"RBL Bank Limited

Q1 FY '26 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen, good day and welcome to RBL Bank Limited's Q1 FY26 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 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. Thank you and over to you, Mr. Kumar.

**R. Subramaniakumar:** Thank you, ma'am. Good evening, ladies and gentlemen, and thank you for joining us for a discussion on our bank's financial results for the first quarter of the financial year 2026. We have uploaded the results along with the presentation on our website, and I hope you have had a chance to go through it in detail ahead of this call.

As always, I'm joined by Mr. Rajeev Ahuja and other members of our management team to address any questions you may have. Let me start by reflecting on the journey over the last two years. We have steadily strengthened our balance sheet, both in size and quality.

Our deposit franchise is growing well, with the deposits this quarter up 11% year-on-year and 2% sequentially. And on a per-branch basis, we compare favorably with the peers of similar size and geographic spread. Our 562-branch network, together with the extensive touchpoints of our subsidiary RFL, remains central to this growth, serving as hubs for deepening the customer relationship and expanding reach.

We continue to invest in enhancing branch productivity and customer engagement. On the lending side, our overall advances grew 9% year-on-year and 2% sequentially this quarter. The trend of growth is encouraging.

The secured retail advances rose 23% year-on-year this quarter. And the commercial banking grew 32% year-on-year, reflecting the disciplined execution of our strategy. At the same time, growth in the unsecured retail has moderated deliberately with the credit cards and JLG remains flat or lower, improving the overall risk profile of the balance sheet.

In fact, one of the key achievements of this and the previous few quarters is that growth has come alongside an improvement in the quality and the texture of the balance sheet on deposits. The granular retail deposits grew ahead of the overall deposits at 16% year-on-year and 5% sequentially, underscoring the strength of our franchise and the customer confidence.

In addition, CASA deposits rose 11% year-on-year but were moderately lower sequentially and the share of the granular deposits now stands at 51.4% up by 1.6% sequentially, a positive structural shift. As I have mentioned earlier, we are delivering on our commitment to achieve the granular growth on both sides of the balance sheet and this will only strengthen further over a time.

Operating costs rose 12% year-on-year, driven primarily by higher collection costs in cards as we fast-tracked the in-house migration of collection services, which we had spoken about earlier.

In our assessment, this new in-house setup offers greater flexibility with the potential to enhance productivity and reduce collection costs going forward.

However, we expect this to moderate as we rationalise the cost and drive efficiencies through initiatives already underway. We believe the impact of these efforts will start reflecting in our numbers from Q3 onwards.

In wholesale banking, our reimagined approach continues to play out well. The commercial banking remains a key engine, complemented by the selective participation in the corporate lending opportunities where the risk-reward equation is appropriate. Our treasury and GIFT City operations continue to perform well. In particular, in GIFT, we have recently introduced new products for our retail clients, which should support further scale-up.

Across the franchise, we are positioning ourselves for sustainable, profitable growth with a stronger, better diversified balance sheet -- the one that has the larger share of secured retail, healthier granular deposit accretion, and improving asset quality trends. Our capital position remains robust, with the total capital including profits being 15.59% and CET1 ratio of 14.05%.

One area close to our hearts is our commitment to customer first and deepening customer centricity. We continue to improve our product propositions and service delivery, with recent digital initiatives including the launch of our unified mobile app for all the customers and Suvidha app for our JLG customers, enhancing the digital journeys.

Improved operational efficiency and technology stability are helping us to address the customer grievances better as we embark on a tech refresh to strengthen our core and simplify the front-end experience. As I have often said, we have a strong distribution footprint with branches and BC touchpoints, call centers and digital channels, and we remain focused on leveraging this.

For instance, through our BC channel, that is the wholly owned subsidiary RFL, we have enabled distribution of products like affordable housing loans, small micro-LAP, and are in the process of enabling individual loans to credit-tested JLG borrowers. We expect this to scale meaningfully over the next two to three quarters.

In summary, our priorities remain clear.

- A sharper and more balanced portfolio across retail and wholesale.
- Branch-led customer acquisition and deposit mobilization.
- Disciplined execution and governance around risk and cost efficiency.
- The sustained efforts to deepen the customer relationship and cross-sell intensity.

As I have said before, we are staying disciplined and focused on the four C's that will drive sustained lift. The cost of deposit, cost of operations, cross-sell, and cost of credit. With that, I will now invite Jaideep to take you through the financials in greater detail.

**Jaideep Iyer:** Thank you, sir, and good afternoon, everyone. Let me briefly touch on some of the specific aspects of our financial performance. We grew our net advances by 9% year-on-year and 2%

sequentially to INR94,431 crores. And retail advances grew by 5% year-on-year to INR56,625 crores.

The retail-wholesale mix as a result is now at 60-40. Business loan and housing loans grew 34% year-on-year and 3% sequentially. Total retail grew 5% year-on-year despite the degrowth of 10% year-on-year in our unsecured retail segments.

The wholesale advances grew 15% year-on-year and 2% sequentially. Within this, commercial banking, which continues to be an area of focus, grew 32% year-on-year and 6% sequentially. Our total deposits grew 11% year-on-year and 2% sequentially to INR1,12,734 crores. And CASA ratio stands at 32.5%. Within total deposits, our granular deposits, which is deposits below INR3 crores, grew faster at 16% year-on-year and 5% sequentially to INR57,934 crores. And now constitute about 51.4% of total deposits.

This is an improvement of about 2% as compared to 49.3% same time last year. Credit deposit ratio was at 83.8% and liquidity coverage ratio was at 152% for Q1. Our NII was down 13% year-on-year and 5% sequentially to INR1,481 crores.

Mr. Kumar touched upon this earlier and I'll give some more details on this in a minute. Our cost of deposits was flat sequentially at 6.53% while cost of funds was marginally lower by 4 bps at 6.55% sequentially. Our NIM was lower at 4.5% this quarter. Our total other income was INR1,069 crores this quarter, 33% higher year-on-year.

