

August 25, 2025

## RBL Bank Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II bonds	70.00	70.00	[ICRA]AA- (Stable); reaffirmed
Fixed deposit	-	-	[ICRA]AA- (Stable); reaffirmed
Short-term fixed deposit	-	-	[ICRA]A1+; reaffirmed
Certificates of deposit	6,000.00	6,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>6,070.00</b>	<b>6,070.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reaffirmation factors in RBL Bank Limited's (RBL) comfortable capital position, with the CET I and capital-to-risk weighted assets ratio (CRAR) at 14.05%<sup>1</sup> and 15.59%<sup>1</sup>, respectively, as on June 30, 2025. The ratings also consider the healthy growth in advances and the overall deposit base along with the granularisation of the asset and liability base undertaken by the bank over the past few years. However, the earnings profile remains weighed down by high credit provisions and operating costs, leading to suboptimal operating profitability. The increase in credit costs was due to high slippages in the unsecured retail loan segment, i.e. credit cards and microfinance loans, which led to a moderation in the return indicators in FY2025 and Q1 FY2026. The overall earnings profile is likely to remain under pressure in the near term with rate cuts pressurising the net interest margins (NIMs) as seen in Q1 FY2026.

Nevertheless, the cost of deposits is expected to decline and is likely to support NIMs in H2 FY2026. Besides, the bank is expected to witness operational synergies. This, coupled with the likely reduction in credit costs, would support the overall profitability. However, the stress in the unsecured segment on account of worsening credit discipline, overleveraging of borrowers and the impact of economic shocks/disruptions on the asset quality will remain monitorable. Slower-than-expected transmission of deposit rate cuts, discretionary expenditure for customer franchise expansion and the impact of regulatory changes like the implementation of expected credit loss (ECL) on profitability will also remain monitorable. RBL may also need to raise capital in case internal capital generation remains lower than its growth requirements.

The Stable outlook factors in ICRA's expectation that the bank will be able to maintain comfortable capitalisation and solvency<sup>2</sup>. However, the high share of the unsecured retail book remains a concern, which is likely to reduce only over the medium term as RBL expands its secured retail product offerings.

### Key rating drivers and their description

#### Credit strengths

**Comfortable capital position** – RBL's capitalisation position remained comfortable with the CET I and CRAR at 14.05% and 15.59%, respectively, as on June 30, 2025 (13.85% and 15.56%, respectively, as on June 30, 2024). Amid the weak profitability/losses in the past few years, the bank demonstrated its fundraising ability with the equity capital raise of Rs. 1,566 crore in FY2021 and Rs. 2,701 crore in FY2020. It had also raised \$100 million in May 2022 (Tier II capital), which supported an increase in its CRAR to 17.51% as on June 30, 2022, though the same moderated subsequently due to the growth in the loan book including unsecured advances. It stood at 15.59% as on June 30, 2025, remaining above the regulatory requirement of

<sup>1</sup> Including profits

<sup>2</sup> Solvency = Net stressed book/Core capital; net stressed book includes net non-performing advances (NPAs), net non-performing investments (NPIs) and net security receipts (SRs)

11.50%. Going forward, the bank has guided towards an improvement in its internal capital generation although this is contingent on the trends in the asset quality and credit costs. However, it may need to raise capital in the near to medium term for growth if the earnings profile remains under pressure.

**Improving deposit base, although share of bulk deposits remains high** – Deposit accretion remained steady with the overall deposit base growing by 11.2% YoY to Rs. 1.13 lakh crore as on June 30, 2025. Additionally, the bank has been gradually increasing the share of retail deposits, which also supported its liquidity coverage ratio (LCR) over the past year despite the reduction in its on-balance sheet liquid assets. Nonetheless, the share of granular deposits (<Rs. 3 crore) remains low (though it improved to 51.4% of total deposits as on June 30, 2025 from 49.3% as on June 30, 2024). The depositor concentration level also remains elevated with the share of the top 20 depositors at 13.6% as on March 31, 2025 (17.4% as on March 31, 2024 and 16.2% as on March 31, 2023). This, along with the lower share of current account savings account (CASA) at 32.5% as on June 30, 2025 (32.6% as on June 30, 2024) in relation to the private sector banks' (PVB) average, led to the higher cost of interest-bearing funds of 6.25% compared to 5.53% for PVBs in FY2025. The overall differential in the cost of funds is likely to remain high as efforts to granularise the liability profile through branch network expansion will bear fruit over the medium-to-long term. This will also be key for protecting the profitability, while growing its presence in other secured retail segments, which carry relatively lower risk and yields.

