



“RBL Bank Limited
Q2 FY '26 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to RBL Bank Limited Q2 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone 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. Thank you, and over to you, Mr. Kumar.

R. Subramaniakumar:

Thank you, ma'am. Good afternoon, ladies and gentlemen. Thank you for joining us here on a Sunday afternoon. Especially during the festive season. We truly appreciate your time and presence. Yesterday was a landmark day for RBL Bank. We announced a historic strategic transaction, which I will speak about shortly.

But before that, let me briefly touch upon our second quarter results also announced yesterday. Over the last several quarters, we have stayed focused on strengthening our balance sheet through granularization of both advances and deposits and by optimizing our retail mix. I am pleased to say that this journey continues steadily and with discipline.

During the quarter, our advances crossed INR1 lakh crores mark, the secured business loans now above INR10,000 crores, and secured working capital and tractor finance portfolio crossing INR2,000 crores and INR3,000 crores, respectively. Our secured retail and commercial SME businesses continued to grow healthily.

The wholesale banking remains a key growth driver, contributing meaningfully to advances. low-cost deposits and profits. Our branch-led retail asset business is scaling up well. With over 60% of the leads now sourced from the branches. In fact, our entire organic gold business originates through branches, helping us to keep the acquisition cost low.

On the liability side, the granular deposits have grown consistently from around 43% a few years ago to about 51% today. Term deposits below INR3 crores have grown at a CAGR of 21% over the past 3 years. We have consciously derisked the portfolio. The secured retail loans now form 34% of advances, while unsecured retail has reduced from 34% to around 26% over the past 6 quarters.

The strong underwriting has kept net slippages near zero in wholesale and secured retail segments, which together account for nearly three fourth of total advances. The MFI portfolio is normalizing well and we expect it to return to pre-COVID levels of stability soon.

The credit cards, however, remain an area of the focus as we address stress in the world of vintages. Our retail secured products, which have been in the investment phase for the last 2 years, have now turned PBT positive as a cohort.

And we expect all the segments barring prime housing to contribute to profitability by year-end. In short, the bank is well positioned for consistent the profitable growth with a stronger and more diversified balance sheet. The foundations we have built the granular liabilities, the balanced

retail portfolio, the branch-led origination and improving cross-sell intensity will continue to anchor our strategy.

Now turning to the important announcement on the transaction that we announced yesterday. Emirates NBD, the second largest bank in the UAE, and a leading financial group in the MENAT region will invest approximately US\$3 billion through a preferential issue, subject to shareholder and regulatory approvals to acquire a 60% stake in RBL. This will also trigger an open offer as per SEBI guidelines. Post completion, the Indian business of Emirates NBD will merge with RBL Bank. This infusion will take our net worth to around INR42,000 crores and position us among the best capitalized banks in the country. It enables us to accelerate growth across our existing businesses, invest meaningfully in technology, brand and distribution and create a stronger and more diversified income streams.

Emirates NBD brings not only the capital, but also the deep global banking expertise, digital innovation capabilities and access to the vibrant trade corridor between India and Middle East. This partnership marks the beginning of a new chapter for RBL Bank. We have transitioned from stability to sustained growth from selective participation to the leadership in chosen segments and from being a mid-sized Indian bank to be a future-ready institution backed by one of the most respected financial groups in the region. We believe this transaction will create a long-term value for our customers, employees and shareholders and reinforce our position in India's fast evolving banking landscape.

Thank you, and thanks once again to all of you for coming on a Sunday afternoon.

- Moderator:** The first question is from the line of Rikin Shah from IIFL Capital.
- Rikin Shah:** Okay. Congratulations team for the landmark deal, really fantastic. I had a couple of questions to begin with. First one, just wanted to understand how the net worth would look like after the pref open offer and the amalgamation is done? Is it broadly around INR44,500 crores -- INR42,000 crores -- okay, INR44,500 crores on day one. So maybe whenever the deal gets consummated, the new networth would be around INR44,500 crores. So that's a correct understanding, right?
- R. Subramaniakumar:** Yes, around INR42,000 crores to INR44,000 crores in between...
- Jaideep Iyer:** Including the branch merger, INR44,500 roughly, yes.
- Rikin Shah:** Okay. Got it. Secondly, sir, I mean, this is abundant capital, which probably means that you wouldn't need capital for the next 5, 7 years, curious to understand early days, but what is the capital allocation plan? When -- with this capital coming in, will you be thinking about retiring some costlier cost of funds or make some inorganic acquisitions.

How should we think about this allocation of capital? Because the eventual deployment of the loans will happen only over a period of time. So over the next couple of years, what could be the allocation plan for the bank?

R. Subramaniakumar: So I'll give a broad sense, the details of it, we can work and then discuss subsequently after the transaction is consumed. So broadly, we first scale all the existing businesses because all these businesses which we have already implemented as the clear growth path. So we will be in a position to scale that. That is one.

The second, there are some new opportunities which will open up because of this particular transaction. And these new opportunities are likely to be in terms of NR business and the cross-border payment cross-border transaction and trade business, and it will also open up our ability to do competing our competitive land space of the corporate business, we will be able to do more business for those corporates who are from these geographies doing business with us.

And we will be in a position to do more corporates who are doing corporates of India who is doing business in those regions. So this is a new opportunity, which is growing up. those there will be the additional allocation which will happen. However, the details of it we can work out. Jaideep, do you want to add something?