Core fee income grew 3% year-on-year to INR793 crores. Other income was helped by gains on the sale of G-Sec. Our total net income was up 2% year-on-year at INR2,550 crores. On opex, opex grew at 12% year-on-year and 9% sequentially to INR1,847 crores.

As a result, the cost-to-income was 72.4% for the quarter. Our pre-operating profit was INR703 crores and our PAT for this quarter is INR200 crores. Let me elaborate a little bit on margins. We ended Q1 with NIMs of 4.5% which was lower than our Q4 margin of 4.89% and the reasons for this decline are primarily, first is, of course, the repricing on the advances side and the change in mix of advances that we have seen continuously over the last four quarters, as a combination of which our yield on advances was lower by 50 basis points sequentially.

And as I said, the impact was on two accounts. One is that we started with a lower interest earning book on Cards and JLG and therefore they contributed materially lower in terms of daily average balances of loan book for Q1 over Q4. And secondly, the repo cuts on external benchmark led to a loan repricing which is largely done in Q1.

A tail of that is remaining which will happen in Q2. Both these resulted in approximately 48 to 49 basis points reduction in gross yield of advances. Similarly, on the deposit side, our cost of deposits was flat but again there are a few nuances here.

We have taken rate actions on savings account and term deposits but the full impact of this is going to come in Q2. Our SA cost, for example, is actually already down 60 basis points sequentially and our exit savings account cost is almost 100 basis points down sequentially. On the TD front, we have cut rates by about 40 to 70 basis points across tenors on our fixed deposit rates.

However, our mix in deposits is moving towards more retail as I had alluded to before which is resulting in a more gradual decline in cost rather than a faster decline despite the cuts that we have taken. Obviously, this gives the benefit of longer duration on deposits which is conscious as we are focusing on the retail growth in deposits. We also had a little bit of reduction in CA average balances for Q1 over Q4.

Q4 had the benefit of significant amount of dividend mandates which results in escrow accounts and CA balances from corporates. That was materially lower in Q1 and that effectively largely compensated for the reduction in savings account deposits that we saw in Q1. Going forward, we will expect deposit cost to actually fall by about 20 to 25 basis points in Q2.

Let me now tell you why at least we believe margins therefore in all likelihood have stabilized at these levels and will improve from here on. We believe that Q1 marked the low point for margins as bulk of the repricing on advances side is now behind us and we are also at the bottom of the contribution from our unsecured businesses. We expect the cost of deposits to trend a little lower reflecting the rate cuts we have already taken and those we intend to execute in the coming months.

That said, we anticipate an improvement in margins will become visible by Q3. Let me dwell a little bit on our operating costs. We saw an increase of over 12% year-on-year driven primarily by higher expenses in collection and card related activities this quarter.

As we progress through the year, we expect this to moderate and rationalize in terms of absolute growth. Broadly, we are also having multiple strategies to drive cost of collections across the bank down through a range of initiatives which we expect should help in improving our cost control measures and therefore moderate the cost growth. We expect these efforts to really start reflecting from Q3 onwards.

Broadly, we therefore expect cost growth for the year to be materially below advances or around the advances growth. A little bit on asset quality. Our slippages in our JLG book was approximately INR318 crores and in cards was about INR520 crores.

Net slippages came in at INR286 crores for JLG and INR494 crores for cards respectively. Credit costs was approximately INR441 crores for Q1. This was largely cards related because on the JLG book, we had of course taken provisioning on the SMA book and almost entire NPA formation in Q1 was out of the SMA book and therefore that provisioning was consumed as provisioning for the NPA on the JLG book.

However, we have taken a 1% provisioning on our JLG book as contingent provisioning. You may recall that we had utilized this in Q4 along with the 1% provisioning on cards. We have now reinstated the 1% on JLG book.

We do not intend to reinstate this on cards, but we will maintain 1% to begin with on the JLG book. And that was about 54 crores for the quarter. We have also taken coverage under the CGFMU book and now just short of 50% coverage is there for our JLG book through CGFMU.

Our net restructure advances stood at 21 basis points. It has now become quite negligible. Lastly on capital, happy to note that capital remains flat. Our consumption on capital is materially negligible. Partly this was helped by the fact that the NBFC provisioning was rolled back, regulatory provisions came down in terms of capital consumption. And the mix of our book is towards more secured, lower risk-weighted assets resulting in a significantly lower growth in risk-weighted assets as compared to loan book.

And this is despite the step-up in operational risk costs, operational risk weight that goes up in Q1. Despite that, we've been able to maintain flattish capital with CET1 at above 14%. With this, we will open the session for Q&A.

**Moderator:** Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

**Jai Mundhra:** Yes, hi. Good afternoon, sir, and thanks for additional disclosures. Sir, my first question is on your yield impact. So, you mentioned that you have taken the majority of the impact in this quarter.

And assuming there is not material change in the loan mix, there would still be a remaining impact of 50 basis point rate cut that happened in June, right? So, the yield may still be looking downwards. What would be your sense, assuming the loan mix does not change materially, how should one look at the overall yield?

**Jaideep Iyer:** We will expect 15 to 20 basis points drop in yields in Q2.

**Jai Mundhra:** Okay. And that you are saying that will be offset by the cost of deposit, which is likely to come down by 20, 25 basis points. And hence, the margin is more or less stabilizing?

**Jaideep Iyer:** That's correct. Yes.

**Jai Mundhra:** Sure. And just on this cost of SA, I mean, you mentioned that, the share of retail TD and maybe the CA composition is lower and that is what explains the stable reported cost of deposit, right? That is the way to look at it.