### Credit challenges

**Asset quality remains monitorable; credit costs remain high** – ICRA notes that the gross fresh slippage rate increased to 4.9% of standard advances in FY2025 from 3.5% in FY2024 on account of higher slippages from the unsecured retail loan book, remaining above the banking sector average. Given the continued stress in these segments, the annualised slippage rate remained elevated at 4.6% in Q1 FY2026 and the asset quality will continue to be monitorable in the coming quarters.

Despite the asset quality stress in the past, the bank's headline asset quality numbers, i.e. gross and net non-performing advances (NPAs), witnessed relatively less deterioration because of sizeable write-offs as per its internal policy. As a result, RBL's overall credit costs remained elevated, impacting its profitability and return metrics. While RBL continues to guide towards lower slippages going forward, its ability to keep incremental slippages in check will remain a near-to-medium-term monitorable. With the steady capital position and the absolute decline in net stressed assets, the solvency profile improved to 2.9% as on June 30, 2025 from 4.4% as on June 30, 2024. RBL's ability to control fresh slippages, in the backdrop of the elevated stress in unsecured retail segments amid overleveraging concerns, and any deterioration in the macro environment and geopolitical issues would remain monitorable for the asset quality and profitability metrics.

**Profitability likely to remain muted in the near term** – RBL's changing business mix, involving an increase in the share of retail secured assets and granular liabilities coupled with the scaling up of its in-house credit cards collections team, has resulted in significant operational expenses with operating costs/average total assets (ATA) remaining high at 5.0% in Q1 FY2026 (3.5-4.7% during FY2022-FY2025). Moreover, NIMs faced pressure in Q1 FY2026, given the faster repricing of assets compared to liabilities in the declining rate environment, with the trend expected to continue in Q2 FY2026. This led to a suboptimal operating profit with the core operating profit at 2.3% of ATA in FY2025 and 1.2% in Q1 FY2026, which were lower than the PVB average despite the higher share of high-yielding loans in the overall loan book. Further, credit costs remained elevated on account of continued stress in the unsecured segments, leading to a reduction in the annualised return on assets (RoA) to 0.5% in Q1 FY2026 (0.5% in FY2025, 0.9% in FY2024 and 0.8% in FY2023). The ability to improve the operating leverage and control credit costs will be key for increasing the profitability and generating sufficient internal capital to meet the growth requirements.

## Liquidity position: Adequate

With the increasing granularity of deposits, the bank's LCR has improved compared to past despite the lower levels of excess statutory liquidity ratio (SLR). The daily average LCR was 152% in Q1 FY2026, supported by the excess SLR of ~9% of net demand and time liabilities (NDTL) on the fortnightly reporting date of June 27, 2025 (over the regulatory minimum of 18%). The excess SLR can be utilised to avail liquidity support from the Reserve Bank of India (RBI; through repo) apart from the marginal standing facility in case of urgent liquidity needs. RBL's ability to maintain a high rollover rate of deposits and further improve the granularity of the deposit base in the future will remain a key factor for sustaining liquidity.