Jaideep Iyer: Yes. And Rikin, I think on the liability side, clearly, we will not stop the retail engine growth on deposits and especially low-cost deposits. What might happen is, of course, the need to look at any long-term foreign currency borrowing, etcetera, etcetera, will dramatically come down and there might be some retirement of liabilities. But the core banking business is not something that we will want to compromise.

Rikin Shah: Got it. And a few more follow-ups on this. So given Emirates has its own credit rating, has the rating of its wholly owned subsidiary in India, which I think is also AAA, would you expect credit rating agencies upgrading the rating for the bank from AA-? And if that were to happen in two scenarios, let's say if it gets upgraded to AA+ and/or AAA, what is the incremental delta on cost of funds that one can potentially see if that were to happen? So that's number one.

The second one, if you could talk a bit more about the current business of its wholly owned subsidiary, how big is it? How complementary in terms of the loan book portfolio vis-a-vis RBL Bank currently if that were to be integrated, what could be the IT or employee integration challenges, if any? That would be the second one. And I have a couple of others, if you allow me to ask them or as we'll come back later on the call.

R. Subramaniakumar: So, second question will answer first one, I'll ask Jaideep to give the details about it. They are working on a technology platform similar to us. So, the question of -- I mean like the merging the branches into the RBL may not be a big challenge, number one.

Number two, they are mostly into the corporate banking and very few accounts -- some few accounts are common between us and this -- we're assuming that and then taking it forward may not be a challenge for us to work with regard to that other point.

Jaideep Iyer: Yes, on cost of funds, cost of borrowings, again, I think yes, we would definitely expect the rating upgrades to happen. But today, if you look at our cost of deposits, I would say, give or take, we are maybe 1% or so higher than, let's say, the large private sector banks. And I would expect that gap to materially narrow over time.

- Rikin Shah:** Okay. And if I can just maybe squeeze one more question and then perhaps, I'll come back again. How should we think about the proforma financials for next couple of years given there are multiple moving parts here?
- Of course, given significant capital coming in, the leverage goes down and ROE gets down, but the ROAs will also materially move up. So, any guidance on how to think about the potential financials in FY '27, '28 would be helpful.
- Jaideep Iyer:** No. Rikin, it's a lead too early to comment on the specifics that you're asking. But directionally, of course, as you rightly said, ROA will materially expand given the large inflow of equity. And ROE will be a function of getting a reasonable leverage onto the books over the next couple of years after that. But given the very strong expansion in ROA that happens, we would expect to claw back to a reasonable level of ROE respectable levels of ROE within a couple of years.
- Rikin Shah:** Perfect. And just one last data keeping question on the quarterly results. I think I saw that there was INR44 crores of some adverse MTM impact. If you could elaborate on that, what was that, it will be helpful.
- Jaideep Iyer:** Yes, I think we are holding Utkarsh Small Finance Bank through the holding company, which subsequently will get merged, they declared because of ECL considerations, they also declared a reduction in net worth, and that resulted in a mark-to-market which happens once a year based on the audited financials of the investee company or the Holdco and that is what resulted in a reduction of about INR40 crores.
- Rikin Shah:** And any potential further implications from this particular investment or this was one time?
- Jaideep Iyer:** We don't expect anything more.
- Moderator:** The next question is from the line of Kunal Shah from Citigroup.
- Kunal Shah:** Yes. So again, related to the deal in terms of the consumption of the capital how frequent would that be? And maybe in terms of the growth acceleration from here on? Obviously, the capital would rise like almost 2.5 threefold. But in terms of the growth acceleration, how should we look at it?
- Or maybe we will look more at inorganic opportunity because the entire machinery, I think, we need to invest a lot into the machinery to get to those kind of growth level. So ideally, how much time would it take for capital to be adequately consumed and any inorganic plan?
- R. Subramaniakumar:** See, right now, when you look at the opportunities, we don't say that the opportunities for inorganic cannot be ruled out. Yes, it is also the one more. First, we are working out very deeply with regard to organically how we can consume and grow multifold. Today, our capacity, which we have built it in respect of all the businesses, as well as delivery missionary will facilitate us to achieve a fairly higher growth level than what you have been seeing it for the last couple of quarters. So this is one.

The second is that as we grow to our capacity, the capacity buildup will take place. since we were able to establish all the product lines. It is a question of only location and expanding it. That should not be a big challenge given our streamlined processes of capacity building.

During the two quarters, after the consummation of the capital and other things, the growth will be accelerated. Thereafter with the additional capacity, which is not thoroughly done with, we'll be able to give a little more accelerated plan. Meanwhile, we don't rule out the opportunity for the inorganic, which we'll keep looking at it. That is too early to comment exactly how this is going to pan out.

Jaideep Iyer:

Yes. I think Kunal, one should appreciate the fact that this is an announcement. And I think the transaction consummation itself is several months affair, which gives us enough time to plan over the next few months. So this is just the announcement of the transaction.

Kunal Shah:

Sure, sir. So, on that, but -- so maybe in terms of the capacity buildup which we have, what is the kind of growth, like today, maybe this quarter we saw some acceleration out there? Now getting towards next 14-odd percent. But does the existing network and distribution franchise suggest that we have the potential to even grow at 20% or so without immediate investments?

