



“RBL Bank Limited Financial Performance for Q4 and FY19”

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MANAGEMENT TEAM

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Moderator: Ladies and gentlemen, good day and welcome to the earnings call of RBL Bank Ltd. to discuss the financial performance for Q4 and Full Year FY19. 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Vishwavir Ahuja, Managing Director and CEO of RBL Bank Limited. Thank you and over to you Mr. Ahuja.

Vishwavir Ahuja: Thank you. Good evening ladies and gentlemen and thank you for joining us on the earnings call for Q4 and Full Year FY19. I hope you had a chance to go through our press release and the Investor Presentation which has been uploaded on our website. I will briefly talk through our performance highlights and then open it up for questions. As always, I have my colleague from our management team with me who will help me in addressing your queries.

In terms of the macro outlook, we have recently seen RBI cut its repo rate by 25 basis points. While the RBI’s stand continues to be neutral, the rate cut signify the clear policy bent for growth; however, the transmission of this rate cut will happen with lag as systemic liquidity improves over time basis RBI actions. RBI’s recent swap window has helped liquidity but with saving growth coming down an intense competition through deposits, deposit rates continue to be somewhat elevated. With that brief commentary, I will move on to our financial performance for the quarter.

For Q4 ended March 2019, advances grew 35% year-on-year with wholesale and non-wholesale businesses growing 25% and 49% respectively. Both our wholesale and non-wholesale segments continue to see strong traction with the split between them of being 56% and 44%. So wholesale is 56, non-wholesale is 44% which is a percentage movement compared to last quarter, it was 57 and 43.

In terms of revenue growth momentum, it remained strong. It has grown 41% year-on-year in Q4 FY19. Our net interest income grew 48% and continues to be higher than our loan growth. Our overall yield on advances improved 61 basis points Q-on-Q at 11.77%. Their yield increase has been driven by combination of continued passthrough of MCLR increases and changing mix in favour of non-wholesale businesses. Our MCLR linked book has continued to reprice well in this quarter. While we increased our MCLR only marginally in this quarter, the past increases in MCLR have helped improve yields in our wholesale book by 28 basis points on the sequential basis.

On our cost of funds, the cost of deposits have increased by 6 basis points quarter-on-quarter to 6.89% in Q4 from 6.83% in Q3. Our cost of funds increased to 6.76% in Q4 from 6.63% in Q3. On our NIMs, our sequential improvement in NIMs continues in this quarter as well, with

NIMs increasing to 4.23% from 4.12% last quarter. For the full year, our NIMs average 4.14% which has increased of 34 basis points over previous year.

Our cost of funds for the full year has increased 26 basis points, which in the context of how the system rates have moved is a very satisfactory outcome. This has been the result of optimizing our funding mix between CASA, refinance, foreign currency borrowings and the customer deposits. We believe that the cost of deposits are close to flattening out especially given improving liquidity conditions and the expected direction of policy rates. Given our continued expectation of mix improvement towards the retail lending book, we remain confident of maintaining our NIMs going forward as well. Our non-interest income grew 31% year-on-year and our core fee income grew 43% year-on-year in Q4 FY19. Our noninterest income was 36% of our total income for the quarter. As in previous quarters, retail fee growth continues to be granular across distribution, credit cards, client FX income and general banking fees. Our total fee from retail-linked business was approximately 70% of the total fees.

Our cost to income ratio was 51.2% for Q4 FY19, 160 basis points lower than Q4 FY18 and marginally lower than previous quarter. Our full year cost-to-income ratio was almost similar at 51.3% which was well within the guidance we had given. As you have seen in the last couple of quarters, we have accelerated our branch rollout and we continued to make investments in other areas as well. We expect the cost income ratios to broadly remain in the 50 to 52% range over the next few quarters as well.

In terms of net profit, for Q4 FY19, our net profit at 247 crores increased by 39% year-on-year. Our ROA for the quarter was 1.3%, our ROE also improved to 13.4% in this quarter as against 12.4% in the previous quarter. We continued to therefore broadly track to our financial parameters outlined for our 2020 Vision plan.