**Jaideep Iyer:** That's correct. That's correct. Yes. Okay.

**Jai Mundhra:** And thirdly on -- yes, sorry.

**Jaideep Iyer:** No, I mean, broadly, I wanted to say that while we have taken the brunt of margins, I think on both sides of the balance sheet, it is de-risked to that extent in the sense that we have lower contribution from unsecured book as compared to the previous quarters and we have a higher contribution from retail deposits in this quarter as compared to previous quarters and those trends have been continuing. So the lower margin is also a reflection of lower risk on both sides of the balance sheet.

**Jai Mundhra:** Right. Sure. And on the MFI slippages, right? It looks like they are clearly mirroring the outstanding SMA position with one quarter lag, right? So maybe in the near term, the slippages should come down further, but now that your SMA is now back to Y-o-Y levels, how could one look at the normalized slippages in MFI and have we achieved that normalization? Would we be achieving that normalization by Q2?

**Jaideep Iyer:** So we have given the SMA position for microfinance for Q1 and typically you can use the same ratio of slippages to SMAs outstanding. I would expect it to be in the 75% to 80% range slippages and therefore the reduction in slippages will reflect the lower SMA outstanding that we have disclosed. I think honestly what is normal will be a little bit of a debate in MFI, but I can clearly say that the trend will continue to come down as we see right now Q3 over Q2 and Q4 over Q3 on microfinance.

**Jai Mundhra:** Sure. Thank you. And last question, sir. I mean, if you can sort of provide -- I mean, till last quarter, we were saying that 1% exit ROA is definitely...

**Jaideep Iyer:** Sorry. Yes, go ahead.

**Jai Mundhra:** Yes. So I was saying, sir, if 1% ROA exit ROA -- sorry, 1% ROA, when do you think that, you know, given the trajectory, given the normalization on both sides of balance sheet, when do you see we would be more or less reaching 1% exit ROA?

**Jaideep Iyer:** Yes, so we had indicated that we should exit the year and we stick to that for now at least.

**Moderator:** The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

**Nitin Aggarwal:** Congratulations on good results. My first question is on the provisioning coverage. We have taken very high levels of provisioning last quarter and raised coverage sharply, and this quarter we have drawn down a little. While overall, PCR still remains very healthy, but in context to us now also taking contingent provisions again on the JLG book.

So what is the intent in terms of where do we maintain our PCR in the medium term, and how do you see the credit cost? Is this quarter like a sustainable number because of the utilization that we have done, or can we see some rise in the coming quarters on the credit cost front?

**Jaideep Iyer:** So, Nitin, in terms of the thinking on 1% is that, you know, we kind of had the 1% which helped us when the situation was bad, and I think it is important to kind of maintain at least 1% on the MFI, and hopefully we can go up a little bit over time. In addition, we have also started CGFMU over the last nine months, and as a result of which roughly 50% of the portfolio at least is covered on CGFMU. So we will maintain this 1% on contingent provisioning on MFI.

In terms of credit costs, the 50 basis points includes the INR54 crores provisioning that we have taken, which of course going forward will be only on the incremental book by definition, and I think we have guided a sub 2% credit cost and we are kind of roughly still there. I don't think we will expect to materially change that guidance in the near term.

**Nitin Aggarwal:** Yes, so that is the reason I asked. On one hand, yes, we have provided additional on JLG book, but we have also utilized the estimate provision that we had which has saved for the quarter that much extra expenses.

**Jaideep Iyer:** Yes, but I think there are two things. The one main assumption on the credit cost is also that we go back to a 25% provisioning on microfinance. This quarter, obviously we are back to 25%, but we will not claw back what we had already taken, which was a 75% provisioning on SMA, which has been carried forward into the NPA.

But going forward on fresh slippages, we will mathematically look at providing 25%, unless we see something dramatically wrong happening in the portfolio, which is unlikely. And therefore, we expect credit cost to be not materially different than the 50 basis point that we've seen in this quarter.

**Nitin Aggarwal:** Right, got it. And secondly, related to asset quality, is there secured retail slippages? We have reported quite a rise there. So how should one look at that?

**Jaideep Iyer:** So there were a couple of relatively high value accounts, high value by the standard of the portfolio, which is business banking, working capital, retail that we have. There were a couple of loans in the range of INR25 crores to INR30 crores each which slipped. Usually we've had negligible to nil slippages in this portfolio over the last several quarters. So we don't expect this to repeat in Q2 or later.

And we expect that there should be materially good recovery on this portfolio as well, because it's well secured over the next six to nine months maximum. So therefore, I think we would still want to broadly indicate that a substantially large part of total credit costs almost entirely should come from only cards and microfinance and maybe a little bit of wheels, which is there. But on a blended average basis, the rest of the portfolio, including wholesale, should be not material.

**Nitin Aggarwal:** Right, got it. And the last question is on the opex, wherein we talked about the reasons behind the rise in opex and the investments in the card business. But how is this affecting the profitability of our card business, if you can give some color on that? And secondly, the overall cost ratios for the bank, because this quarter the cost income has gone up a little sharply. So how do we look at that for these two things?

**Jaideep Iyer:** So the card business profitability is clearly running below trends, both on the account of credit costs, which continue to be higher than what is normalized. And I think we should get there in a couple of quarters. And as we had alluded, we had an increase in operating costs on collections, which we think should start moderating from Q2 and become closer to normal by the time we exit this financial year.

There is a lot of effort that is happening on this front and we can meet offline and we can take you through that. Overall, at a bank level, we will continue to expect opex growth to be on a year-on-year basis, not more than advances growth, so broadly in that 9% to 12% range with a downward bias as we go forward. Because this quarter, we had an above-trend growth.

And cost-to-income, of course, is a function of income as well. And as we expect margins to start flying back up from Q3 onwards, we will expect cost-to-income to start trending down again.

**Moderator:** The next question is from the line of Harsh Modi from JPMorgan. Please go ahead.

**Harsh Modi:** A couple of questions. I'll go one by one. First is on your fee franchise. This quarter, there was some benefit from trading, but the core underlying fees, could you talk a bit about what are the trends, where should we expect that number to head, let's say, in the next three, four quarters? And second, back to the cost ratios, is it fair to then assume that costs will probably move up or stay high even in second quarter and only start moderating in second half of the year?