Rajeev Ahuja:

Kunal, this is Rajeev. I'll talk to that. So, if you see barring the micro finance and card business, which because of the environment and our own risk adjustment, we have actually pared them down over the last few quarters. The rest of the business actually has been growing quite well. Retail secured advances has grown between 25% and 35%. And there is more and more opportunity to do that.

The wholesale business actually where the machinery is the most developed, which can actually grow a lot more, and that does not need a significant addition and perhaps -- this is also where the cross-sell, the ability to do more business will actually become easier for us, not just in the long run, but in the short run, too.

I would say these are the natural ones to grow faster as we continue building the capacity on the more granular business in retail, as of micro finance will come back, okay? And I think by the end of this quarter, card will also start showing organic growth. So we should see a natural growth of the current structure of the business come back. in addition to what we can do in at least three out of the five businesses, that's what we can do by a buildup of capacity.

Kunal Shah:

Sure. And on open offer, is there any limit? So today, the open offer price seems to be almost similar to that of the deal price at 280. So maybe -- is there maybe we don't get too much of an open offer, they would even be okay with just holding 60%. Is there any limit.

I think any which way there is upward cap of 74% in terms of FII holding which might not be crossed. But maybe on the visible side, is there any benchmark or maybe it can be even like, say, in low single digit maybe if it's like say, near to the deal price, yes.

Jaideep Iyer:

No, Kunal, I think the open offer is a consequence of the preferential. I think the intent here is to look at a 60% pref. And as you rightly said, one would normally not expect anything material in the open offer.

But the construct is that there is a minimum 51% that will be taken up by ENBD. Depending on the foreign shareholding in the open offer. And -- but the idea is to be at somewhere in the 60% range plus the branch merger, which will add another maybe 2% to the transaction.

Kunal Shah: Got it. And the last question is on the write-off in corporate, particularly as well as the MFI. So, the accelerated one this quarter? Is it more to do maybe getting closer to this transaction where there was an acceleration or if there was anything specific?

Jaideep Iyer: This is an absolute business as usual and that is not going to change even in the next couple of quarters. We are repeating this is an announcement. I think the closing consummation of the transaction is going to take its own time. We will be on our natural normal growth trajectory.

Kunal Shah: So even write-off in the corporate almost like INR40-odd crores.

Jaideep Iyer: No, no, that was a very old NPA, Kunal, which had become old enough for us to kind of do a routine write-off. There nothing, it's a technical write-off. Nothing really because -- yes, just 100% provided NPA.

Moderator: The next question is from the line of Anand Dama from Emkay Global.

Anand Dama: Congratulations for this deal, my first question was that -- so this deal obviously came as a very positive surprise. But what is the rationale behind this acquisition by NBD? We could have actually grown. We were already on a recovery path, possibly, we could have grown on our own with some kind of capital infusion. That is number one.

Number two, in the release, you have said that there are regulatory approvals that you will require. So what is going to be the sequence of those regulatory approvals and whether you will also need an approval of NCLT because that is going to be a merger of the Indian subsidiary of NBD Emirates.

Third, the broader construct of the NBD Emirates given that basically, how do you see the portfolio reshaping for us. So, for example, we are more of a retail and MSME bank at this point of time, that's of corporate.

Do you believe that the portfolio shape of the RBL Bank in the future years to come under NBD would undergo and change, and we will actually be more of corporate than more of retail as such? Any early discussions which have happened on that? And if you can share something on that, that would be great.

R. Subramaniakumar: One of the biggest attraction of RBL is the retail franchise and the retail growth story, which has been seen and its execution capacity. And, at the same time, not giving up its ability to grow in the corporate. This is the first basic principle and the vision with which strategy will be built thereafter. It will be by scale for the existing business and addition of the new business.

And coming to your other point of saying that why the capital infusion were not local growth. See, everybody has a great aspiration on doing it. Given an opportunity, nobody would like to

be a small midsized bank forever. And you know that small midsized bank has its own challenges.

And the most obvious reason, or most obvious step would be that we want to get on to the larger league or on the top of midsized bank and not to call as a small bank, for which the one important ingredient is the capital.

When the capital is -- either you go in a tranche small, small sets or upfront everything and then try to build the building base on that. we thought that getting it upfront and then building the -- because all the building blocks are available. It is a question of only scaling. So with this, we will be able to do much faster than what otherwise we would have achieved our desired dream of moving up in the ladder. That's one important factor. And what is the second question?

Jaideep Iyer: From the approval standpoint, Kunal, it's -- sorry, sorry, Anand. Sorry -- so from the approval perspective, the RBI approval and government of India approvals and CCI approvals. The merger specifically is under the BR Act of 44A and therefore, there will be no NCLT process at all. And that is what is typically with respect to banking companies and branches, everything gets done under the RBI guidelines.

R. Subramaniakumar: The first approval will be the shareholders' approval, which will be on the 12th of November, we have called the EGM. Thereafter, all of the approvals, what he said will be applicable.

Anand Dama: And sir, the open offer will trigger only after preferential placement is done? Or because I think in the press, there was one question, and I think where it got -- I mean they were confused that the open offer actually or they might acquire the stake first from the market and then actually look at pref. If you can just clarify on that.