Let me now briefly discuss our business performance in different segments.

Wholesale Book: In our wholesale book, we saw growth of 25% year-on-year. Within wholesale business, our C&IB business grew 31% and our CB business which is the mid market & SME business grew 12% year-on-year. As I mentioned earlier, yields improved in our wholesale book as the MCLR passthrough has happened. On a quarter-on-quarter basis, we have seen an increase of 28 basis points in our wholesale yields. We continued to see increased relationship traction with key business groups and have also added many new relationships. At the same time, we have been a little cautious on the SME segment which has resulted in a conservative growth in the commercial banking segment; however, we expect the growth in this segment to also improve over the coming quarters as macroeconomic conditions stabilize.

In the non-wholesale retail lending book, that business continued its growth momentum growing at 49% year-on-year. The retail asset segment grew by 58% and the financial

inclusion which is what we call the DB&FI segment by 34% year-on-year. Yield for the non-wholesale businesses improved 70 basis points quarter-on-quarter to 14.9% driven by both change in product mix and yield improvement in the MCLR-linked loans. For the full year, non-wholesale yields improved by 120 basis points. In the retail asset business, credit cards and secured business loans, which is LAP, were the primary drivers of growth. As far as cards are concerned, cards outstanding now are at 1.7 million cards as of March 2019 up from 800,000 a year ago. This quarter, we acquired 340,000 card customers versus 290,000 in the previous quarter. Card spends also saw growth of 9% quarter-on-quarter and 112% year-on-year.

This quarter also saw the RBL-Bajaj Finance co-brand portfolio cross the 1 million mark, making one of the largest co-brand card partnerships in the country. Our endeavour of building a business model, which leverages each partner's strength especially around data, risk models, distribution franchise and collection has yielded impressive results and has given us the confidence to take this to newer heights. We have recently concluded our FY20 business plan with Bajaj Finance and both partners are committed to more than doubling the card count in the next 18 months. In addition, the full suite of Bajaj's customer finance services offerings are being ported onto the BFL/RBL SuperCard platform which we believe will deliver superior engagement and spends for our customers. From an overall growth perspective, we expect our card base as I said earlier to double from here in the next 18 months. It is our belief that on this base, the economics of our card business will move up to industry level return metrics.

Coming through the DB&FI segment, the microbanking business grew by 41% year-on-year. We further added 37 BC branches in the quarter, taking our BC branch count to 993 across 19 states. RBL Finserve, our 100% subsidiary accounts for 452 of these branches. From a portfolio perspective, 55% of our microbanking book and 95% of our MSME book is originated directly by the bank through RBL Finserve. The gross NPA in our microbanking business has reduced to only 0.64% and we have completely provided for the entire demonetization impacted portfolio. While the overall credit environment remained stable in microbanking, we continued to remain watchful of any early signs of disruption in collections, but so far, we have not seen any material instances. We continued to work closely with our partners impacted by the cyclone and floods in Tamil Nadu and Kerala and helped rehabilitate them; however, as mentioned last quarter, the impact is negligible on our portfolio as it is restricted to only a few districts.

The retail Agri book remained flat versus previous quarter. Its overall contribution to overall bank advances is less than 3% in line with the strategy to reduce the exposure till the market environment becomes more favourable. We saw NPAs increased last quarter in this segment on account of farm loan waiver announcements and we have seen that again this quarter as well. However, given this given this small Agri exposure in the overall book, we have been able to observe this impact without any significant change in the bank's overall gross NPAs, etc.

Now moving to asset quality as a whole; asset quality continues to remain stable with bank level gross NPA percentage marginally lower at 1.38% as against 1.4% in Q4 FY18. Net NPA was lower at 0.69% in Q4 FY19 as against 0.78% in Q4 FY18, a drop of 10 basis points. Our restructured assets stood at 0.04% in Q4 FY19, our SRs, security receipts position was 0.01% for advances and there were no ARC sales in this quarter. So taken together, 0.69% net NPA and 0.05% of this, our net stressed book was only 0.73% compared to 0.86% in Q4 FY18.

