, consciously, we will reduce the bulk advances and we will grow in retail and mid-corporate. This is the only answer I can give. Earlier also so many investors were asking, but you are not believing me

to that extent. I was assuring you we will do it, we will grow it. As you rightly said, INR83,300 and odd crores, though it is not INR85,000 crores, still I will say I told in the earlier meeting also in Q3 meeting, yes, we have got a lot of proposals on hand. And as of March, we had INR2,000 crores of sanctioned but pending for disbursal. It has not happened for various reasons. It started happening post April. Advances is positive. We are positive. We will grow.

Priyank Chheda: Wonderful, sir. We always have a high confidence in you. Just one last thing, this was a question also earlier asked but not clarified. Sir, recovery from technical written-off book, we have booked roughly INR190 crores in the other income. And in the technically written off outstanding book, is around INR2,500 crores.

Any target or any thoughts around what should be this recovery that we should pencil in for the coming year? And along with that, say if we are recovering INR200 crores, would we have a higher provisioning done to fasten up our PCR. We have done that. But then what will be the number that we should think of, provisioning requirement or say, a credit cost on the P&L for FY27? Two questions - recovery from technically written off book number and provisioning impact on the P&L for FY27.

Raghavendra Bhat: Regarding recovery, I will tell you it is not only for recovery. It is to the business. Our aim is think big, aim high, don't compromise on quality. We will work on that principle. So that principle applies even to recovery also. I have traveled across India to meet my regional teams.

13 regions I visited personally, 2 regions I have addressed through the video conference and the team is optimistic everywhere and the team is geared up - with regard to the growth in business, growth in recovery. Growth for the business is also target, there is a target for recovery also.

What quantum, what number, our aim is always to recover 50% of the book of NPA, 50% of the technical written-off. What happens, we have to wait and see because we are working on it. This is a highly ambitious target, I know. But unless and until as far as recovery is concerned, if we are not ambitious, we are not able to justify or recover.

Therefore we have kept the ambitious target. Whether it is possible, yes, I was telling earlier also, you are not believing, you are not believing me now also, I know that. But we will make all efforts to do that. It may look very big. But yes, our people on the ground are charged up. I am hopeful next quarter; we will resolve this question. As a follow-up question you are asking, I know that. Even then we will make our best efforts.

Moderator: Thank you. Next question comes from the line of Sarvesh Gupta with Maximal Capital. Please go ahead.

Sarvesh Gupta: Sir. So, two questions. Firstly, on the NIMs. So, I think we had a lot of book which was linked to G-Sec. And so, if you can just break up the book into various EBLR or G-Sec, how what is the mix of our book? And secondly, sir, on the employee expense if the CFO, sir, can give us the data for how much was the gratuity-related, because yield increase, so that pool would have gone down in one quarter, so what was that impact specifically, if you can share that number? Thank you.

Raghavendra Bhat: Yes. CFO, can you share that? One is G-Sec percentage.

Vijayakumar PH: For both the questions, we will share the information later on. Just e-mail the requirements. Right now, we don't have that.

Sarvesh Gupta: Okay, sir. Sir, broadly on the NIM side, so we have crossed 3%, and I recall that a large part of the book was related to G-Secs, and G-Secs have been actually hardening. So given that sort of a thing, because earlier we had a negative impact on our results because the G-Secs was falling before the repo rate. So, what is the outlook, sir, for next year NIM?

Raghavendra Bhat: As I was telling in the beginning, if you have seen, I am working on that 3% plus NIM. I will be working on it. It has come down. If you analyze our earlier data, it has come down to as low as 2.72%. So, it is improving, no doubt about it.

And we do not have any G-Sec linked advances. We have EBLR, treasury bill related. Majority of that under that, around 60% - 65%. And MCLR, some portion is there. Some old, A small portion is base rate, is also there.

To be very frank with you, base rate is 0.31%, MCLR 5.59% at the end of March '26. Then EBLR linked to G-Sec 2.31%, EBLR linked to T-bill rate 55%. This is the component.

Sarvesh Gupta: Linked to G-Sec and T-bill, right?

Raghavendra Bhat: Yes.

Sarvesh Gupta: And there, we should expect a positive impact if the yields are hardening?

Raghavendra Bhat: Again, it depends upon the market forces.

Moderator: Mr. Gupta please switch on the queue for more questions. Next question comes from the line of Yaswanth Thippeswamy, a Retail Investor. Please go ahead.

Raghavendra Bhat: Good evening Mr. Thippeswamy.

Yaswanth Thippeswamy: Good evening, sir. I hope everyone is doing good. And congratulations. I know, in the middle of the management crisis last year, you joined and you have showed that what you are capable of. And kudos to team Karnataka Bank.

