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Operator: Ladies and gentlemen, good day and welcome to RBL Bank Ltd.'s Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. R. Subramaniakumar, Managing Director and CEO of RBL Bank Ltd. Thank you, and over to you, Mr. Kumar.

R. Subramaniakumar – MD & CEO: Thank you, Michelle. Good evening, ladies and gentlemen, and thank you for joining us for a discussion on our bank's financial results for the second quarter of financial year 2027. We have uploaded the results along with the presentation on our website, and I am sure you had a chance to go through them in detail ahead of this call. I am joined by Executive Director Mr. Jaideep, CFO Mr. Bhavin, and other members of our management team to address any questions you may have.

Before we get into the details of the Q2 operational performance, I would like to briefly touch upon the macro trends. The Indian economy continues to demonstrate resilience, supported by robust domestic demand, healthy services activity, improving manufacturing momentum, government policies, and sustained investment. GDP growth expectations for FY27 have been revised upward to around 7.1%, reflecting the strength of underlying economic activity. High-frequency indicators remain encouraging, while credit growth continues to be robust across the banking system, providing a supportive backdrop for the banking sector.

However, the global macroeconomic environment has become increasingly challenging in recent months, with heightened geopolitical tensions, elevated crude oil prices, tighter global financial conditions, and higher interest rates contributing to greater volatility across currency, bond, and capital markets. Inflation risks are likely to remain elevated over the coming quarters, driven by energy, freight, and food-related prices. In response, the Reserve Bank of India has raised the repo rate by 25 basis points to 5.5% and shifted its policy stance to calibrated tightening, signaling a continued focus on containing inflationary pressures. It has also undertaken measures to manage currency volatility, including interventions in the spot and forward foreign exchange markets and the introduction of a special window to meet daily dollar requirements. Market expectations point to the possibility of further rate increases, while system liquidity is expected to gradually normalize as surplus liquidity is absorbed. Elevated crude oil prices, weather-related risks, and external uncertainties will therefore remain key monitorables.

Notwithstanding these challenges, India's strong economic fundamentals, fiscal discipline, and sustained domestic demand provide a solid foundation for medium-term growth. Fiscal pressures are modest, and the government's efforts towards fiscal consolidation are paying off, while several developed economies are on the other side. Despite rising inflation, the fact that it is rising from a low level and is likely to remain within the upper tolerance band of the Reserve Bank of India is comforting. System-wide banking asset quality is robust, and we therefore remain constructive on the outlook for the banking sector, with resilient economic activity and healthy credit demand expected to support its growth trajectory. Bilateral and multilateral trade and investment agreements are levers to navigate external imbalances, while domestic consumption and

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demographics will shift gears towards higher growth. In a scenario wherein higher interest rates, evolving liquidity conditions, and increased market volatility warrant continued vigilance, we believe that the overall medium-term operating environment within India remains favorable and offers meaningful potential for growth.

Against this backdrop, I will briefly touch upon the trends in the quarter. As you are aware, we have generated a large amount of liquidity on our balance sheet between the capital raise and the deposits raised during the FCNR(B) scheme. For context, between the two, we have added 35% of our balance sheet as of 31 May 2026. This liquidity is deployed as follows. First, we prepaid or chose not to renew borrowings and bulk term deposits that were at a higher cost. Second, we are growing our business across both wholesale and secured retail, where we have seen demand and business conditions continue to remain fairly stable. Wholesale lending is to highly rated corporates where we want to start or deepen the relationship. The balance liquidity is tactically deployed in a combination of short-term investments and short-term loans given to our wholesale customers.

Given the large amount of liquidity still on the balance sheet, we expect to continue this for the next few months. Over the medium term, we expect this liquidity to be fully deployed in the wholesale banking segment, where we want to use both our ability to underwrite larger exposures and the liquidity to strengthen relationships with better-rated corporates, as well as in secured retail through the branch banking route, again to deepen customer relationships. At the same time, corporate deposits and borrowings have already seen a reduction in cost. We will continue to focus on building granular retail deposits and rationalizing our deposit rates gradually. As you may have seen, we have already started on this journey across our savings and term deposits. We will continue our investments in upgrading our distribution across branches, people, and technology to deepen our network and improve the quality of our products and services.

On asset quality trends in retail, collection momentum, including the rural business, has been stable this quarter, with no disruption so far. However, given deficient monsoons in certain districts, we continue to remain very watchful. We have also not seen any material impact on our portfolio arising from the conflict in the Middle East so far. In our unsecured retail business, we have seen JLG return to normalcy for a few months now, with bucket X efficiency consistently close to 99.5%. We remain confident in the journey of credit cards and have seen the last quarter remain in line with the path laid out a few quarters ago. We are encouraged by the asset quality trends, and we expect slippages to trend materially downwards in line with our guidance in the last quarter.

On business trends in the quarter, we continue to see robust growth across both sides of the balance sheet. Our credit rating upgrades have helped us add customers, especially in wholesale, for both advances and deposits. Our advances grew this quarter by 42% year-on-year to 1,42,314 crore, and average advances grew 33% year-on-year. This includes leverage of 10,300 crore that we provided to customers for FCNR deposits, as well as liquidity deployment in better-rated wholesale clients, where we are looking to deepen or start a new relationship. Similarly, our deposits grew 34% year-on-year to 1,56,276 crore in the quarter. Average deposits grew 24% year-on-year. This includes the FCNR deposits raised during the quarter. As a result, our average CASA ratio stood at 24% as of 30 September. It would have been 28.1% excluding FCNR deposits.