Jaideep Iyer: Yes. So Anand, basically, normally, as you know, the pref happens first and then the open offer. But in this case, since the preferential issue is 60% and on paper, we have to look at a 26% open offer of the expanded share capital.

On paper, therefore, the stake can go up to 86%, which will, of course, cross the minimum public shareholding requirement of 25% to be with the public. And of course, we are going to be -- continue to be a listed Indian bank. And therefore, the SEBI guidelines allow under a certain section to actually first consummate the open offer. And depending on the open offer, the preferential and the open offer gets proportionately scaled down.

Now it's a different issue that one doesn't expect anything material in the open offer. But obviously, from a process standpoint, one has to have the ability to do a 26% open offer. And therefore, this is happening in this form, which allows us scale down proportionately of both the open offer and the preferential issue such that the minimum public shareholding is at 25%.

And therefore, the investor goes up to 75% on paper. And then, of course, from 75%, the investor has to come down to total foreign shareholding of 74%, which will happen through the scale down of only the preference issue. That is the structure.

- Anand Dama:** Okay. So in that case, first, your approval actually will come for open offer or there could be an open offer in next month and thereafter, we can...
- Jaideep Iyer:** Open offer after all regulatory approvals, RBI government of India...
- Anand Dama:** First all approvals in place. And then first the open offer will be launched and then the placement.
- Jaideep Iyer:** Correct. The pref will happen within 15 days of the closure of the open offer.
- Moderator:** We'll take the next question from the line of Jayant Kharote from Axis Capital.
- Jayant Kharote:** The first question is regarding the ROA question. I see that secured assets is clearly the focus area incrementally. If you can call out a couple of products there where you can see in the next 3 years, the size of such products can become, let's say, 2x, 3x or anything that you can call out in terms of the size?
- Basically, what we're trying to understand is which will be the drivers for incremental growth if you are sitting with such large network, you can build size of books over there? So, if you can call out that is first. And second, just a follow-up on that. Can you also tell us the ROA profile of your secured retail book and which products have a slightly better ROA profile there, if you can call that out?
- R. Subramaniakumar:** Yes. With regard to the growth adjusted ROE, I'll ask Jaideep to answer you. See, there are the products which we have launched. You just look at the things which have grown. For example, the BBG, which is nothing but working capital and term loan for the various business groups. It just propelled beyond doubling of the business. That is one. So it will continue to grow at that rate when the new network is because the opportunity we feel is pretty huge in MSME sector.
- And second important thing where there will be a multiplicity will be in respect of liability mobilization with a distribution point getting doubled and tripled, that is one. When the distribution points grows up, it certainly opens up a big business for all our mortgage business. wheels business and our BBG business.
- All this business gold loan, which is a branch based, that is also get propelled and that is something which will be in terms of 3x, 4x because the gold is where the current trend, we will be able to get into the space of some of these NBFCs which are doing it. Today, we are not able to get in the space because of the lack of distribution available to us.
- And another very important point, what you can think about is in respect of the distribution point is going to create our visibility, and it will provide us a big opportunity for the SME and commercial banking. That is something which will also be an opportunity to grow to 2x, 3x.
- And the synergy between this -- the investor and the bank will also provide you a big opportunity in corporate. And the corporate will no longer be growing at what is the rate we are doing. You would have seen in the last quarter, we grew around 14%. And 20% is what the corporate has grown and commercial has grown around 32%. There, we can see a large opportunity to grow at much faster than what we have been growing it.

While the composition may remain all the engines which we have already fired in last two things have an ability to grow multiple. And now we will be looking at some of the missing parts of our retail portfolio, which we have not launched the commercial vehicle, we can explore those possibilities.

And apart from that, the important thing which will multiply is our ability to grow the retail deposits. Retail deposits has one constraint by having the footprint. Today, the footprint is at 561 locations that we can have it -- when the footprint increases to multifold, our ability to have the retail deposits less than INR3 crores will also get spiral up. And with this, we are not looking away from corporate -- from the credit cards.

The credit card is another big business. We have reimaged the entire business. We have been doing with the partner with more branches available, certainly, our ability to mobilize from the new market will go up and which we have totally reimaged. So next 1 or 2 quarters, that will become normal with high business growth opportunity that will enable us because when the business grows high, our ability to grow in the card also proportionately goes up.

So is our micro finance, which is coming out of the woods, and it may not be spiraling very high, but it will be fully utilizing the capacity and it will no longer be the only vertical which is contributing revenue. And with its CGFMU and other coverage we have taken. It will be able to sustain any down cycle.

So the model what we are looking at it is more capital, there will be a spiraling of the business in the normal secured and other things, which are going to give us a higher. In fact, I just made a statement that our entire secured has become profitable at PBT level. I will ask Jaideep to tell you about all ROE and related activities.

Jaideep Iyer:

Jayant, just to add to Mr. Kumar, basically conceptually think about improving degrees of freedom, right? I mean I think we are constrained today on cost of funds. And therefore, we have certain choices on the assets. Those constraints begin to fall away, giving obviously, even with the same product segment, the opportunity to grow becomes that much faster. So that was one on the question on retail assets, I think tractors is very profitable for us, followed by the other small AHL and small business loans. Prime mortgages is where the spreads are narrow and which will take some more time for profitability.