You have put in a lot of effort to make sure that they are capable, and they are able to deliver it. So, I would want to also congratulate the Board of Directors for bringing in you and having confidence in you. And I'm also pleasantly surprised, I mean I'm surprised that there is a look out I mean, we have appointed, we have nominated and we are getting an Executive Director from outside.

So, my first question is, have you looked out for internal talent too, I mean, I'm pretty sure that there could be a lot of experienced guys who are around. And then considering the last years' experience where we have got in people from outside and because of the work, I mean, work cultural differences, we had difficult times in managing and then we had to overcome that.

So that is my first question. And the second question is with respect to West Asia conflict. So, considering that, are we still planning to expand the number of branches this fiscal? That's my second question.

- Raghavendra Bhat:** Good evening Thippeswamy, Yes, both your questions are relevant, difficult to answer. But I will assure you that the recruitment of Executive Director has been taken based on the need arisen at a particular point of time. Executive Director was there earlier.
- Executive Director was not there for the past around 9 or 10 months. It was a process required by, based on the, see sometimes need arises based on the requirement. That is one thing. Secondly, it does not mean that, as you rightly said, talent is inside. No doubt, we are not ignoring the talent. As and when the time passes, you will come to know. We are not ignoring. We are handholding, we are training, we are grooming them up. They will come up in the ladder. Definitely, yes.
- And regarding this exit and all which you said cultural difference, I don't want to talk now. Earlier also, I have told the past is history, present is reality and future is the requirement. We will work according to that. Therefore, yes, that is one thing.
- Secondly, your question with regard to the geopolitical scenario. Geopolitical scenario, our plan to open a huge number of branches, whether there is any change? This is like business plans; this is also a plan. And in between if such things arise, we will make course correction and depending upon the market requirements, our growth and requirement, all these things will be planned at an appropriate time.
- Corrective action also will be taken with regard to whatever guidance we have given. In the guidance, branch also has come. We will take appropriate decision at that time. But definitely, we will not put the Bank into some problem. Don't worry about it. That is my assurance.
- Moderator:** Thank you. Mr. Thippeswamy please rejoin the queue for more questions. Next question comes from the line of Vinay Nadkarni with Hathway Investments Private Limited. Please go ahead.
- Vinay Nadkarni:** Yes. Just one question. Most of my questions have been answered. Just want to know the disbursements that you have made for FY26, what is the figure, total disbursement?
- Raghavendra Bhat:** Pardon?
- Vinay Nadkarni:** Disbursement, loan disbursement.
- Raghavendra Bhat:** Loan disbursement, right now, last year, we had repayment of around INR26,000 crores for the entire year, around INR26,000 crores. And you can calculate INR26,000 crores is that figure. INR26,000 crores plus INR5000 crores, i.e. INR31,000 crores, INR32,000 crores.
- Vinay Nadkarni:** Okay. And then I'll send you an email to get the breakup of the corporate and mid-corporate also from there.
- Raghavendra Bhat:** No problem.
- Vinay Nadkarni:** Thank you very much.
- Raghavendra Bhat:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Pranay Dhelia with Panchtantra Advisors LLP. Please go ahead.

Pranay Dhelia: Sir, first of all, many congratulations on a much better performance than what any of us could have imagined. You have actually rewarded the shareholders with the trust that they have reposed in you and now you have to beat this performance.

Raghavendra Bhat: Good evening, Pranay.

Pranay Dhelia: Good evening, sir. So, is it that we've seen a sharp reduction in cost of manpower this quarter, year-on-year as well as quarter-on-quarter. So, is this, has this bottomed out now? Or will we see further reductions?

Raghavendra Bhat: Further reduction, I cannot tell because, as I told you, it's all depending upon the requirement. We will optimally use the staff resources. Definitely, yes, we have got plans of expansion, additional manpower required. At the appropriate time, we'll plan appropriately. By doing so, we can cut cost.

That is the only answer I can give now. Otherwise, cost control, leveraging it with the business requirements and all, taking every moment, we are cost conscious.

Pranay Dhelia: Thank you and many congratulations once again. As shareholders, we are wanting to see the Bank grow at this pace.

Raghavendra Bhat: Thank you.

Moderator: Thank you. The next question comes from the line of Saket Kapoor with Kapoor & Company.

Saket Kapoor: Sir, categorically, as specified by all these speakers earlier that these are definitely commendable results and the backdrop of what looked very drained out earlier. But for investor and even layman like me just to take into account, if we do a comparison on an annual basis? It is only this employee cost part that has significantly made a difference to the operating profit. Correct me there, sir. Because if we look at our interest income, the operating cost and the employee cost part, that we had posted operating profit before provision of INR1,827 crores for FY25.