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Now, the milestones achieved in the quarter. First, the balance sheet crossed 2 lakh crore to end the quarter at 2,22,344 crore, more than doubling from financial year 2022. Term deposits crossed 1 lakh crore to reach 1,15,746 crore. Operating profit crossed the 1,000 crore mark to reach 1,396 crore for Q2 FY27. The cost-to-income ratio for the quarter was 56.5% versus 70.7% in Q2 FY26.

In summary, as we look ahead, our growth priorities are focused on building a scalable, resilient, and profitable franchise. Our normal business trends are improving quarter-on-quarter as unsecured stress normalizes. At the same time, we are working on putting together building blocks, which we will articulate in greater detail over the coming months. Briefly, these would focus on deepening and starting new relationships with large corporates that were not accessible earlier, either due to constraints related to credit rating, capital position, or our cost of funds.

We are also working to target trade flows in the corridors where Emirates NBD is present, where we believe we have a competitive advantage because of the Emirates NBD network. We will continue to build granular and stable liabilities with the objective of progressively narrowing the cost-of-deposit gap vis-à-vis the larger banks. At the same time, we want to leverage the momentum from the FCNR deposit relationships we have onboarded to target non-resident flows, starting with the Middle East and, over time, across all the geographies where Emirates NBD has a presence.

In MNCs and sectors such as IT and IT services, relationships are being strengthened, especially on the liability and non-fund side, due to the group's cross-border strength and the bank's strong credit rating. We will invest in distribution infrastructure, be it branches, people, or technology, to strengthen our presence in the relevant geographies. We will also take early steps towards investing in a wealth proposition for our customers. I invite Mr. Bhavin to take you through the specifics of our results.

Bhavin – CFO: Thank you, Mr. Kumar.

Gavin: Briefly touching on some of the specific aspects of financial performance, our advances grew 42% year-on-year to 1,42,314 crore in this quarter. Average advances grew 33% year-on-year. Wholesale advances grew 56% year-on-year, while retail grew 32% year-on-year. Within wholesale, the corporate segment grew 60% year-on-year and the commercial banking segment grew 47% year-on-year. In the retail segment, secured retail assets grew 52% year-on-year and unsecured retail assets grew 11% year-on-year. Secured retail advances through FCNR leverage that we provided to customers were approximately 10,300 crore. The retail-wholesale mix was therefore 56-44.

Our total deposits grew 34% year-on-year to 1,56,272 crore. This was helped by the FCNR deposit. Excluding the FCNR deposit, growth was 16% year-on-year as we look to optimize the cost of deposits, as mentioned earlier. Average deposits grew 24% year-on-year. Our CASA grew 14% year-on-year to 42,526. Average LCR for the quarter was 148%.

Now, on our operating performance, our NII was up 37% year-on-year and 29% sequentially to 2,131 crore. Our NIM for the quarter was 4.61%, an increase of 48 basis points sequentially. Non-interest income grew 16% year-on-year and 12% sequentially to 1,077 crore. This was also helped by foreign exchange income from the FCNR deposit. Fee income grew 12% year-on-year and 13% sequentially

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to 1,040 crore. Our net total income grew 29% year-on-year and 23% sequentially to 3,208 crore.

Our opex grew 3% year-on-year and 7% sequentially to 1,812 crore. Credit cost for the quarter was 771 crore, or 63 basis points, which included standard asset provisioning of 111 crore. Specific credit cost was lower at 52 basis points versus 62 basis points in the last quarter, or 641 crore vis-à-vis 670 crore for the last quarter. Our net profit for the quarter was up 170% year-on-year and 90% sequentially to 482 crore.

On asset quality, GNPA was down 28 basis points sequentially to 1.02%, and net NPA was down 8 basis points sequentially to 0.29%. PCR stands at 71.5%. Our capital adequacy ratio was 30.1%, and the CET1 ratio was 29%. With this, we will open the session for questions and answers.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask questions may please press star and one on their touchtone phone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use only handsets while asking a question. Please ensure that you do so. We will wait for a moment while the question queue assembles. You may press star and one to ask questions.

The first question is from the line of Rikin Shah from IIFL Capital. Please go ahead.

Rikin Shah – IIFL Capital: Hi, good evening, everyone, and congratulations on very strong FCNR mobilization in this quarter. I had seven questions. The first one is, if we look at period-end CASA growth, it is up almost 15% quarter-on-quarter, but average CASA growth is flat. Could you elaborate on the progress of various initiatives to strengthen retail deposit accretion, including branches and related initiatives? I do notice that employee headcount has been rising, but is there any progress on strengthening the retail franchise? That is my first question.

Gavin: Rikin, as far as CASA is concerned, what you are seeing as a decline is a conscious decision we have taken to let go of some of the high-cost deposits because we have reduced our CASA rate considerably. Whenever the rate of interest is reduced on CASA, there will always be a downward dip, and it takes time to catch up. You would have seen that two quarters before we reduced the rate, we lost around 1,500 crore, and our team was able to mobilize the same amount within a period of 4 to 5 months. The recouping takes a little time. Even if a correction takes place, there will be some exits, and those exits will be corrected with the revised rate of interest. That is the first point.

Second, the strategies are very simple. We are expanding our branches and intensifying the respective branches. That means that where the number of people has reached the desired level of productivity, more people are being added in the respective branches. That is why you saw the addition of people. The second initiative is that we are expanding the overall width of our branch network. We have been adding approximately 30 to 50 branches in a quarter. This quarter, the branches are scheduled to be opened in the next 2 weeks. We would have opened them today, but because of the {? [unclear] ?} program and other things, we could not do so today. Around 38 branches will be opened in the next couple of weeks. The branch expansion is therefore on track.