## Environmental and social risks

While banks like RBL do not face material physical climate risks, they are exposed to environmental risks indirectly through their asset portfolio. If the entities or businesses, to which banks and financial institutions have exposure, face business disruptions because of physical climate adversities or if they face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such risks are not material for RBL as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. RBL has not faced such lapses over the years, which highlights its sensitivity to such risks. It is seen to be operating responsibly in terms of its selling practices, with no instances of fines being imposed by the regulatory authorities because of misconduct. Customer preference is increasingly shifting towards digital banking, which provides an opportunity to reduce operating costs. RBL has been at the forefront of making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent, as reflected in the healthy asset quality numbers in this segment compared with its peers.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is a sustained improvement in the granularity of the liability profile along with a decline in the cost of funds in relation to the sector. The bank's ability to maintain the capital cushions above 3% of the Tier I regulatory levels (9.5% including capital conservation buffers) and the RoA at more than 1.3% on a sustained basis will be a key positive factor.

**Negative factors** – ICRA could downgrade the ratings if there is a deterioration in the asset quality or capital position, leading to the weakening of the solvency profile with net NPA/core equity of more than 25% on a sustained basis. Further, a sustained RoA of below 0.8% and/or a decline in the capital cushions to less than 2% in relation to the Tier I regulatory levels on a sustained basis will be negative triggers. Moreover, a material weakening in the bank's liability franchise, impacting its resource profile, will be a negative factor.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Rating Methodology for Banks and Financial Institutions</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of RBL. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiary.

## About the company

Maharashtra-based RBL Bank Limited is a private sector bank established in 1943. It received the status of a scheduled commercial bank in 1959. The bank underwent a management change in FY2011, following which its corporate office was

shifted to Mumbai. Apart from the management change, RBL underwent a change in shareholding in FY2011 with equity infusions from various private equity funds. From its erstwhile name of Ratnakar Bank Limited, it was renamed RBL Bank Limited in mid-2014. It was listed on the BSE and NSE with its initial public offering (IPO) in August 2016. As on June 30, 2025, RBL had 562 branches, 1,474 business correspondent branches and 415 ATMs.

#### Key financial indicators (standalone)

RBL Bank Limited	FY2024	FY2025	Q1 FY2026
Total income	8,950	9,893	2,274
Profit after tax	1,168	695	200
Total assets (Rs. lakh crore)	1.38	1.47	1.49
CET	14.38%	14.06%	14.05%*
CRAR	16.18%	15.54%	15.59%*
Net profit/ATA	0.92%	0.49%	0.54%
Gross NPAs	2.65%	2.60%	2.78%
Net NPAs	0.74%	0.29%	0.45%

Source: RBL Bank Limited, ICRA Research; Amount in Rs. crore unless specified otherwise; Total income = Net interest income + Non-interest income (excluding trading gains); All calculations as per ICRA Research; \* Includes profits for the period

#### Status of non-cooperation with previous CRA: Not applicable

#### Any other information

#### Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 25, 2025	Date	Rating	Date	Rating	Date	Rating
Certificates of deposit	Short term	6,000	[ICRA]A1+	Aug-21-2024	[ICRA]A1+	Aug-16-2023	[ICRA]A1+	Jun-9-2022	[ICRA]A1+
				-	-	-	-	Sep-14-2022	[ICRA]A1+
Short-term fixed deposit	Short term	0	[ICRA]A1+	Aug-21-2024	[ICRA]A1+	Aug-16-2023	[ICRA]A1+	Jun-9-2022	[ICRA]A1+
				-	-	-	-	Sep-14-2022	[ICRA]A1+
Basel III Tier II bonds	Long term	70	[ICRA]AA-(Stable)	Aug-21-2024	[ICRA]AA-(Stable)	Aug-16-2023	[ICRA]AA-(Stable)	Jun-9-2022	[ICRA]AA-&
				-	-	-	-	Sep-14-2022	[ICRA]AA-(Stable)
Fixed deposit	Long term	0	[ICRA]AA-(Stable)	Aug-21-2024	[ICRA]AA-(Stable)	Aug-16-2023	[ICRA]AA-(Stable)	Jun-9-2022	[ICRA]AA-&
				-	-	-	-	Sep-14-2022	[ICRA]AA-(Stable)