But as I said, that opportunity improves because over time, we will expect to become far more competitive on cost of funds as compared to, let's say, larger peers over time. And that degree of freedom is actually what really makes a big difference because the risk reward choices get influenced basis that.

Jayant Kharote:

So just if I may add a follow-up. It's clear that the strategy will be distribution led over the next couple of years. Fair to say that if -- even if you get an optical bump up in the ROA right now, you would want to use that to invest in creating more long-term value through expanding.

Jaideep Iyer:

That's correct, yes. Absolutely. So the answer to your question was yes.

- Jayant Kharote:** Okay. So any time frame if let's say, from INR560, we want to go to INR1,500, INR2,000 , any time frame in your mind right now?
- Jaideep Iyer:** I think it's too premature. I'll repeat the statement that we made that this is an announcement to take us several months to consummate the transaction, that gives us enough time to plan.
- Jayant Kharote:** Okay. Okay, one slightly one more question, if I could squeeze in about the quarter. I see an inch up in the slippages in the credit card personal loan portfolio. Can we expect this to be the major part of the bulk stressed identified book? Or 3Q should be a sharp improvement? Or it can -- the tail is still there?
- Jaideep Iyer:** No, Jayant, I think the cards portfolio slippage will take a couple of quarters to normalize. So we will be in this range, give or take, for at least 1 to 2 quarters before we start seeing things improving.
- Jayant Kharote:** And largely cards not PL, right?
- Jaideep Iyer:** They are fairly integrated in that sense. So typically, PL, of course, will always be on a like-to-like basis lower than cards because PL gets cross-sold to the upper end of card customers. But when we are talking about slippages, this number is a combination of both.
- Moderator:** The next question is from the line of Rakesh Kumar from Valentis Advisors.
- Rakesh Kumar:** Yes. So sir, just a couple of questions. So post this transaction and open offer, how would the senior management hierarchy, how would the Board structure would look like?
- R. Subramaniakumar:** The Board structure as per that particular transaction agreement, which we have signed, it will be a 50-50 in a sense, 50% will be an independent subject, of course, to RBI approval. 50% is an Independent Director. 50% will be the non -- other than Independent Directors, so that rather than independent directors will have two components.
- One will be executive Directors and the Non-Executive Directors. So they will have the right to nominate the Executive Director and NEDs as well. Today, the bank has a Board of around 11. So the 11 will not work for that. So the Board can be at a 10 or 12, it will be an even number. We have already moved for that to be amended as instead of 15, we wanted to have it the cap 14.
- Rakesh Kumar:** Okay. So net-net, how many representatives they would have post the transaction?
- R. Subramaniakumar:** See, that is what it is a 10, 12 or 14 is going to decide that particular number. If it is 10, you can easily calculate it is other than the ED and MD, five-five and you add up three, then other numbers are only the mathematical formula.
- Rakesh Kumar:** Got it, sir. And sir, senior management and top management, how that structure hierarchy, would there be any change post that? Any discussion we have had so far?
- R. Subramaniakumar:** Parking the discussion part out of it, I just wanted to tell that this is the senior management and the senior management, which has been working. And the entire group has been working

together for the last 3 years to stabilize the bank consolidate the bank and grow the bank. And I don't find the reason that why some of the team should come for scaling the bank since it is not going to be the other one, the take is very simple.

Any investor will be liking to see that the delivery of the team. And going by that way, that the team will stay together. And you know well that my given statement is always work with the team, we have been doing it. Last 3 years, they demonstrated how good they are and will continue to grow.

Rakesh Kumar: Sir. I agree with you. And sir, second thing, like it was -- I couldn't understand it having looked at banking for the last around 25 years. You said that you will have capital and the growth will be multifold. So hypothetically, any largest like large private bank considering that they have abundant amount of CET capital, so they start growing at a very high pace. Does it look like such a easy possibility?

R. Subramaniakumar: Of making a comparison within the banks who has already reached certain scale. I just want you to look at this. This are agile and the bank, which is the hunger for the business. Our market share is hardly 0.5% whereas the opportunity available is much, much larger.

If I increase the distribution and we are in a position to build the capacity as we have been telling about you, this market share of 0.5 has an ability to go to 1. So when you wanted to move from 0.5 to 1, there is a huge business growth, which will be -- which is possible with this kind of infusion what we are talking about, what we have agreed upon.

Moderator: The next question is from the line of Param Subramanian from Investec.

Param Subramanian: Congratulations on the deal. So firstly, part of my questions have been answered. Firstly, again, on management, will there be -- as in will Emirates be bringing in management representatives? How to think about that from a senior management perspective?

R. Subramaniakumar: Right now, as for the agreement which we have inked, it is a Board which they are talking about, the management will continue as it is as per the agreement I'm talking about. And we can't predict beyond 3 years or 4 years. I'm talking about the current short term, understanding what we have and what has been inked in.

Jaideep Iyer: And Param fortunately, their business is quite small, right? So, we don't expect any material overlap at all.

Param Subramanian: Fair enough. Okay. And secondly, see, so I heard a lot about. So for example, you mentioned that your cost of deposits come down. You're also a significant part of your balance sheet will now get equity funded.

So I'm presuming it allows you to expand into a lot more products now that you couldn't do earlier. So from that perspective, would it be fair to assume that over next year or next couple of years? You can grow at 30% plus. I'm just putting a number out there. But on your loan book, would that number be broadly correct?