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Now we are going to have a differentiated approach, which will be unique for us, in the sense that we are entering the affluent segment. We had said almost 3-4 quarters ago that we were getting into the wealth business. Now, with the Emirates NBD partnership, we are quite confident of expanding this growth.

You would have seen that our segment growth is progressing fairly well, and it is providing us with a lot of confidence because of the various propositions that have been introduced in this particular segment for customers. Our retail term deposits continue to grow at a very healthy rate. They grew around 22-24% in the last 2 quarters, and this time they again grew around 16%. That will continue to grow and support our deposit growth and our advances deployment. We are also strengthening our NRI proposition, and the journey is underway to capture the entire US corridor, which will help us build the liabilities business.

Rikin Shah – IIFL Capital: Understood. The second is a bookkeeping question. Could you provide a breakup of the loan book mix based on various interest-rate benchmarks, and when does the repo loan reset happen for your customers?

Gavin: The reset is a 90-day reset, so you would expect most of the loans to get reset by the end of the quarter. You will see the full benefit in the next quarter. Overall, about 58% is linked to external benchmarks, 32% is linked to repo, about 11% is linked to an FCNR benchmark, 12% is linked to other external benchmarks, and about 3.5-4% is linked to the internal MCLR rate.

Rikin Shah – IIFL Capital: Understood. The third one is on margins. How should we think about the trajectory in Q3 and Q4? On the one hand, you will have the full-quarter impact of FCNR in Q3, but on the other hand, you may also have interest reversals from the reduction in interest reversals on cards, and the cost of funds may also potentially improve given the recent term-deposit rate cuts we have taken. An outlook on the Q3 and Q4 margin trajectory would be helpful.

Gavin: Rikin, I think there are quite a few pushes and pulls, some of which you mentioned. On a blended average basis, we would expect it to be slightly lower than what we reported in this quarter. It will also depend on the speed at which we can deploy normal advances growth because a lot of this is now lying in lower-yielding investments, and within advances also we have been tactical. It will therefore depend on what kind of opportunities we get. On the margin, I would imagine that we should be slightly lower next quarter and then probably inch up in Q4.

Rikin Shah – IIFL Capital: Understood. Q4 would inch up premised on the rate hike that has already happened. The fourth question is on bancassurance income. While it constitutes 8% of your FY26 fee income and 3% of total revenue, assuming there are no cost offsets and no watering down of the IRDAI guidelines, what kind of impact should we expect if this is rolled out from next year?

Gavin: Rikin, I think total bancassurance income is generally disclosed in the annual report. I think we have approximately 300 crores, plus or minus, of income per annum. Based on a plain reading of this, I would imagine that it will be substantially impacted. I would imagine that a 50-60% impact should be the minimum to pencil in. You have written enough research reports to map this. We have not done as much detail as you have. However, you would expect a substantial drop in fee income if nothing changes and the draft circular is implemented in the manner proposed.

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Rikin Shah – IIFL Capital: Understood. The fifth question is on opex growth. It has been quite low in the last few quarters, particularly led by the other expenses line item. I do see that employee expense has increased this quarter, presumably due to salary hikes that may have taken effect. What kind of growth should we expect in overall opex going ahead, assuming some need to invest in the franchise, branches, and related areas?

Gavin: Rikin, there was an opportunity to rationalize certain areas. One of the major areas we rationalized was collection cost, specifically in cards. That has been flowing through and has been part of the reason. We have now pretty much come down to normalized rates in that area. From here on, I think there will be an increase. It is a question of how quickly we are able to hire, or what level of quality we want in terms of hiring for branches and people.

We will also want to invest in certain newer businesses—not exactly new businesses, but with a greater focus on wealth management. Some expenses will start being incurred from the next couple of quarters onwards. However, I do not think the delta will change materially. Opex will probably inch up to low single digits, perhaps a little higher. We will come back with details on this as and when we have put more detail on paper regarding the model going forward.

Rikin Shah – IIFL Capital: Understood. I think some investment in marketing and products may also be required. I have seen some mid-sized banks investing somewhat aggressively in marketing, so if that happens as well, that would be reasonable. The next question is on asset quality. Gross and net slippages have continued to trend down in absolute terms. You had earlier guided for credit card slippages to come off materially from Q3 onwards. Could you provide some color on the underlying trends in credit cards and how we should think about the improvement in credit cost from here?

Gavin: Rikin, yes, card slippages are in line with expectations. While the quarter still had a 600-plus number, if I take the last month's number of the quarter, we are already in the 125-135 zone. Therefore, I would imagine that this trend should hold, give or take a few percentages here and there. We are quite happy to report that, while it took us a little more time to get this in order, we are now actually seeing it on the ground.

Hopefully, we would expect card slippages to come down to a 400-plus-or-minus number for Q3 and Q4. Therefore, credit cost on cards should come down from the low double digits that we have seen to the 6% zone. The rest of the businesses will hold where they are, give or take, unless we see some very material deterioration in any of the rural businesses, which so far we have not seen at all. This includes the collections for the first week of October that we have on retail assets. We have not seen any change in bounce rates or anything like that. Ceteris paribus, cards will come down from 11-plus-or-minus to closer to the 5.5-6% range.