Now talking about deposits. Our deposits growth continues to remain healthy at 33% year-on-year. CASA deposits grew 37% during the same period. CASA percentage is up marginally from 24.3% in Q4 FY18 to 25.0% in Q4 FY19, a year-on-year improvement of 70 basis points. The granularity of our deposit continues to improve with healthy liquidity coverage ratios. Our daily average LCR was 125% this quarter.

In terms of our distribution network, we added a total of 36 branches in this quarter, largely in metro and urban centres. As we have said on previous calls, the plan is to add between 60 and 80 branches in FY20, to take the total branch count to between 380 to 400 branches. We have also added 37 business correspondent branches in this quarter, largely through RBL Finserve. We now have a total of 324 bank branches and 993 BC branches of which 226 are banking outlets. As already stated out of the 993 BC branches, RBL Finserve accounts for 452 branches.

Moving to capital ratios. Our capital adequacy ratio was 13.46% with tier 1 capital adequacy ratio of 12.1% as of March 31st 2019. This compares with 13.8% and 12.52% respectively as of the previous quarter end. Our capital adequacy ratios are healthy. We have taken enabling approval from the board for a fund raise for tier 1 capital of 3500 crores; however, modality, timing and quantum of capital to be raised, etc, will be finalized post shareholder role in the forthcoming AGM.

To summarise therefore the year gone by, our NIMs trajectory has been strong and it remained confident of maintaining it around these levels in the coming quarters. For the year, our returned ratios have shown improvement and we expect the improvement trajectory to continue. Our growth trajectory continues to be strong. We continue to see strong traction with better rated and larger companies in our wholesale business and on our non-wholesale businesses we continue to scale various product programs as planned. We have accelerated the expansion of our branches. We added 59 branches in FY19 and plan to add another 60 to 80 branches in FY20. Our asset quality continues to remain stable except in our Agri portfolio where we suffered some losses. Despite this, we have been able to maintain our overall asset quality. We continue to keep a close watch on the quality of the book and we will continue to improve the risk metrics in the coming year.

As you are aware, we are now towards the end of the current planning cycle. We will over the course of the next few quarters, put out our plans for the next planning cycle. I would therefore

like to leave you with the few points on how we are thinking. We will continue to maintain our strong growth momentum. Greater operating leverage which will reflect in improving returns is what we expect. Most businesses are now reasonably scaled up and will drive returns even higher. We will continue to invest in distribution, i.e., branches, ATMs, branding driven greater client acquisition strategies, faster go-to-market and higher cross-sell. Contribution of retail to progressively increase to the high 40s of the total advances and edging close to the 50% mark. Finance inclusion, cards and business lending will continue to be the core part of retail. Risk adjusted returns to keep increasing even as we continue to scale consequently better usage of capital. With that we will now open up the call for questions and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer question. We take the first question from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: On most of the parameters, we are pretty much in line with what our vision has been for 2020, the only question was with respect to ROAs, currently we are at almost 1.27 for the full year and for Q4, it is 1.3 and on most of the parameters, be it cost to income or CASA or even the overall advance growth, everywhere we are very near to the guidance, so what would bring this incremental delta of another 20, 25 basis points in ROA in just one year because on most of the other parameters, we are very much on the target?

Jaideep Iyer: So Kunal, I think some of this will be driven by margin expansion, a little bit that we expect as we continue to one, improve the spreads on the corporate book through a combination of better yields and improvement in cost of funds and on the other hand through mix getting little more skew towards retail as was mentioned in the call just now. We also expect some level of cost efficiencies to come in each of these businesses. I don't think we are expecting 1.5% full year ROA. I think we should be somewhere close from an exit ROA perspective around those numbers.

Kunal Shah: Yes, but over the last 4 years, if you look at it, on an average it has been like 10 basis point kind of an increase, despite this transition which has happened on most of this parameters successfully?