**Jaideep Iyer:** So, fee income trends, core fee income should grow in the teens. Q1 was a little muted, partly again driven by cards business being a little bit lower in Q1 on fee income. And we expect that to bounce back. And therefore, fee income should trend into teens in terms of growth as we go forward. And I'm talking about core fee income.

And on the cost front, as I said, from a year-on-year perspective, we should moderate growth going forward. And I don't think we will go down materially in absolute terms, but I don't think in absolute terms, we will go up from here as well as we go forward over the next two to three quarters.

**Harsh Modi:** Sorry, if I may slip in one more. On LDR, we are around 83, 84. What number you think is a normalized number? Can we hit closer to 85, 90 levels? Or is this close to where we are, where we should stabilize, let's say, over the next three, four quarters?

**Jaideep Iyer:** Broadly, I think we've given a range of 83% to 87%. And it's hard to kind of, given our size and scale, I think 2%, 3% up and down is not unusual. So we will look at 83 to 87 as a working range to work with.

**Harsh Modi:** Right, so we are close to the lower end, and hence, that is one more lever for margins, maybe.

**Jaideep Iyer:** Yes, yes. So the LCR was also high this quarter compared to normal, and we should moderate down to 130, 135 levels going forward.

**Moderator:** We'll take the next question from the line of Mona Khetan from Dolat Capital.

**Mona Khetan:** So my question is on the margin front, you mentioned a couple of things that impacted the yields. So, if I heard it right, did you mention that the MFI and credit card yields have sort of come down on a steady state basis?

**Jaideep Iyer:** No, Mona, what I mentioned was the contribution from that portfolio has come down. The yields have not materially changed.

**Mona Khetan:** Okay. Because the mix has come down.

**Jaideep Iyer:** That's right, that's right.

**Mona Khetan:** All right, that's all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** Hi, thanks for taking the question. So, sorry, just to again touch upon with respect to margins, so you indicated that maybe there could be a marginal improvement of 5, 7 bps and stabilization in 2Q. And then maybe 3Q onwards, so I would tend to believe at least in terms of reduction in yields, that has broadly been -- that will probably be factored into, say, by 2Q. There will be no further pressures. While maybe the cost of deposits advantage will continue to flow through in Q3 as well as Q4.

So, looking at maybe overall this kind of profile of assets, where do we actually see in terms of margin stabilizing given that we have largely done the rate cuts on the deposit side as well? And maybe in terms of the portfolio composition also, there could be some flip towards secure, but not a significant one. So, what should be the steady state levels of margin? Or maybe Q4 exit, where do we see it?

**Jaideep Iyer:** So, Kunal, the assumptions and statements that you made is ceteris paribus expecting no more repo rate cuts. Naturally, a repo rate cut would again mean some leads and lags in terms of deposit pricing versus loan pricing. Subject to that, your assumptions are fairly okay. In terms of clawing back on margins, I think we should go back to the maybe 4.8 range plus minus by the time we exit Q4.

**Kunal Shah:** Okay, so it should get towards 4.8 by Q4.

**Jaideep Iyer:** Yes.

**Kunal Shah:** So, broadly, when we look at it in terms of the ROAs, so today we are at, say, 0.56%, I think by Q4, maybe we are looking at almost like 30 basis points of margins to come through. Credit cost also, you indicated maybe 1.9 odd percent, this might continue, or maybe if card credit cost stabilizes, then we should see some improvement out there. And opex also, we are looking at efficiencies to flow in from here on.

So, maybe if the average margins, average ROA for this year could be maybe closer to, like, say, 0.81 odd percent, maybe exits could be relatively higher, just looking at broadly like these three parameters. And fee income also, you seem to be slightly confident, so there doesn't seem to be any levers which can drag the ROA now.

**Jaideep Iyer:** No, Kunal, I think, I think we would stick to what we have said before, that we will have improvements over time, over the quarters on margins, and to some extent fee income, and opex. Some of this is more H2 related, and our estimate currently is that we would stick to looking at 1% ROA type exit annualized in Q4.

**Kunal Shah:** Okay. And when we look at growth, maybe what would be the growth guidance given that now LDR is also comfortable? So, where should we see the average growth? You mentioned in terms of opex, at that time you indicated like 9% to 12 odd percent. So, would be that fair assumption even on the advances side?

**Jaideep Iyer:** So, Kunal, I think on advances, I mean, you know, while it's easy to say that we look at a headline growth of 14%-15%, I think what is important is that we are trying to look at risk rewards in each of our portfolios. So, for example, in mortgages, we will look at doing more small ticket housing, small ticket loans. We are using our RFL distribution to kind of now add to the origination engine, because growth, I mean, I think there is always a choice between growth and profitability and that fine balance we will have to look at.

If we ignore that, one can grow faster. But I would say that given that we are trying to change mix in most of our businesses, as we said, even in wholesale commercial banking is growing faster. Obviously, you can't cut INR500 crore ticket sizes and call it commercial banking. So, if you put all of that together, I think we are comfortable with a mid-teens kind of growth.

**Kunal Shah:** Okay. Because the only context was when you look at disbursement's run rate across the segments and the additional disclosures which we have given, the run rate seems to be quite slow all across, be it prime LAP, used car, two-wheelers, business banking, maybe because of a couple of accounts which have shown some pain. But I think disbursement run rate was not very encouraging across many of the product segments during the quarter.

**Jaideep Iyer:** So, Kunal, Q1 over Q4 is a little difficult comparison always.

**Kunal Shah:** Yes, I agree. I agree. But still, maybe that lost momentum seems to be quite high on the low base. Yes. Because we have the base advantage. Yes.

**Jaideep Iyer:** No. So, I think, again, prime housing is something. See, we are also looking at ensuring that more and more portion of our business comes from internal customers. So, again, I think the quality of growth is quite critical. I think it's easy to step on growth if we look at growing through external sources, DSAs, for example.