- R. Subramaniakumar:** Depending on the opportunity, this is something which is global with buying capacity, which we have created.
- Param Subramanian:** Yes, sir. So you also mentioned you're doubling, tripling of branches, expanding new products or some rough number we can work with from a growth perspective.
- R. Subramaniakumar:** What you said the 30% is very much global. That is something global. But anyway, we'll get into the greater details and we'll speak on that once we are ready with all the things. Let this deal be consumed as Jaideep said before, next 5 to 6 months is a period where we'll get into the much more granular. This is something we just -- we just signed the agreement yesterday. That is -- but we have a plan.
- Param Subramanian:** Yes. Fair. Yes. Fair enough, sir. And lastly, sir, so a very significant portion of India remittance comes from UAE and you've got a market-leading player as your partner. So how to think about the impact of this on your CASA overall as in where that number can move as in some rough numbers you could call out I mean I don't want a number on CASA ratio as such, but how much -- how significant this impact would be?
- Jaideep Iyer:** Param, again, I think it is really too early to talk about specific numbers on business. I think what we are comfortable in saying that the opportunities open up quite substantially on all the areas that you mentioned and more. I will again repeat. I think we've just signed the agreement.
- There are several steps to be taken over the next several months for closure. And we will have enough time and opportunity to, one, get more precise at our end, along with ENBD and to also communicate that strategy going forward to other stakeholders.
- Moderator:** The next question is from the line of Vansh Solanki from RSPN Ventures.
- Vansh Solanki:** Sir, my question is on a NIM that as we are cautiously expanding now JLG book also and our wholesale book also from last many quarters are expanding very well. So can we just see that our yields on advance is now bottomed out? And from now on because our books are growing, so our yields on advances will grow from now, maybe Q3 may be stable but Q4 will be a much improvement there, right?
- Jaideep Iyer:** Yes. Vansh, I think we will see levers on both sides. We will -- you're right in saying that both -- I will add actually that your yield on advances has bottomed out and will start moving up. Primarily because of the mix, and I'm keeping any other subsequent repo cuts aside this is ceteris paribus answer.
- On the liability side, there are more levers where rate cuts will continue to flow through. And therefore, in a nutshell, therefore, we should see margins expanding from Q3 onwards. We had guided that in Q1 that we have bottomed out, and therefore, Q2 is flattish, maybe just a basis points above but we are quite confident in saying that we should start improving margins from here.
- Vansh Solanki:** And how much percentage of our deposit is repriced as of now because Q2 where a very good number of reduction in the cost of funds. So can I assume the same for a Q3 onwards or...

- Jaideep Iyer:** No, I think -- no, I don't think so. I think the improvement will moderate. But we still have levers on our savings accounts, which we will try and look at improving on that front over time. But I don't think we will have the delta that you saw between Q2 and Q1 on cost of funds going forward. It will moderate.
- Vansh Solanki:** Okay. And on the write-off side, the previous question also someone asked about JLG book. So from Q1, the write-off on JLG is doubled in Q2. So is there any problem on ground or what it is or is just business as usual?
- Jaideep Iyer:** No, once this is -- we have a 365-day write-off policy. If you recall, the stress in the MFI book started from Q2 of last year. So actually Q3. So this is -- the write-off that you're seeing in Q2 is what slipped in Q3 of last year. So it's just a mathematical outcome of the slippages that we saw over the last 3, 4 quarters.
- Vansh Solanki:** Okay. Okay, sir. And the last one is on the other income. I just saw that fees income are increased in last 1 year from last Q2 also and Q1 also. But still, our total other income is almost will not - - has increased so much there is a 13% decline Y-o-Y. So is there any other part of other income, which is not increasing that line?
- Jaideep Iyer:** No. So the two aspects to this, the treasury income, which is based on a sale of G-Secs and equity investments, etcetera, is, of course, episodic anecdotal can't be smooth. So that is one noise. And second, we answered in the beginning of the call that we have a mark-to-market impact of unlisted share that we are holding in Utkarsh holding company, which was approximately INR40 crores. That goes as reduction in other income.
- Vansh Solanki:** Okay. Okay. And is there any other -- how can you just give me a number how much treasury income in the current quarter and Q1. If we had a number available?
- Jaideep Iyer:** So Q1 was a large number. One because of the interest rates having come down, the trading income on G-Secs was INR270-odd crores in Q1. This quarter, there was nothing substantial.
- Moderator:** The next question is from the line of Piran Engineer from CLSA.
- Piran Engineer:** Congrats on the great deal. Just firstly, a couple of clarifications. On the previous question, my line was a bit hazy. On the NIM trajectory, are we still guiding to that 4.8% exit NIM for the year?
- Jaideep Iyer:** Yes, we said that we bottomed out in Q1, and therefore, Q2 was flattish. We will expect from here on 10 to 15 basis points improvement every quarter. So we are -- yes, we will continue to hold a 475 to 480 exit in March.
- Piran Engineer:** Perfect. Perfect. And also just broadly on credit cards. Now the industry, including us, has been taking a lot of portfolio actions for the last 6, 7 quarters. But we still sort of continue to see slippages. And by we, I mean the entire credit card industry, what do you think really are we missing here? Like why aren't the portfolio actions yielding results when it's such a short-term loan?