Vishwvir Ahuja: Let me add to what Jaideep just said. I mean if I may say, take out the extremely unanticipated impact that we had to take on Agri this year FY19, then even after taking the provisions on the demonetization portfolio on our microbanking book, if you just roll back that impact that happened on the Agri portfolio, we would have been closer to 1.4 this year itself, so that is another way of looking at it, but for that one thing, which by itself is not significant and in terms of profitability and other parameters, we have been able to say the course, but just from an ROA perspective that has had 7-8 basis points impact and essentially speaking, we were very much on track in the sense on everything.

- Jaideep Iyer:** So Kunal, we also expect some benefit coming out of the overall provisioning for next year.
- Vishwavir Ahuja:** Yes, exactly, so as we have said the time in again on both on the microbanking portfolio where the demonetization related provisions have all been taken, these costs will be lower for us.
- Kunal Shah:** But within the retail, if we look at it in terms of the proportion, the credit card is growing, so while that again lead to a relatively higher provisioning cost because of this shift in the portfolio, we have already seen the retail credit cost going up year-on-year, so maybe I think again credit cards and the other unsecured phase that would structurally take the credit cost also slightly on the higher side.
- Vishwavir Ahuja:** That is a fair comment.
- Jaideep Iyer:** That will be more than compensated by the reduction we are seeing in other areas.
- Moderator:** Thank you. Next question is from the line of Adarsh Parasrampurua from Nomura. Please go ahead.
- Adarsh Parasrampurua:** The question was obviously the split of business metrics between say, cards and noncard businesses not available, what I wanted to understand is, when you try and look at the P&L ex-cards, has the ROA like qualitatively if you can talk about how ROAs have improved and in the context going forward given that after a long period of time, we are going to invest a lot in branches and that will cost, does that become a drag when you try and take the non-cards portfolio in terms of profit because you know the payout of those branches may come out much later, right, so I just wanted to understand how the trend has been over the course of last 2 to 3 years, the non-cards P&L and once you start investing in branches and payoffs are later, can that kind of be a drag for next couple of years?
- Rajeev Ahuja:** Adarsh, this is Rajeev here. So I think we track our businesses at subsegment level on a DuPont basis, so there is a path to normalized ROA and more importantly risk adjusted ROA because capital efficiency of each business is very distinct. So the wholesale businesses, till about I would say middle of '17 because of the high liquidity and the pricing pressures, we were suffering from an ROA perspective and that was quite evident if you saw the headline yields in wholesale and as has been shared with you over the last 3 quarters, our ability to price our business and get the overall return on wholesale businesses at a balance sheet level has become a lot more interesting and pronounced. I can say over the next 2 to 3 years, as a comparative position in these segments becomes a lot more entrenched, the returns can move up, obviously this is not a shooting for the moon kind of ROA business. Secondly, if you see the cards and the microbanking franchise, clearly they are on a risk adjusted basis higher from a return on asset perspective and as their contribution increases, they are going to contribute increasingly to that but if you see in spite of increasing our branches by 60 main stream branches in metro urban, we have been able to not only manage the overall investment

required as well as improve the ROA on a sequential basis. We don't anticipate that to become drag on an overall perspective. Also, what happens is, as the brand of the bank starts getting more embedded in microclusters and you know, we are following a fairly detailed cluster-based approach on the branch banking side is not all over the map. This becomes a nice sloping S curve and we have seen on a same-store basis that our branches set up 3 to 4 years ago start producing much higher levels of growth without incremental investment and the subsequent investments made in the same territory start breaking even far faster because there is a positive feedback loop of more locations, more ATMs, more customers in a certain microcluster, so obviously the base of the branch banking business which was around 260 branches till about March 18, now it is 324, hopefully by March 20, it will be closer to 400 gives us the denominator to start observing these costs in a much more easy fashion and also coinciding with our ability to provide a consistent service, product and client engagement at the local level. So I think if you start putting all of these things together, I can assure that we craft our businesses, obviously there are unanticipated challenges as Vish pointed out and Jaideep pointed out from an Agri and demon perspective, which have to be observed, I don't think the direction we have given you on a C&I basis is going to be materially breached just because we are upping our investments in branches and I would ever that the branches we are investing over the last 6 to 9 months are contributing materially faster to the growth of our liability franchise as well as our other income franchise.