But we are quite conscious of the fact that quality of growth is important, which means that more in-house customers, more multi-product ownership, and that because we are also trying to balance profitability here. So, in that context, given the hurdles that we put to businesses, I think we are quite happy with what we're seeing.

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

**Moderator:** Thank you. The next question is from the line of Rikin Shah from IIFL Capital. Please go ahead.

**Rikin Shah:** Thank you for the opportunity. I had a few questions, but just before that, thanks for providing this product-level granular data. Just wanted to confirm if this disclosure would be consistent in the quarters to come as well. And then I had a few questions.

**R. Subramaniakumar:** Yes. The first point ofcourse, we take it for granted that whenever we change the way we give the data transparently, we'll continue that. You would have seen it in the last 1 year. Now we found a format. Now the format has been changed to make your life much easier to understand that where we are going. And it will continue. There is no reason for you to doubt. And if you have any specific reason, you can share with me so that let me say what made you to think so.

**Rikin Shah:** No, no. Perfect. I was just hoping that this kind of granular data and disclosure gives a lot of confidence. So, just wanted to make sure that we get to see it every quarter and compare the trends. So, thanks for that. So, the questions are as follows. The first one, we did indicate that loan yields may go down slightly in 2Q. But I just wanted to understand where do these yields settle in the medium term?

Because if I look at the product level yields in the new businesses, the disbursal yields are higher than the portfolio yields in most of the segments. Of course, I appreciate the fact that the unsecured is slowing down. But where do you expect the asset yields to settle in the middle term? I think today we are at around 12.5%. Where do you see that probably, let's say, 1 year out? That's the first one.

The second question is on opex. We did allude that the opex was higher due to credit card collection because we have in-house some of these efforts. But given that we have just done this in the last couple of quarters, are we going to start rationalizing it so soon again? And when you say that there are a few initiatives planned, if you could elaborate, that would be very helpful. So, that's my second question.

And the third one is on the asset quality finally. So, I appreciate that there is some amount of conservatism by creating a buffer provision on JLG. But the fact that almost 75% of SMA is provided for and 45% is now guaranteed by CGFMU, do we expect to keep doing this every quarter when this is anyways going to be a little less focused business? So, those are my three questions. And the last one is a data-keeping one. I just wanted to get the latest repo, other EBLR, MCLR, and fixed rate split for the book. Thank you.

**Jaideep Iyer:** Okay, so I'll try and answer whatever I remember in terms of your questions. The first one on gross yields, I think, given the various initiatives on change in mix that is happening, I guess, it is -- I would rather say that at least for the rest of -- and there is, of course, repo cuts which can happen. So, it's a little hard to kind of predict here. But ceteris paribus, I think we should bottom out in Q2 on gross yields. And then there should be some climb back up gradually as we go forward.

On credit card collections, I will request Bikram to answer. But before that, on -- yes, on the 1%, I can be basically, I think, now it is only on the incremental book. So, if our JLG book grows by INR500 crores, it will mean INR5 crores impact, right? So, this was just a stock that we had created because we-- I think the idea is very simple. When we are back to a normalized provisioning situation, we should go back to what buffer we had earlier, right?

So, on cards, we are quite clear that we don't need a buffer because we don't -- we take aggressive provisioning. We take 100% provisioning in 120 days. Whereas in microfinance, we will go back to our 25% per quarter run rate. And therefore, it's important for us to build buffer here. And along with CGFMU, that's a good, healthy mix to have. And that's the reason why we did that 1%.

On the mix, repo is approximately 30%. MCLR is about 5%. Other external benchmarks is about 11% and foreign currency book is about 6%. So, if I take Rupee book about 47%, 48%, it is floating. In addition, we will have about 5%-7% of the book which is short-term fixed rate. So, you should consider that equivalent to floating. Bikram, I request you to elaborate on some of the collection initiatives that we are looking at to rationalize costs.

**Bikram Yadav:** So, your question was that we have just recently taken over the collection from the Bajaj Group company to our own folds, and what is the opportunity to rationalize it so quickly. So, the circumstances under which we had migrated this collection capacity was just to have little bit of over capacity to manage things because all of that was done in a bit of a short window.

After that, we have done analytical mapping of the entire base that has to be collected, geographical locations and the synergies which were there with our other book which already were with us. In addition to that, we will leverage AI-led collection initiatives to replace some bit of manual and cost-intensive methods. With this rationalization, we hope that in the new system without compromising on credit outcomes, we should be able to rationalize costs. And there would be some supervisory-level measures also that we'll do between the two portfolios.

**Rikin Shah:** Got it. And if I may just squeeze in one more question. Jaideep, you did allude to mid-teens kind of loan growth expectations going ahead. Would be great if you could also spell out how does that look in terms of unsecured retail, secured and wholesale?

**Jaideep Iyer:** So, Wholesale should grow in mid-teens. The unsecured portfolio should grow in high single digits to low-teens. And secured retail should grow in -- yes, early to mid-20s.

**Rikin Shah:** Got it. And this is for FY '26 itself?

**Jaideep Iyer:** That's correct. That's correct.

**Rikin Shah:** Okay, perfect. Thank you very much for all the answers.

**Moderator:** The next question is from the line of Piran Engineer from CLSA. Please go ahead.

**Piran Engineer:** Yes, hi, team. Congrats on the quarter. Most of my questions are answered, just a couple of follow-ups. Firstly, on credit cards, any commentary on early delinquency trends? Why are the slippages remaining high? And is it an issue intrinsic to us or is this more a credit card industry issue not improving?

**Jaideep Iyer:** So, Piran, for us on cards, I think there is a little bit of anomaly in terms of Q1 having a higher number of cycles because of number of days in terms of NPA formation. So, Q4 was, to that extent, slightly lower than trend. And if you look, if you remember, I think Q4 was a sharp trend below as compared to Q3 of last year.