Rikin Shah – IIFL Capital: Gavin, what was the 125 to 135 number that you mentioned?

Gavin: Monthly slippages in September.

Rikin Shah – IIFL Capital: Understood. My last question is on the yield on investments. It has jumped almost 80 basis points sequentially. Is this simply temporary FCNR liquidity parked in the money market? Given that yields have moved up sharply, should we expect any significant mark-to-market impact on the investment book in the coming quarters?

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Gavin: We stay light on duration. Rikin, there are no problems regarding mark-to-market for the second part of your question. On yields, the money market has given us an opportunity to maximize yields, and we have done that. Whatever uptick you are seeing is thanks to that. We do not carry too much duration.

Rikin Shah – IIFL Capital: Understood. Thank you very much for answering all the questions. That is all from my side.

Gavin: Thank you.

Operator: Thank you, sir. We will take the next question from the line of Kunal Shah from City Group. Please go ahead.

Kunal Shah – City Group: Thank you for taking the question. Coming to the margin side, when we look at the deployment of liquidity, could you highlight the incremental yield compared with the book yield of 10.8%? Also, what kind of decline can we expect in the SA rate following the recent adjustment? From a cost of SA of approximately 5%, where do we actually see that coming down to? You have indicated a directional trend on margins, but could you specifically discuss the trend in yield and cost of deposits?

Gavin: Kunal, let me see if I can answer that. Let me explain why there are so many moving parts, and I will give you some of the details that will help you build a view. If you look at yield on...

Management: ...advances, which has gone down from 11.2 to 10.8, if you actually look at the individual segments, nothing has gone down. In fact, it is simply a mix issue. Wholesale has picked up and unsecured retail has come down, and that is reflected in what is happening to the yield on assets. Yield on assets is obviously also impacted by the FCNR leverage that we have done. If you actually exclude that, this number would be another 10–15 basis points higher. It is more of a mix issue rather than an incremental yield issue at an individual product level.

The way to think about it from a forward-looking perspective is that the liquidity generated is currently sitting in investments, in non-SLR investments, which still yield less than the blended advances yield. Going forward, the first stage will be moving from the investment yield to the wholesale yield, and then from the wholesale yield to the blended advances yield. That is a journey, but it is not a one-quarter or two-quarter journey; it is going to take a little longer. That is the positive side.

The flip side is that you will see the full-quarter impact of the FCNR leverage given this year, because you see only a month and a half, or just a little more than a month, in this quarter. That full-quarter impact will be offset to some extent by the increase in the repo rate, which will flow through partly in this quarter and partly in the next quarter. There are therefore too many moving parts to pinpoint and say, "This is where we will hold." We are fairly confident in saying that you will see a little reduction in the next quarter simply because of where the mix is sitting right now on the balance sheet. As that moves forward, you will see an increase, but the pace of that increase will depend on the deployment of the available liquidity.

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In the longer term, we also want to see trends where liability costs come down as we rationalize retail deposits and savings account deposits, and as our current account and savings account mix improves from here. I am hoping that this is as low as it gets, given that we are also carrying FCNR as a one-off event. The idea would therefore be to reduce rates on liabilities and improve the mix over time to add to margins. We would be more than happy to give up some of that in order to undertake the kind of lending we expect to do over the next few quarters.

Kunal Shah – City Group: In terms of provisioning, there is standard asset provisioning on the 26,000 crores of incremental advances that have been built, for which we would have taken 40 basis points of provisioning. Besides that, was there any other standard asset provisioning or buffer created during the quarter?

Management: No, nothing significant. Between what was provided for FCNR—there are two specific elements: the entire FCNR on which you have to carry the 40 basis points, and the pickup in gross flows itself—while it does not look large, that covers it. There are no buffers on the standard asset side otherwise.

Kunal Shah – City Group: I understand. How much was credit card provisioning in the overall provisioning? You said it might come down to approximately 6%, which is closer to 400 crore. Is it currently still near 600–650 crore, implying a delta of approximately 200–250 crores that we could see on the credit cost side?

Management: If you look at it, our card provisioning for the quarter was approximately 575 crores, and yes, this should come off by a reasonable amount.

Kunal Shah – City Group: A 6% credit cost on 27,500 would translate to approximately 400 crore, so there could be approximately 175 crores of credit cost reduction in the second half.

Management: Sorry, what was the total amount you said? 27,000? Yes, that is roughly 20,000 crore.

Kunal Shah – City Group: It was still approximately 19,000 crore.

Management: Understood.

Kunal Shah – City Group: One last question. This year will still have some FCNR noise, but moving into FY28, what would be our overall guidance on the ROA trajectory and overall growth, given the higher base that would already have been felt in FY27? It would be helpful if you could provide that outlook. There is significant liquidity, with almost 35% of the balance sheet liquidity tending to reconstruct the balance sheet and improve the ROA profile. What would be your targeted ROA for FY28?

Management: Kunal, I would rather say that we should let things settle based on what we are seeing now and the immediate growth we are looking at. Regarding FY28 and beyond, let us wait for some more time. I did say that over the next few months we will come back to you with complete details. For now, let us settle down with the current 0.92 and how it is looking positively for the next couple of quarters.

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Just to give a little bit of context, it is very interesting to have a situation where there is a significant amount of liquidity between FCNR and equity that is effectively fixed-rate in a high-interest-rate environment. There will therefore be a tailwind to margins and a tailwind to growth. Clearly, I think there is going to be material improvement. Our BAU business, excluding all this noise, is obviously trending much better in terms of growth, with cards and MFIs pretty much normalized. I think margins should also see significant tailwinds, but I do not think we should comment on a specific point at this stage.