Adarsh Parasrampuria: And the second question was in the cards business, what is the inflection point in the profitability, I think the new business drag both origination and credit cost going off right, you are like doubling card, the target is again to double, so what is like the inflection point, right in cards profitability in that sense, like when do you anticipate that would come over the next 2 to 3 years?

Harjeet Toor: I think we had mentioned long time back that the cards business broke even about a year and a half back and today's ROAs in excess of the average ROAs which we talk of today which did mention in a speech that once we hit a 3.5 million mark in terms of what we will be at industry level ROAs which usually range in the region of about 3.5 to 4%, so I think we are at about 18 months away to reach that average.

Moderator: Thank you. Next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Rohan Mandora: This is Rohan Mandora from Equirus. Sir, just wanted to understand like if you could share the split between how is the interest-earning credit card loan book between say the Bajaj and the RBL-sourced customer? Some colour on that?

Harjeet Toor: I can share the book split with you if that is what you were looking at, so out of the total cards book, 48% is Bajaj and 52% is non-Bajaj.

Rohan Mandora: Next, within that split, how would be the conversion into say the EMI loans will revolve in each of the two books?

Harjeet Toor: So broadly, I think you should take that about 25% of the book does not earn interest, the remaining book earns interest, either in the form of term interest or the non-term interest.

Rohan Mandora: And it will be similar for both the co-brands?

Harjeet Toor: That is right.

Rohan Mandora: And sir, if you could just give some colour on, let us say this cross-sell of asset products to the Bajaj co-branded customers, as I understand that currently we cannot cross-sell any products which the Bajaj is offering?

Harjeet Toor: We cannot cross-sell anything which Bajaj is offering apart from loans which are consumer loans on to the card platform itself and personal loans on the card platform itself, so today we do consumer finance loans and we do personal loans which is what we call loan on phone and insurance to this customers.

Rohan Mandora: Sir, the Bajaj loan gets over, even till perpetuity we cannot cross-sell a product? Or is there some time period after which we can cross-sell?

Harjeet Toor: If you look at it what we can't cross-sell is, if you have a business customer on the card platform and if you want to do LAP or a business loan to it, then that is what we have agreed that through the life we will not do, but as I said personal loans, consumer finance loans, etc, are allowed and we are doing them and we are getting more and more of the consumer finance products of Bajaj onto the card platform right now.

Rohan Mandora: And if it is a 60 to 80 branch target that we have given for the next year, geographically would they again be confident mainly in the urban and metro locations or are we planning to go into tier 2, tier 3 more?

Surinder Chawla: So largely, we follow the process of densification of our existing geographies as Rajeev was explaining earlier, so yes, mostly they will be in the tier 1 and 2 cities only, top metros and some urban centres.

Rajeev Ahuja: And Rohan just to complete, through our Finserve and our three of the BC partnerships, we continue to add between 150 to 200 semi-urban rural branches which is over and above what Surinder just mentioned.

Rohan Mandora: And sir, a data keeping question, if you would share the GNPA numbers in the LAP, cards and the MFI portfolio?