This has risen to INR1,974 crores. So that is the difference in the lower employee cost in happening that is why all the investors have been asking the question. So, we would like to understand, sir, what would be the general run rate for the employee cost? And sir, how are you seeing the current year in terms of how this operating profit number will shape up, taking into account our disbursement target, the existing loan book, the recoveries, all the factors that you have just explained to us, how should this line item expand on a quarter-on-quarter or year-on-year basis? Some more color on the same would suffice.

Raghavendra Bhat: Yes. It is not quarter-on-quarter or half-yearly. It is on a monthly basis. We have this time changed our strategy that growth should come every month rather. Out of the growth percentage, we said 5% in first 3 months, that is, 15%, next 3 months 8%, next 3 months 9%, next 2 months 10%, and last month 14%.

If I analyze the history of our bank for the past 10 years, the growth has come mainly in H2 and more percentage in Q4. Taking that into account, we have bifurcated business plan in such a way that, first, H1, the growth percentage will be around 39%. H2, it should be 61%. The bifurcation, as I told you, we are working on that month-on-month and full efforts are on, results already started. Regarding employee cost and all, as I told you in the beginning and to others also, it is very much guarded, cautious decisions are taken. It is like, employee cost is not possible to reduce. But how to optimally use the existing resources,

team has really worked hard. The team has delivered with that maximum utilization of the staff. The result has come. The cost in the trial balance figure may look down. But as I mentioned to the query in other cases, that on an average, monthly staff members, resignation, retirement, VRS, superannuation, everything will be there.

Taking that into account, on average, 350 to 400 people are retiring. To the extent required, only we'll recruit because a lot of IT spending is happening. We are trying to move to this additional load taken over by the IT. All these are planned. Continuous efforts are on. Therefore, cost may look a little reduced, but we will utilize it optimally. I will put it other way. Thank you very much.

Saket Kapoor:

So sir, what should be the operating profit trajectory for the bank on an yearly basis, on the base of now INR2,000 crores? How should we invest it, taking into account the current environment also and the type of de-growth which we may expect because of the oil prices and the other geopolitical issues? On this business, how confident are you, first of all, we will be posting growth? And what should be the number on the operating profit that we should work on?

Raghavendra Bhat:

That see, I'm confident only. But in certain external situation, how can I predict now? As and when the situation comes, we will take appropriate decision at that particular time. How to reverse or how to address that issue at an appropriate time, because Prime Minister of India himself has given a statement, yes, cautioning everyone with all those things are getting managed. We also in the Bank, we will try to manage best.

That is the only answer I can give at this juncture, because external forces, we have no control rather. We have to adjust ourselves to change that situation. We will do it. Definitely, we will do it. Last year was also not a better year for us, still, we have done fairly good, though not very good.

Moderator:

Thank you. Mr. Kapoor please rejoin the queue for more questions. Next question comes from the line of Umesh Kantilal Shah, an Individual Investor. Please go ahead.

Umesh Kantilal Shah:

Good evening sir. Thank you very much for giving me an opportunity to post the question before you. I'm an individual investor and also my corporate company also has invested in the Karnataka Bank. First, let me congratulate you for a good set of numbers you definitely post, which was beyond our expectation. And also the NPA is another thing which I have been always telling and you assuring me which coming in the line at par with the good banks. So for that, congratulations. Good dividend also you have given.

Sir, my only worry is now the situation in the Middle East. Are we dependent on the deposit from the Middle East like other Kerala Banks or other few? Or how are we protected or insulated if situations are there? Because as you have a number of times said, there is no one who can say what happens tomorrow, no one knows. I agree with you.

But still, if you can highlight in this sort of situation on the Middle East deposit and the things which we are dependent on, to what extent and how we can insulate it from the same? Thank you very much sir.

Raghavendra Bhat:

Good evening. Umesh, as you yourself asked the question, you yourself answered also. My job, you made it easy rather. With regard to the depositors from Middle East or whatever, in a way, it's good, I should not say, all banks are trying to get good NRI deposits and FCNR deposits. But we have a little portfolio, not sizable portfolio. Majority is local domestic deposits only.

External situation do affects the internal situation also. That is not in our control. But with regard to your specific question of the deposits from Middle East, it is not sizable one and we will not be affected much. That much only I can tell you.

Umesh Kantilal Shah: Thank you very much sir I got your answer.

Raghavendra Bhat: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I now hand the conference over to the management for closing remarks.

Raghavendra Bhat: Yes. Thanks to all the investors who have posed the questions, and whatever best we have presented our case, number one. Number two, still if there are any clarification required, you are all free, I assure you, feel free to seek clarification. We will try to give the best clarification to you, number one. Number two is, a lot of people have spoken high about the results.

We assure you that we will work still hard and thanks for reposing the confidence on the Bank also. I need your support going forward. And whatever these plans are there, we will try to come and connect with you. And definitely, we will work up to your expectations. Thank you. Thank you one and all.

Moderator: Thank you. On behalf of the Karnataka Bank Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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