- Jaideep Iyer:** Yes, I'll have Bikram answer that, Head of Credit Card, Bikram.
- Bikram Yadav:** So, the point that you're making is absolutely right that at an industry level, we see some residual stress in the customers, which were already delinquent. As we have said in our previous guidance that any time when there is a rapid issue. And so if you were to see from 2022 until 2025, there has been a rapid issuance and then some part of that cohort is still a bit painful.
- Now thing with portfolio action is that whatever portfolio actions that we have taken is already giving us a sense of relief on fresh incidence of defaults and resolution of fresh delinquencies. The residual stress is only in delinquent or minimum paying customers in delinquent base. So thing is that the fresh incidents of defaults have already started coming in line. We would need -- at an industry level, we would need about 2, 3 quarters to deal with the existing delinquent book.
- Piran Engineer:** Okay. So, if you could just give us a sense of, say, there are 100 customers who are delinquent typically, how many flow into NPA and how many flow back into standard.
- Bikram Yadav:** So, see, this would vary from which bucket do they stay in. Typically, what we see is that the customers who reach 4 or 5 DPD, which is -- so about 90% of them get resolved. And the trickle down is about if we were to say that from a first-time delinquent base to NPA, about 0.8% of the customers eventually land up in NPA pool.
- Piran Engineer:** Okay. Fair enough. And once you land up in NPA pool, let's say, after a few months, you recover that money, do you reinstall the original credit limit? Or is it a reduced credit limit? Or is it 0?
- Bikram Yadav:** Customers typically underwritten fresh. And if it is looking like a very -- I mean, rarely would be that will restore is limit to original mostly either it is a reduced limit or no restart of the relationship.
- Piran Engineer:** Understood. Understood. And just lastly, on the open offer Jaideep, you are explaining that if it crosses 75%, it will be toned down the total shareholding. So just hypothetically, let's say, to 20% is subscribed in the open offer, then your pref issue is only 53% is it? Additional 2% goes to -- for the merger.
- Jaideep Iyer:** No, no, no. So merger, first of all, is a subsequent action. So let's park that aside. The open offer gets scaled down proportionately, both preferential and open offer amount will scale down proportionately such that minimum public shareholding goes back to 25%. And then I also mentioned that because there are foreign investment and limits of 74%, any reduction to comply with that will be solely on the account of preferential.
- Piran Engineer:** Understood. Okay. Okay. So, it will be a pro rata reduction of open offer plus pref to get that theoretically, 86% down to 75%. It's pro rata.
- Jaideep Iyer:** That's correct.
- Moderator:** The next question is from the line of Krishnan ASV from HDFC Securities.

Krishnan ASV:

Congrats on the landmark transaction. I'm just trying to understand a couple of things here. One, as a franchise, RBL has generally been handicapped, we have not delivered even the 14% ROE in our lifetime, right? And yet we have been able to land this transaction is definitely all goes well for the rest of the banking system, I hope.

But purely in terms of which handicaps will get addressed, because despite everything NBD in its Indian avatar has not been able to do a lot. It's hardly had a single branch. So, I just want to understand what capabilities is NBD likely to bring because it's largely RBL's existing infrastructure, which has to be stated better, which has to improve its capabilities.

So where are you likely to invest? So that's my first question. Number two, are there any covenants or restrictions on the existing management team that you can't -- because of this golden handshake, you can't do anything?

R. Subramaniakumar:

Let me just take one. First one, ENBD has an international presence, which RBL lacks. So that is the one biggest positive plus, which will be in a position to be brought on table. Number two, ENBD is operating in a geography where there is a large Indian presence is there. So the Indian presence, the routes will always come back to India.

So that is also going to provide a big opportunity for the RBL to reap upon. The third, there is a continuous remittance flow which comes from the GCC sector, with the highest compared to the entire inward that's the highest. So right now, if you ask me that RBL's share of getting that particular payment business, restricted or limited because of our limited geography and other things.

Now with this particular synergy, which is going to bring up, there is going to be an acceptance of RBL as a bank for opening NR accounts as well as for sending the remittance back. This is going to be another synergy.

The third is that they are working in a geography where the large group of our Indian corporates are dealing with, which we have been not able to deal with earlier, and that is opening up a new opportunity for Indian corporates operating in geography, the corporates of UAE and GCC operating in India.

So it is going to be a 2-way channel which is going to provide us a bigger opportunity. And naturally, the bank distribution will expand because of -- you asked about the gap. The gap was that our capital ability to raise a big capital, we can do always in tranches 1000, 2000, 3000 for doing the growth of that particular period.

But this is an upfront we can have a large distribution, which can be created, which will catapult or multiply our ability to grow in all the areas that we done it. The second part of the question was with regard to what management and I think...

Krishnan ASV:

Covenants, in the sense, generally, there have been precedents in the past, not just in India and elsewhere as well. But when financial institutions under both landmark transactions, you want to at least address the behavioral issues. So are there any covenants or restrictions that you can't

overdo certain things during the interim that you've got to run it as business as usual. How do you address that?