- Harjeet Toor:** GNPA in the LAP is about 72 basis points, card is about 1% and MFI is 0.64.
- Moderator:** Thank you. The next question is from the line of Gaurav Kochar from Ambit Capital. Please go ahead.
- Gaurav Kochar:** Couple of questions on the partnership that Bajaj Finance on the credit cards bit. What is the sourcing mandate for partnership with Bajaj Finance? Does the customer have to be a Bajaj Finance customer or anyone is eligible for this partner card? Secondly, are there any underwriting risks for Bajaj Finance because is it just for sourcing or if there is a default, I mean some bit of penalty fee or something is borne by Bajaj Finance as well in this partnership?
- Harjeet Toor:** Yes. So as of now when we are offering cards, we are offering cards to existing Bajaj Finance customers, we haven't yet opened new customers to this franchise, so they have to be seeing customers of Bajaj. Your second question was around risk sharing. We don't do risk sharing, but the commercials around fee share, spend share across the life of the customer ensures that the customers need to be there on the book and needs to be active and therefore to that extent, it is in their interest as well that the loses are kept under control.
- Gaurav Kochar:** And just wanted to understand the economics, what percentage of interchange fee is taken by Bajaj Finance and how much of it do we get?
- Harjeet Toor:** That I don't think we will be able to share on this call.
- Gaurav Kochar:** And any of the fee income platform interchange that we share with Bajaj Finance?
- Harjeet Toor:** Yes, they do get an origination fee and then they get a fee sharing.
- Gaurav Kochar:** In case of penalties, the penal interest charge that we levy on the customers that is not shared with Bajaj Finance?
- Harjeet Toor:** No.
- Gaurav Kochar:** Alright, and how much would that be in the total fee income pool?
- Harjeet Toor:** What? The penal fee?
- Gaurav Kochar:** Yes, the penal fee in the pool of credit card fee?
- Harjeet Toor:** Yes, so of the total credit card fee, penal fees are usually in the range of about 20% of the total fee is what penal fee is.
- Gaurav Kochar:** 20% of the total fee and not just the card fee?

- Harjeet Toor:** No, total fee, so interchange fee is only about 33% of the total card fee.
- Gaurav Kochar:** So, roughly 45% of card fee would be penal fee.
- Harjeet Toor:** No, I said, first of all card fee has various elements, there is an annual fee, there is a processing fee, there is an interchange spend fee, there is a penal fee and there are other fees which is available. If you take this entire pool, penal fee is usually around 20% of the total fee.
- Moderator:** Thank you. The next question is from the Ravi Singh from HSBC. Please go ahead.
- Ravi Singh:** My question is on rating profile which you have provided on slide 23. So while overall mix is healthy and looks stable, but there is still some shift for the portfolio ratio A- below A-? So what is the reason and the comment mentioned there that 70% portfolio is rated A- and higher, so how does it linked with the data given in the chart and thirdly, the yield improvement in the wholesale book, how much is it due to rating mix shift? And are you seeing for given rating there is improvement in the yield?
- Jaideep Iyer:** So Ravi, I think on the explanation around externally rated customers, we have generally been giving internal borrow ratings and internal facility ratings. We have as a bank been significantly more conservative in the way we rate internally as compared to generally the externally available ratings. We have not given the externally available ratings in the same format because not all of our rated customers get externally rated. That percentage is approximately 85% of our exposure and if we take that universe, approximately 70% is A- of better which indicates the conservative nature of our internal borrowings, just to give that picture clear. That was the reason why we added that line. In terms of yield improvement, it has largely been an MCLR passthrough. I don't think there is any meaningful impact of our rating change in the portfolio from the wholesale book perspective.
- Ravi Singh:** And is there a trend of rating mix changing because quarter to quarter, there is gradual shift already taking place, so is that trend likely to continue or you think this is where the rating mix will now stabilize, so if you look Y-o-Y, A- and below, below A- is 3 to 5% higher compared to a year ago?
- Jaideep Iyer:** Yes, I think that is more a reflection of, I guess the rating downgrades less the reflection of new origination. Going forward, I don't think we will expect any material changes in the mix.
- Moderator:** Thank you. Next question is from the line of Mr. Abhishek from Asit C Mehta. Please go ahead.
- Abhishek:** Sir, previous quarter the slippage is around 211 crores, now it is 206, is this only Agri portfolio or other than that is still there, that 206 crores slippages?