Kunal Shah – City Group: Thank you. This was helpful, and all the best for the future quarters.

Operator: Thank you. The next question is from the line of James Kanottu from Axis Capital. Please go ahead.

James Kanottu – Axis Capital: Thank you for the opportunity. On data keeping, end-of-period term deposits versus the last end-of-period figure show a delta of 26,000–27,000 crores, and we have raised 34,000 crores of FCNR. Could you tell me, as of the end of Q2, what was the stock of FCNR on the books as of September-end? Against that, could you also tell me the stock of wholesale deposits plus wholesale borrowings, some of which we could expect to be repaid in Q3?

Management: FCNR EOP is around 32,300 crores or something like that. Regarding the other items, I do not have the exact figure, but we can pick it up offline. In effect, the generation of FCNR deposits has allowed us not necessarily to renew some of the Q2 time deposits we had on the books. We consciously chose to let go of or run down some of the high-cost time deposits. As a result, your math may not be working out, but we can pick it up offline and review it.

James Kanottu – Axis Capital: Could you let us know what amount you ran down this quarter and how much you plan to run down next quarter?

Management: It does not work that way. What comes up for renewal is what we can run down. We are still willing to accept all deposits available at a particular price point. It is not a conscious call. It is more about what comes in when there is a rate available. It is the customer's choice. If the customer renews with us, we are happy to renew it at our rate. It is not as if I am telling a customer no; it is simply that I have posted a rate, and if the customer is happy with it, they will come.

I do not have a number to say, "This is what I am running off," unlike a legacy borrowing, which I may consciously decide to run off. That is what we have already done in the first quarter.

James Kanottu – Axis Capital: Understood. My second question is more of a 2-year or slightly outer-year question, rather than an immediate-quarter question. We currently have this liquidity deployed in G-Secs yielding a decent 7%, or perhaps slightly lower. We are clearly increasing our mix of corporate lending. I understand that near-term margins will look up after Q3, perhaps with an increase in Q4. However, with the mix shift taking place, is it fair to assume directionally that we are looking at a lower-NIM, lower-credit-cost model in FY28 and FY29? Should we think about it that way?

Management: I do not have an answer to that, but I do want to leave you with a thought that was briefly mentioned earlier. I will draw your attention to slide 8, bottom right-hand side. You can see

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that, quarter-on-quarter, our total cost of funds is coming down, and our cost of time deposits is also coming down. While you will see a somewhat lower yield on assets, you would expect that to be either coincident with or followed by the cost of funds catching up as well.

We are not saying that we will continue with a high NIM. NIM is ultimately a function of credit cost, and customer profitability is important, not necessarily individual productivity or individual product-level line items. There are 2 levers here, and we will try to use both of them with the hope that we continue to operate at an elevated net interest margin level relative to where we are. However, there is no specific guidance to say whether it is coming down, staying there, or otherwise. There are too many moving parts.

James Kanottu – Axis Capital: Understood. My last question is on FRA growth, which is in the low single digits sequentially and not in line with the rest of the balance sheet. Is there any number in your mind such that, if you are unable to grow FRA at this pace, you would be willing to slow down balance sheet growth, or is it not consequential at this point?

Management: No, I do not think FRA growth is at all a constraint on balance sheet growth. In any case, as I said a little earlier to Nitin, we are going to expand the branches and enter the NR segment, which we have not been able to penetrate significantly so far. We will see a lot of positive growth in FRA as we move forward in the coming quarters, with significant growth in FRA.

James Kanottu – Axis Capital: I was asking whether it is a prerequisite for FRA to grow at least in the double digits for you to continue balance sheet growth, or whether you are willing to wait and build that over the next 1 or 2 years.

Management: When you look at FRA and CASA together, there are multiple factors. The fact that we want to move towards lower funding costs is a reasonable assumption. That will come through a combination of higher access to wholesale deposits because many more corporates are now willing to bank with us given our rating profile and other factors. There is a large amount of trade corridor business that we will look at, which will also bring current account opportunities. There will be an increased focus on NRIs, as Mr. Kumar mentioned.

It is therefore a combination of factors. Perhaps the better way to look at it is whether we will continue to grow the loan book when our cost of funds is rising or not coming down. There will probably be some level of give and take that we will need to consider, but I do not think we will link it to any single metric such as the one you mentioned.

James Kanottu – Axis Capital: That perfectly answers my question, sir. Thank you very much, and congratulations on a great set of numbers.

Operator: Thank you. The next question is from the line of Tejas Engineer from CLSA. Please go ahead.

Tejas Engineer – CLSA: Hi, team. Congratulations on the quarter. Firstly, Bhavin, did I hear you correctly when you said the cost of deposits, that 5.97 number, is excluding FCNR?

Bhavin: Which number? No, that is the total deposit figure. You have broken it up into TD and SA separately, which you can see on page 8. On the bottom right-hand side of page 8, you can see the

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SA and TD breakdown, including the cost of SA, cost of TD, and cost of INR TD.

Tejas Engineer – CLSA: So the cost of TD at 6.86% includes both FCNR and INR?

Bhavin: Yes, that is correct.

Tejas Engineer – CLSA: Only INR is 7.12%.

Bhavin: Correct.

Tejas Engineer – CLSA: Understood. From a wholesale lending perspective, you have mentioned several times that wholesale lending is a priority with high-quality corporates. How should we think about the next 1 to 1.5 years? What is your target ROE in this segment? For example, hypothetically, if you believe you would make an ROE of 15% lending to a Tata company, would you undertake that business or not?