Jaideep Iyer: No, no. It is pretty much business as usual. There will be some information requirements, etcetera, that might be required, but there is nothing which is of any significance, which will have any constraint on us to live life business as usual in the interim. And of course, once Capital comes in, the opportunities that we just described.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Sir, congratulations on this deal. Not only it is good for RBL, but even for the country, \$3 billion gets added to the kitty. So just one question, other questions answered. Sir, what is the return on equity that Emirates is looking at from their investment? And any time frame by which we would be reaching those levels?

R. Subramaniakumar: Right now, it is a growth capital which has been talked about and nothing beyond as of now.

Shailesh Kanani: So no number as such. If you can share.

Jaideep Iyer: Shailesh, obviously, the ability to draw business plans over time is still very premature. As I said multiple times before, this is just an announcement, we will have many steps before we consummate the transaction.

And there will be enough time and opportunity for us to fine-tune our thinking and also communicate that to stakeholders over time. Just one data point. However, having said that, ENBD is running at about 19% to 20% ROE. So hopefully, we'll get there.

Shailesh Kanani: That would be great. Just a small question on the quarter. What would be a write-off pool from MFI and CC. And this quarter, the recovery seems to be less from the MFI side. It is only INR9 crores. So, if you can throw some light on that?

Management: It was in interest also.

Jaideep Iyer: Yes. So that was nothing unusually different from the last quarter. It is similar. And the write-off is also technical write-off is really aging situation. So, MFI gets technically written off over 365 days and cards over 120 days. So, there is nothing unusual or different. The numbers reflect in MFI's case, what would have happened 4 quarters back and in cards case is these 120 days.

Shailesh Kanani: Jaideep, what would be that pool means if you can quantify that pool?

Jaideep Iyer: In MFI?

Shailesh Kanani: Yes, both.

Jaideep Iyer: MFI should be a couple of thousand crores. Written off in this quarter, you're saying only this quarter?

- Shailesh Kanani:** No, no in general, written off pool. So just getting some gauge into the recovery, if that can be accelerated because we have done good written off in the last 12 months.
- Jaideep Iyer:** About INR1,500 crores a pool in MFI, which has been technically written off.
- Shailesh Kanani:** And how would -- if you can throw some light on the recovery from this pool?
- R. Subramaniakumar:** See normally, the recovery is in the range of around 0.6% to 0.8% per month. So, this is something which we are working for increasing it to the tune of somewhere to 0.9% to 1%.
- Jaideep Iyer:** And this is also a function of the rural economy. So as the stress wheels out and as things turn around, we can -- we will also hope to see the improvements in recovery over time, but it's not going to be a game changer. It's going to be this 75 basis points to 1% per annum range.
- Moderator:** Thank you. Ladies and gentlemen, we'll take the last question for today from the line of Jai Mundhra from ICICI Securities.
- Jai Mundhra:** Congratulations on the transaction. Sir, only one question. If you can share your preliminary thoughts on the ECL transition we have had I mean we have a portfolio, which is inherently more risky, has more PD and almost very high LGD. This is the draft guidelines, if you would have -- and how would it impact the running credit cost and maybe the onetime transition?
- Jaideep Iyer:** So Jai, broadly, the onetime transition should be in the range of about 6% to 8% of network, current net worth, not a material number. So that's one. And I think the impact on an ongoing basis would be that because in terms of credit cards, for example, we have pretty much full provisioning in 120 days.
- I don't see that as a material impact on an ongoing basis. I think we will have some increase in wholesale book because trade finance group gets added from a standard asset provisioning perspective. So my rough estimate should be that the 40 basis points that we have today, maybe goes up to about 60 to 65 basis points.
- Jai Mundhra:** Sure. And sir, the way -- see, the way I look at it is the SMA 1 plus 2, right, while you have a large proportion of them slipping in the current setup in credit card and MFI books. So anyway, you are providing. But under ECL, you will have to provide on the fresh formation also, right, which is also 3%, 4%, if not higher. So, does that mean that you have slightly more structural credit cost in the current loan mix format?
- Jaideep Iyer:** No, Jai, the point still is that if that slips into NPA anyway gets taken care of in today's math at an accelerated manner. So therefore, the -- so if theoretically, we were providing, let's say, cards basis, the RBI guidelines are unsecured, which is 15%, 25% and 100% over 3 years, then yes, that would have been a material impact. So then when SMA 1, SMA 2 flows into NPA, anyway gets fully provided. So, including that, I don't think that estimate. But Ramesh, do you want to add?
- Ramesh Ramanathan:** So, I think, Jai, the question is we have Stage 1 provisioning, which will come through for cards and MFI which actually you could think about when you look at peers in the NBFC space who

are listed, it will be something similar. Most logically, you will see some release in provisioning on the secured side, given the loss given default is much lower.

And like Jaideep said, on the non-fund book in the wholesale segment, you will see some increase because of the nature of the -- it's not on the balance sheet today for us. But that book is pretty much on a -- the entities we do business with are very well rated, in most cases, better than the overall corporate portfolio.

So that impact will be minimal. But the big delta will be on Stage 1, Stage 2, primarily in the unsecured businesses. and that, I think, would be similar to what you see for other peers in the industry.

Moderator:

As that was the last question for today, we would now conclude the Q&A session. If you have any further questions, please contact RBL Bank Limited via e-mail at ir@rblbank.com, I repeat ir@rblbank.com. On behalf of RBL Bank Limited, we thank you for joining us, and you may now disconnect your lines. Thank you.