So, if I kind of normalize this, we are sequentially slightly lower. I think the pace of improvement on delinquency in cards is there, slower than what we would like, but it is clearly there and we expect this trend to start becoming more material in terms of improvement in H2.

**Piran Engineer:** But are you seeing early delinquency starting to improve? Because if slippages have to improve in H2, early delinquency should have improved now.

**Jaideep Iyer:** Yes, that is happening because we have been taking credit actions on portfolio almost 15, 16, 18 months back. So, if you look at 6 MOB 30+, and 12 MOB 90+, those numbers are clearly showing a trend which is improving.

**Piran Engineer:** Okay. So, H2 is closer to normal I take it then in credit card slippages? Or just improving, but yet above normal?

**Jaideep Iyer:** Yes, I think we also want to kind of try and redefine what is normal for us. And for us, normal has been 6%-7% of credit cost or 6.5%-7.5% credit cost for a while. And that is -- if that is normal, that is where we should get by the time we finish H2. But I think we are also wanting to look at a normal which is a notch lower than this. That part will take some more time.

**Piran Engineer:** Got it, got it. And, just secondly on your SA rate cuts, any deposit or behavior change you have noticed? Because one of your peer banks mentioned that after their SA rate cuts, they saw money move out of the bank or money move within the bank to TDs. Have you all also experienced something like that?

**R. Subramaniakumar:** Yes, TD, we saw some movement from SA to TD but the material impact has not been seen in the moving out of the bank.

**Piran Engineer:** Got it. Okay, this is useful.

**Moderator:** The next question is from the line of Rakesh Kumar from Valentis Advisors. Please go ahead.

**Rakesh Kumar:** Yes, hi. Thanks. So, couple of questions, sir. And firstly, to congratulate you on the good numbers. So, on the core basis, we have improved our performance. So, thanks and congratulate on that.

So, firstly, sir, on the credit card, if I see like there is a sale of around INR938 crores of loans of around 1.5 lakhs credit card. So, is that the reason only why our return of pool has come down sequentially?

**Jaideep Iyer:** Yes, I mean, Yes, we have sold INR900-odd crores of cards. Yes. And yes, return of pool would have come down to that extent. Yes. But it was, this pool was obviously technically written off fully provided long back, a vintage pool.

**Rakesh Kumar:** Yes, correct. No, so but since it is written off and it is, you have sold to ARC. So, your return of book will fall further, right? Because of this transaction.

**Jaideep Iyer:** That's correct.

**Rakesh Kumar:** Correct. But I am just thinking that in the presentation you have given that, you are kind of recovering INR80 crores to INR100 crores on the card return of number, I think. So, why we are selling it then for, INR25 crores in all, INR938 crores of assets we are selling at INR25 crores. So, is there any vintage issue here?

**Jaideep Iyer:** So, Rakesh, what we do is we typically look at -- analytically look at low collectability pools and especially deep vintage where reasonable amount of efforts from the bank would have happened and that is the kind of pool we select and we look at then the net present value -- net of collection cost that we will incur if we have to collect ourselves and do an analytical exercise and see if we can mix and match a little bit of sale versus efforts that we will do because ultimately we also have a finite collection capacity which we think sometimes are better utilized for near-term vintage portfolios.

**Rakesh Kumar:** Got it. In the prime housing loan what is the reason that our yield is not falling? It is on EBLR, right? Essentially that disbursal number yield is not falling. So, any reason for that? Am I doing it wrongly?

**Jaideep Iyer:** That is the guideline is existing book reprices. New book is a choice of risk to our customer that we choose, right? So, we have -- if you look at most banks, we have also chosen to sacrifice a little bit of growth to ensure that we are getting a certain minimum yield which is not as low as what the repo cuts have happened. But that’s new..

**Rakesh Kumar:** Understood. Like so March and June, the repo difference is hundreds, right? So, are we going down the drain on the quality of customers to maintain the disbursal yield?

**Jaideep Iyer:** I think it's a factor of the fact if you look at a certain set of banks, this is probably how banks are behaving. We are also ensuring that we are looking at customers and these are also internal customers. So, we are looking at customers where we are able to get our yields. And that has a little bit of consequence on growth which we are happy to take.

**R. Subramaniakumar:** Correct.

**Rakesh Kumar:** And on this affordable housing, growth is pretty strong year-on-year, from INR1,850 crores to INR2,400 crores. But still the difference between the disbursal yield and the outstanding pool is being maintained. So -- and the gross NPA has not increased so much So, why this yield difference of 100 bps is maintaining?

**Jaideep Iyer:** Sorry, so the first question I'll also request our Retail Head, Kumar Ashish, to just give you some more flavor.

**Kumar Ashish:** Hi. So, if you look at our presentation and slide number 19 and compare the disbursements that we have done in prime housing in this quarter versus that of the previous quarter and even Q1 of last financial year, you will see that we've consciously made a choice to underwrite those prime housing loans which we are comfortable with the yields that we can afford. That's why the number is down and that's the point that Jaideep was making that we've compromised on the growth for getting the right yields. On your second question vis-à-vis affordable housing, can you repeat the question again?

**Rakesh Kumar:** I was saying that from Q1 25 to Q1 26, there is a strong growth in the affordable housing number, gross advances number. So, what is the reason that disbursal yield and the gross advances yield difference is still maintained at 1%, although the gross NPA the number is very negligible?

**Kumar Ashish:** The context here is that our entire drive on affordable housing and small lap because you will see the focus and in business banking is to leverage on our branches. Now while the retail secured asset story has been invested in the last two years, what is happening now is more and more branches of the 560 branches so have started participating in cross selling secured loans.

As our branches in the Tier 2 and Tier 3 locations are actually cross selling to these customers, that is where we are able to acquire relatively better yields. So while you are right that the disbursements in quarter 1 in affordable housing are twice that of quarter 1 of the last financial year, if you look at the disbursements that we achieved in quarter 3 and quarter 4 of the last financial year, they are in sync.