& Rating Watch with Developing Implications

#### Complexity level of the rated instrument

Instrument	Complexity indicator
Basel III Tier II bond programme	Highly Complex
Fixed deposit programme	Very Simple
Short-term fixed deposit programme	Very Simple
Certificates of deposit programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Basel III Tier II bonds	Yet to be placed	-	-	70.00	[ICRA]AA- (Stable)
NA	Certificates of deposit	Yet to be placed	-	7-365 days	6,000.00	[ICRA]A1+
NA	Short-term fixed deposits	NA	NA	NA	-	[ICRA]A1+
NA	Fixed deposits	NA	NA	NA	-	[ICRA]AA- (Stable)

Source: RBL Bank Limited; Certificates of deposit outstanding as on August 12, 2025

#### Key features of rated debt instruments

The servicing of the fixed deposits and certificates of deposit is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These bonds have equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

#### Annexure II: List of entities considered for consolidated analysis

Company name	RBL Bank ownership	Consolidation approach
RBL FinServe Limited	100%	Full consolidation

Source: RBL Bank Limited

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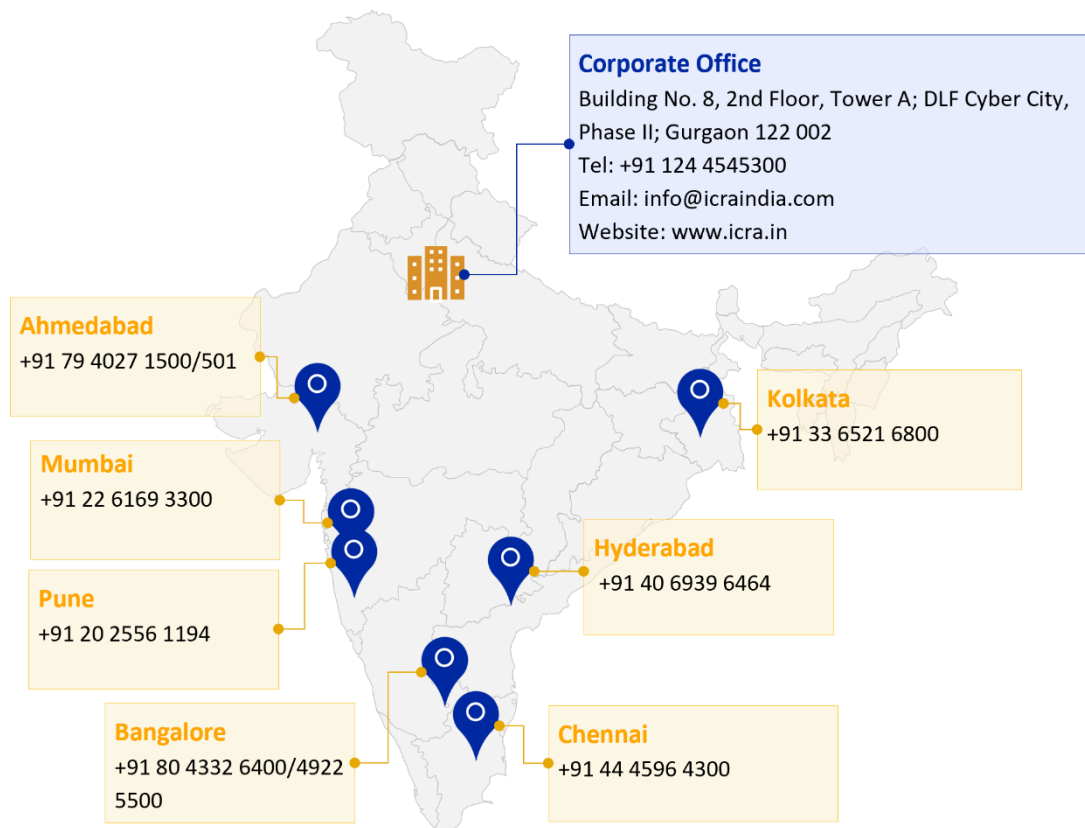


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