Bhavin: Tejas, that is not the way we think about it, especially at this point, but generally as well. On the wholesale side, you need to look at risk-adjusted, capital-adjusted returns and not necessarily pure ROE. That is a separate point. Right now, from our standpoint, the way to think about this is that money is currently sitting in short-term money-market instruments. Would I lend to the type of customer you mentioned? Absolutely, because that is a clear pickup of 60–70 basis points from where it is currently.

That is how you start thinking about it, given our situation and position. Generally, I would say that a bank that does not have the excess liquidity we have would still think about wholesale lending not necessarily only from an ROE standpoint, but also in terms of the larger relationship it would build. Wholesale lending definitely consumes less capital. These are not constraints that I have as a bank.

Tejas Engineer – CLSA: Understood. Is it too soon? Were you saying something?

Bhavin: No, no, go on.

Tejas Engineer – CLSA: It may be too soon, but are there any targets that the board now has for management over the next 3 years or so that you can share with us?

Management: Nothing of that sort at this point. Tejas, I think we are in a situation where there is enough and more. It is very interesting to have a situation where there is a significant amount of liquidity between FCNR and equity that is effectively fixed-rate in a high-interest-rate environment. There will be a tailwind to margins and a tailwind to growth. Clearly, I think there is going to be material improvement. Our BAU business, excluding all this noise, is obviously trending much better in terms of growth, with cards and MFIs pretty much normalized. I think margins should also see significant tailwinds, but I do not think we should comment on a specific point at this stage.

Tejas Engineer – CLSA: Understood. Is a name change also on the cards soon?

Management: We told you some time ago that the erstwhile bank name remains in place. We will deliberate and, based on market feedback and everything else, take a call at the appropriate time.

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Tejas Engineer – CLSA: Understood. Lastly, given that we are quite close to the ECL transition, how should we think about steady-state credit costs and its impact from next year onwards?

Management: Again, there are too many moving parts, and a lot will depend on the mix. The way we see it right now is that, at an individual product-line level, whether it is credit cards, the microfinance business, or the secured retail business, wholesale has always been pristine. As you know, we have not seen a mishap in wholesale for some time. We have seen individual product lines trend better, and we would expect that to continue, especially given that we would start moving up the value chain in terms of customer profiling and selection as well.

A significant portion of absolute credit cost at the bank level will depend on the mix. I do not currently have a view of what the mix will be at the end of next year that would allow me to give you a sense of that.

Tejas Engineer – CLSA: Understood. That is all from my end. Thank you, and I wish you all the best.

Operator: Thank you. The next question is from the line of Param Subramanyan from Investec. Please go ahead.

Param Subramanyan – Investec: Hi, good evening. Thanks for taking my question. Firstly, on NII for the quarter, quarter-on-quarter NII is up by 476 crores. Could you help me with the walk-through? When I do the rough math, the capital itself seems to contribute that much, which seems to indicate that the rest of the business did not contribute much NII. What am I doing wrong? The rough math is 27,000 crore multiplied by 7%, divided by 4, which comes to a similar number.

Management: If you can give us opportunities to deploy capital very quickly at 7%, please let us know. There are 2 things. There was a contribution in the first quarter as well; it is not necessarily only the second quarter that you need to adjust for. That does not make too much of a difference, but there is a little bit there.

As JD mentioned, the ability to deploy everything at 7% is not the case even today. Had you done so and achieved 7%, you would currently be sitting on a mark-to-market loss given where rates are. You have to be very careful about the deployments we made at that point in time, because rate and hike expectations had been present for a while. We initially went short on duration.

Your expectation of 7% for the full 27,000 crore that came out of capital and the 30,000 crore or 34,000 crore that came out of FCNR is an ambitious rate to assume. It is very difficult to tell you that this much came from capital and this much from FCNR. That is hypothetical, and you can continue doing that calculation, but the only thing I can say from an NII perspective is that you will see us growing in a sustainable manner.

Param Subramanyan – Investec: Understood. Was there a negative drag from FCNR in this quarter in terms of absolute NII?

Management: Net interest income will not be a negative. Net interest margin will be negatively impacted.

Param Subramanyan – Investec: Understood. I was referring to absolute NII.

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Management: Absolute Nil is not a drag.

Param Subramanyan – Investec: Secondly, on fee income, retail fee is growing at 9%, while overall core fee is growing at 12%, so it is lagging balance sheet growth. If we are focusing more on wholesale going forward, is that par for the course because of pressure from the cards business, or how should we think about this line going forward?

Management: This is a very unique quarter in which the balance sheet has grown many fold because of FCNR. It is not just the deposit that has landed in the country. If you recall, there is also the leverage that we undertook outside the country, so the balance sheet growth is multiplied by that. You would not expect too much processing fee from the FCNR component.

Having said that, as you start dealing with better-rated customers and corporates, your ability to extract fees becomes more challenging. I would not encourage you to link fee income to balance sheet growth. However, as we continue to think about trade and some of the processing activities, we would expect that to grow as well. This is a work in progress. As we provide more details on some of these initiatives, we should be in a better position to model it.

Param Subramanyan – Investec: Understood. There was no one-off in fee income this quarter, including anything related to FCNR?

Management: There will be a little bit of FCNR-related fee income because of the currency swap that would have happened, including the fixed-to-floating swap. Therefore, there is a one-off, which is why you see fee income increasing 12% sequentially. You cannot expect that to happen on an ongoing basis.