We, of course, will be important to mention here that going forward, these are the areas that we will continue to focus on growth and in the future quarters, you will see more disbursements in affordable housing, in small lap and in business banking, leveraging on our branches and that too in the Tier 3 and 4 markets.

**Rakesh Kumar:** Sure, I partly understood it, but we can take it offline, I think.

**Moderator:** Thank you. We'll take the next question from the line of Jignesh Shial from Ambit Capital. Please go ahead. Mr. Shial, I have unmuted your line. Please proceed with your question.

**Jignesh Shial:** Most of the questions have been answered. I just needed some data keeping part. So the fee bifurcation had been given on the retail fee side. Earlier you used to give the total fees, so is it fair to assume that the balance fee would be your wholesale fees and can we get the bifurcation there or how does it work?

**Management:** That is there in the presentation.

**Jaideep Iyer:** In Slide 24, you will have fees on wholesale as well.

**Jignesh Shial:** Okay, understood. So that's basically the wholesale part. Okay, understood. And can I get the LCR data as well, the LCR number?

**Jaideep Iyer:** 152% for the quarter average.

**Jignesh Shial:** Okay, that's 132.

**Jaideep Iyer:** 152.

**Jignesh Shial:** 152 you are saying, right?

**Jaideep Iyer:** Yes.

**Jignesh Shial:** Okay. And your retail disbursement classification has also been a bit changed. So, this is quite detailed one. As far as what you had given now your PLAP, SLAP and BBG will go in the secured business. Is it correct to understand?

**Management:** Yes. It was secure.

**Jignesh Shial:** And the AHL, PHL will go under your housing and whereas your RVF and Used will go under Wheels and retail and gold is other retail?

**Jaideep Iyer:** That's correct.

**Jignesh Shial:** Okay, perfect. That's quite helpful. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sunlife AMC Limited. Please go ahead.

**Himanshu Taluja:** Yes, thanks a lot for the opportunity. Just a few questions at my end. Sir, firstly, on the credit card portfolio, when I see a slight change in the revolver proportion, the improvement of one percentage point, is there anything to read on that front? And, how that is or is it a sustainable basis?

**Bikram Yadav:** So, see usually between quarter 4 to quarter 1, you would see this as a cyclic thing. One has to watch it over a period, but if you were to correlate it with our early portfolio outcomes, it does not look like that it is increase of risk or portfolio risk in the portfolio. It looks more like a cyclic movement.

**Himanshu Taluja:** Sorry, can you repeat again? Sorry, I just missed out?

**Bikram Yadav:** So, between quarter 4 to quarter 1, usually there is an increase in revolve rates because of the funding requirement with the customers. We have seen that increase, but what we have seen is also, we always correlate any increase in revolve with a risk in the portfolio, so that correlation is not holding up.

So, all our credit parameters are well within the range and they do not for now indicate that there is a risk-led increase in revolve rate. It looks like a cyclic increase only.

**Himanshu Taluja:** Okay, sure, sir. Sir, second question is on the fee-income line, given our credit card portfolio is also rationalized and a mix of the secured is going to rise, how do you expect the fee-income trends to behave over FY26 and on a steady-state basis?

**Bikram Yadav:** Jaideep if you would pick this up.

**Jaideep Iyer:** Sorry, can you repeat the question?

**Himanshu Taluja:** Yes. So, it's on the fee-income line, given our credit card portfolio is also rationalized MFI and given the secured assets mix is also, how do you expect the fee-income lines to trend over FY26 and on a steady-state basis?

**Jaideep Iyer:** So, on core fee-income, as I said, we should be growing the core fee-income slightly ahead of advances growth. So, if the advances growth are in let us say 13%, 14% range, we should be similar or slightly higher. That's how we would want to plan for.

**Himanshu Taluja:** The third question is from the JLG given our focus on the incremental disbursement are under the CGFMU insured, what is the dupont of that particular MFI loans post this change of the insured versus the earlier on a steady-state basis?

**Jaideep Iyer:** So, Himanshu, right now, obviously, we are taking the cost. I think the CGFMU ability to claw back once NPA happens, etcetera, is an 18 month, 24 month plus scenario. So, I think the way we are looking at it is that between contingency provisioning and CGFMU I think as we get more and more coverage and more and more let's say contingent buffers, I think that is how we will look at making the portfolio less volatile in terms of credit costs.

**Himanshu Taluja:** Can you just help explaining what is the typical cost associated by doing this insured? Can you help me understand what is that?

**Jaideep Iyer:** So, the cost of insurance is 1%, 1% of the disbursement and subsequent year it will be 1% of the outstanding of the older portfolio.

**Himanshu Taluja:** Okay. Sure, sir. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Param Subramanian from Investec. Please go ahead.

**Param Subramanian:** Yes, hi. Thanks for taking my question and congrats on the quarter. Firstly, on the fee income, could you once again explain what exactly has happened driving this weaker core fee? Because I see everything, I mean, across the break-up that you've given on retail fees, it's broadly flat or down Y-o-Y.

So, what is driving that and within that payment is up 20% Y-o-Y despite cards and card volumes, card spends being lower. So, what is driving the higher payment fees?

**Jaideep Iyer:** So, payment fees is a combination of card and general banking as well. It's not only cards, though a good proportion of that would be cards. On the overall core fee income, I think it's basically a combination of many other streams of income, including FX, Q1 behavior, across FX and other lines of business.

So, I don't think there is anything specific that we have a call-out on this in terms of trend. As I said, we expect this to kind of trend towards double-digit growth as we go forward.

**Param Subramanian:** Jaideep just wanted to understand within this what exactly is lagging that is going to catch up that makes you confident that we are going to get back to – because it's soft on a Y-o-Y basis?