Param Subramanyan – Investec: So that is largely the one-off fee income.

Management: That is right.

Param Subramanyan – Investec: One last question. Is the opex trend from here more normalized? The first-quarter number was sharply lower. Is this the more normalized trend going into the second half for opex?

Management: More or less, it is trending along those lines. There may be a small uptick as our investment in branches, people, or technology increases, but it will not be materially different from what you have been seeing. There will be a marginal increase in opex.

Param Subramanyan – Investec: Understood. Are we still committed to the 1,000 branches in 2 years that we had mentioned earlier?

Management: You can put it at around 2.5 to 3 years because if you open around 20–40 branches, it becomes 1,000 in 2.5 to 3 years at the maximum.

Param Subramanyan – Investec: Understood. When will the {? ELBD–India ?} business acquisition be completed?

Management: The amalgamation application has been submitted to the Reserve Bank of India. Once the application is approved by the Reserve Bank of India, it will be completed. Definitely

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within this financial year.

Param Subramanyan – Investec: Thank you very much, and all the best for the call.

Operator: Thank you. The next question is from the line of Karan Sanghvi from ICICI Securities. Please go ahead.

Karan Sanghvi – ICICI Securities: Hi, sir. This is Jay. Thanks for the opportunity, and congratulations on the quarter. Most of the questions have been asked. I wanted to check on overall loan growth. This quarter may have been exceptional because of excess liquidity and strong capital, some of which still remains. How should we look at overall loan growth for the bank going into FY27, and perhaps FY28 as well?

Management: As JD also discussed, this quarter's 11% growth was opportunistic, without a doubt, which we also said. If you look back at March and June, we said the baseline would be between 22% and 25%. That baseline will continue as we move forward. That is the minimum.

Karan Sanghvi – ICICI Securities: But if I do that, it would mean that we may actually have negative quarter-on-quarter growth. That is why I was thinking that, at least for this year, could it be 30% or perhaps more than 30%?

Management: It all depends on the opportunity and availability. The baseline is what we have planned. I understand what you mean. You might want to model 5% or 5–6% quarterly growth. Whatever that translates into, you are right that year-on-year growth will be higher because of this increase.

Karan Sanghvi – ICICI Securities: Understood. On a normalized 25% level, are you seeing any opportunity for credit card growth and MFI growth? What would be your baseline projection for the credit card business going into FY27, and for MFI as well?

Management: For cards, we expect to stop the decline within a quarter. Hopefully, the coming quarter is the festive season, so we will see some balance build-up there. Given that we will also move towards better quality, and considering that the industry is not showing massive growth, I would imagine that we would be happy with low double-digit growth, or high single-digit to low double-digit growth, in cards.

For MFI, given the guardrails and the fact that all players are fortunately adhering to them, and because it is a short product, as you know, with a 24-month tenure, there is a large amount of run-off every month. The growth rates will be in that zone, as I see it right now.

Management: Year-on-year growth is quite strong, but sequentially you can probably see 5–6% growth. The strategy for microfinance is very simple. We want to grow only to the extent required for PSL. We are not an NBFC that is going to add to the numbers; it is primarily for PSL.

Karan Sanghvi – ICICI Securities: Understood. Coming to FY28, if I look at the current share of unsecured loans, it is approximately 19%. Where does this share settle?

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Management: You can look at overall growth in the early to mid-20s and unsecured growth in the high single digits or low double digits.

Karan Sanghvi – ICICI Securities: For next year?

Management: I think it may be better for us to provide those numbers somewhat later.

Karan Sanghvi – ICICI Securities: The same applies to FY28 as well?

Management: The share will be more or less in the same range. You can take it as 18% or slightly lower.

Karan Sanghvi – ICICI Securities: Understood. My second question is on the interest expense line. The overall balance sheet has expanded by 25% sequentially, but interest expense seems to be flat. This is probably explained by average deposits and period-end deposits. Is that the sole reason? Did deposits come in mostly towards the end of the period, causing interest expense to remain flat in this quarter?

Management: It is a combination of what you mentioned and the fact that we have let go of some high-cost deposits, which is coming through. You will see that impact continuing. The balance sheet was also funded by equity. The full impact of equity has come through this time, which has helped in terms of—

Karan Sanghvi – ICICI Securities: I was referring only to the deposits.

Management: Understood.

Karan Sanghvi – ICICI Securities: That is all from my side. Thank you.

Operator: Thank you. The next question is from the line of Jizhua Gao from Scontrend. Please go ahead.

Jizhua Gao – Scontrend: Thank you for the opportunity. My first question is about LCR. It is currently at 148%. In a couple of quarters, when you are able to normalize the excess liquidity, what kind of LCR do you want to run in a normal scenario?

Operator: Jizhua Gao, I am sorry to interrupt you. Your audio is not clear. May I request you to kindly use your handset?

Jizhua Gao – Scontrend: Am I audible now?

Operator: Yes, please proceed.

Jizhua Gao – Scontrend: My first question is about LCR. With LCR at 148%, in a couple of quarters, when we have higher growth and excess liquidity, what kind of LCR do we want to run in a normalized scenario?

Management: Normally, we would want to be in the 120-125 zone for LCR because there will always be some cushion that we would want to maintain.

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Jizhua Gao – Scontrend: Understood. You earlier mentioned that you want gradual SA and TD rate reductions despite the repo rate hike. Should we understand that your SA and TD rates will still come down despite that?