**Jaideep Iyer:** I think part of it is actually non-payment card-related fee streams, including annual fee on cards and other fee income that you make on cards. We expect that portfolio to start getting better from Q2, Q3 onwards.

**Param Subramanian:** Got it. Thanks for that. Second question is on PPOP. So, if I look at your PPOP level ROA in this quarter, it's at 1.9 %. It's weaker than what we've had in the past, of course, there's a very sharp margin decline. But, going by what you're talking about, you know, operating expense growing in line with balance sheet broadly fees also, I would think broadly in line with balance sheet. So it's all dependent on margin, right? This ROA recovery that we're talking about. Is my understanding here correct that we expect?

**Jaideep Iyer:** That's correct. The current PPOP is really pulled down by an extremely sharp decline in margins. And as I said, this should start looking up from a little bit from next quarter, but more importantly from H2. And I think that will be the material difference for PPOP to claw back. Having said that, I think we've said in the past that we will have a best case situation of PPOP being flattish. So we continue to say that PPOP for the full year will be similar or slightly lower than last year.

**Param Subramanian:** Got it. So within this margin, Jaideep, so your guidance says that the secured book will grow faster than unsecured. So is it that we see a very sharp decline in funding costs through the course of the year that's going to drive this 30 basis point sort of expansion in margin? Because the book mix change that you're talking about is a bit adverse?

**Jaideep Iyer:** Yes, so I think the, yes, the Q1 numbers obviously bear the brunt of the re-pricing that has happened because of Repo cut while there is a tail left. But the cost of funds benefit will come substantially in Q2. And we expect to do significantly more rate cuts because we do have a lever in savings account, which is still, while the peak rate is 6.75, blended average is about 6%.

So there is enough for us to cut. And we are doing this consciously to cut it gradually because, we are also now engaging with customers for multiple product relationships so that we minimize the impact of SA cuts on balances as we go forward. So yes, cost of funds, cost of deposits will be one dominant lever.

And if you look at, while I'm saying that the growth in unsecured is going to be lower than growth in secured, but if I look at standard book growth, so today if you look at microfinance, there is a large book which is provided for and not giving income. So as technical write-offs happen over time and as the mix of book improves to a standard, both in cards and MFI, that is the impact also that should come through in margins and NII.

**Param Subramanian:** Got it. So if you could just quantify that, Jaideep, so what is the interest reversal number that you are seeing as a pressure on your margin line currently, which will say come down?

**Jaideep Iyer:** So rather than getting into that specific, Param, what we are trying to say is that today the contribution from standard book of MFI and cards will improve going forward as a percentage of mix. As a percentage of mix, despite the fact that the growth in that book is going to be behind the secured book.

**Param Subramanian:** Fair enough. And one last bit. So what is your X bucket collection efficiency in microfinance currently?

**Jaideep Iyer:** 98.4 I think this was disclosed as a part of our advances disclosure.

**Param Subramanian:** 98.4 is it?

**Jaideep Iyer:** Yes, that's correct.

**Param Subramanian:** Thanks a lot and all the best. Thank you.

**Jaideep Iyer:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Mohan Raj, a Retail Investor. Please go ahead.

**Mohan Raj:** Hi everyone. I just wanted to understand this CGFMU scheme. Like now, since we started covering, this would be an additional cost for the microfinance business. So including this cost, the yield from the unsecured business would still be higher than the secured one? Or how is it going to be profitable including all these expenses?

**Jaideep Iyer:** See, CGFMU is a 1% effective insurance cost that takes care of a reasonably large portion of potential NPA slippages that come. The only challenge is obviously the actual recovery from CGFMU is a significant lag over NPA formation. Whereas the cost for insurance is obviously up front.

But I think from a medium term perspective it is quite logical to take this coverage and along with the contingent provisioning that we have created, we should be able to hold variability here on provisioning. And we also expect business to get more and more normalized as we go forward. We have seen a brutal cycle last year. Now that the guardrails are in place, by MFin and all lenders we expect the lending to be far more disciplined than we have seen in the past.

**Mohan Raj:** Thank you.

**Moderator:** Thank you. The next question is from the line of Vansh Solanki from RSPN Ventures. Please go ahead.

**Vansh Solanki:** Yes. So as the management mentioned in the previous call, we have already built our CC distribution in-house. And also we do the budget finance and stability. But still we see the numbers for credit card spend and our spends on a credit card are quite lower than the industry standards. So my question is just how the company is thinking to stabilize these numbers and when these will be stabilized and how the efforts are making its way?

**Bikram Yadav:** I'll take this. So see, once the exit of BFL has happened, we have been consolidating which customer segment do we want to play and how do we run this business going forward with a different management method. Now if you are to see, on a year-to-year basis, we have reduced our AIF by about 10%.

These are those customers who are either marginal or were not active or were not, contributing to the spends. Despite 10% decrease in the customers, our spends have not gone down with the same proportion. We have only lost about 1% spends. We are right now in a process of fixing our product staircase processes and some bit of, product improvements to create bundled offerings.

You would see that we will start acquiring a one notch above customers say from quarter 3 onwards and then the spend growth would mostly be likely to be in line with the industry. So this was a conscious consolidation phase in which we have slowed down to redesign the business to be ready for growth in the second quarter, in the second half of the year.

**Vansh Solanki:** Okay, thank you. And the second question was about the slippages that if we show the percentage of the growth slippages, it is quite normal and flat like 1.81% to 1.15% Q-o-Q, but when we see the net slippage it is grown up from 0.81% to 0.99%. So is there some recovery in the last quarter which did not happen in this quarter or what?

**Jaideep Iyer:** Yes, there is. From a trend standpoint, Q1 has been slightly lower on upgrades and recovery than Q4, but we expect that to kind of come back to similar levels in Q2.

**Vansh Solanki:** Okay, thank you, sir.

**Moderator:** Thank you. Ladies and gentlemen, we now conclude the question and answer session. If you have any further questions, please contact RBL Bank Limited via email 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.