Management: SA will be reduced gradually. For TD rates, I would caveat that by saying that they are obviously a function of economic interest rates. When we say reduction, it will be relative to what we see in the market.

Jizhua Gao – Scontrend: Understood. My last question is on ROA. You mentioned that credit cost should come down by about 20 basis points. In the current quarter, we have 100 crores of standard provision, which we do not normally have to carry. These 2 factors would bring credit costs down by 300 crores after this quarter. That itself represents 70–80 basis points of ROA, which brings us to approximately 1.5% ROA as a base for future quarters.

Management: I think we could not hear you very clearly this time, but if I understood you correctly, you are right that there will be a benefit from ECL provision. The absolute credit cost will continue to stay where it is for some time from here.

Jizhua Gao – Scontrend: Thank you.

Management: ...in the second quarter of last year, there was a strong focus on asset formation in the sub-prime category. There was a {? 400 ?} crores reduction in overall operating expense. This led to a {? PPOP ?} of {? 73 ?} basis points for ROA. ROE was about {? 10.7 ?} percent, approximately 70 basis points for the year. ROE was about {? 10.7 ?} percent, approximately 70 basis points for the year.

Operator: Sir, the participant has a network issue. The audio is not good.

Management: We can take it offline. Please get in touch with us.

Operator: Certainly, sir. May I request Mr. Rao to kindly get in touch with the Investor Relations team of RBL Bank Ltd.? Thank you. In the meantime, we will take the next question from the line of Avadhut Joshi from Traventage Capital. Please go ahead.

Avadhut Joshi – Traventage Capital: Hi. Thank you for the opportunity. This is Avadhut Joshi from Traventage Capital. My question is on wholesale advances. Over the last 2 quarters, we have seen significant growth in wholesale advances. I would like to have a breakup of this. Which sectors are we lending to primarily? That is the first question. Second, you mentioned at the beginning that short-term lending is also taking place, so what is its proportion? Third, you mentioned IT and IT-related MNCs at the beginning. Is lending taking place to IT and IT-related companies, or is it more related to AI-related capex? These are the 3 broad questions on wholesale advances.

Management: The third question was more in the context of deposits because we now have access to a much wider section of corporates. On sectors, I do not think we have seen any single sector stand out. While the headline percentage growth looks high, in the larger scheme of things this is perhaps 0.75–1% of the incremental growth that the system would have seen. It is largely working-capital driven.

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We have taken some exposure to project finance or longer-term loans, but it continues to be predominantly working-capital driven. This is what Bharat mentioned when he said that we are looking at trade-related opportunities coming our way. The reduction in corporate deposits is already reflecting the pre-rating upgrade and the demand-supply mismatch in our favor. We need fewer deposits, and there is a wider population of constituents willing to provide deposits.

I think this is reflected in the rates at which we can raise corporate deposits, thereby allowing us to enter opportunities that were previously difficult, given the yield advantages we have. I do not think there is any specific sectoral trend that we are either pursuing or seeing.

Avadhut Joshi – Traventage Capital: Understood. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Gaurav from MLP. Please go ahead.

Gaurav – MLP: Hi, good evening. Thank you for taking my question. My question is regarding unsecured loans. On a sequential basis, the overall unsecured portfolio is flattish. From the perspective of this year, what sort of growth are we looking at? Also, as a broad estimate, what is the impact of a 1 percentage point shift from unsecured to secured mix? Is it 12 basis points? The yield on unsecured loans is broadly 21-22%, while the yield on secured loans would be closer to 9-10%. Is that calculation correct?

Management: The mix calculation is broadly correct. Yields on unsecured loans would be 21% plus or minus. In terms of growth, as I mentioned earlier, we expect cards to start showing at least some positive growth in the next 6 months, before we start delivering 10-12% growth next year. In microfinance, I think we should again look at 25% year-on-year growth.

Management: Year-on-year growth is quite strong, but sequentially you can probably see 5-6% growth. The strategy for microfinance is very simple. We want to grow only to the extent required for PSL. We are not an NBFC that is going to add to the numbers; it is primarily for PSL.

Gaurav – MLP: Understood. Coming to FY28, if the current share of unsecured loans is approximately 19%, where does this share settle?

Management: You can look at overall growth in the early to mid-20s and unsecured growth in the high single digits or low double digits.

Gaurav – MLP: For next year?

Management: I think it may be better for us to provide those numbers somewhat later.

Gaurav – MLP: The same applies to FY28 as well?

Management: The share will be more or less in the same range. You can take it as 18% or slightly lower.

Gaurav – MLP: Understood. My second question is on the interest expense line. The overall balance sheet has expanded by 25% sequentially, but interest expense seems to be flat. This is probably explained by average deposits and period-end deposits. Is that the sole reason? Did deposits come in mostly towards the end of the period, resulting in flat interest expense in this quarter?

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Management: It is a combination of what you mentioned and the fact that we have let go of some high-cost deposits, which is coming through. You will see that impact continuing. The balance sheet was also funded by equity. The full impact of equity has come through this time, which has helped in terms of—

Gaurav – MLP: I was referring only to the deposits.

Management: Understood.

Gaurav – MLP: Understood. That is all from my side. Thank you.

Operator: Ladies and gentlemen, we now conclude the question-and-answer session. If you have any further questions, please contact RBL Bank Ltd. via email at ir@rbl.bank.in. I repeat, ir@rbl.bank.in. On behalf of RBL Bank Ltd., we thank you for joining us, and you may now disconnect your line. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.