- Jaideep Iyer:** Broadly the third is Agri, about the third would be cards and the rest would be a mix of everything else.
- Abhishek:** Sir, card, I think previous quarter, Agri and card, both were there and other than the Agri part, card part do you expect this to continue forward or what is the likely scenario?
- Jaideep Iyer:** So, in absolute it will go up naturally because the book is growing, but from a card, book to slippage perspective I doubt if there will be any meaningful change.
- Harjeet Toor:** In fact on the card side if you see, our both NPA and credit cost have been improving quarter-on-quarter as a percentage but the quantum is the function of how much business we are doing.
- Abhishek:** And sir, any exposure to major threat on the things, less earning you mentioned in the previous quarter exposure, so currently you don't have any large exposure to big corporate?
- Jaideep Iyer:** No.
- Moderator:** Thank you. The next question is from the line of Ajit Kabi from ULJK Group. Please go ahead.
- Ajit Kabi:** My most of the questions were answered. The last question which I have, the number of ATMs degrew from Q3 FY19, it was around 390 ATMs further, in Q4 FY19, it is 341, so may I know the reason behind that and what is the reason in the industry, the entire industry is facing the same thing?
- Surinder Chawla:** So for as, there was two simple answers for it, one was the fact that we are rebalancing our portfolio and making sure some of the lossmaking ATMs are coming out and we are putting them in more prominent and profitable areas, so some part of that is happening, but more importantly, we were having a change in our service vendor and that has caused a temporary blip. We will come back to our regular numbers by next quarter.
- Moderator:** Thank you. Next question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.
- Ravi Naredi:** Sir, how is micro advances working growth wise and NPA level?
- Harjeet Toor:** When you say micro advances, I am assuming you are talking of microfinance?
- Ravi Naredi:** Yes, microfinance sir.
- Harjeet Toor:** So, I think growth wise, the industry seems to be growing anywhere between 35 to 40% and we are in line with that. The NPAs as of now for all players have declined. The new norm is

slightly higher than what it used to be earlier. Earlier, people used to operate at about 45 to 50 basis points, I think the new norm is in the region of about 75 to 80 basis points today.

Ravi Naredi: And sir, this 3,500 capital, raising of capital, we are planning for how many months it will be sufficient for the bank?

Jaideep Iyer: Depending on quarter we raise, it should be good for us for 2 to 3 years assuming an underlined growth between 30 to 35%.

Moderator: Thank you. Next question is from the line of Aditya Jain from Citibank. Please go ahead.

Aditya Jain: Just could you comment on the CASA growth, SA growth was really strong in this quarter, further any lumpy accounts or is it granular? And the trend in CA deposits was actually opposite, it was nearly flat sequentially? Was this due to anything specific or is it normal volatility?

Surinder Chawla: On savings in particular, I think it is a function of the fact that we work on multiple segments and some of the segments which were little more time taking as added to yield results for the bank, so that is how the business has shown robust growth. I don't think we would like to say that any of it is really lumpy or large value tickets. I think it is reasonable to the segment that they have kind of started working on, so no concerns on that. Current accounts has been reasonable on a year-on-year perspective, sometimes on a sequential growth basis, it is a little difficult to predict what happened in the current account book depends on multiple factors, but on an overall basis, I think CASA is healthy and we are fairly confident that this will continue.

Aditya Jain: And second question is, any over dues or early signs of stress in construction and real estate and also finally is there anything on the divergence report for FY18?

Jaideep Iyer: So on the divergence report, there is nothing to report, negligible to nil divergence. On the early signs of warning, I think on those two sectors, we have no issues given our portfolio.

Moderator: Thank you. We take the next question from the line of Aakkash Dattaani from HDFC Securities. Please go ahead.

Aakkash Dattaani: My first question is regarding the MCLR, after the recent rate cut by the RBI and a few banks following suite, would you be cutting your MCLR? And my second question is on the outlook for cost-to-income, just wanted to know what is your outlook with the next 1 year?

Jaideep Iyer: So on MCLR, I think we will be guided by our own cost of deposits, which in all likelihood should start trending down given the liquidity environment getting better and the policy direction as we mentioned. Vish did mention in his opening remarks that we think the deposit rates have kind of peaked or close to peaking. In all likelihood, therefore, the direction of

MCLR should be flattish to lower; however, it may not necessarily keep pace that quickly with the rate at which the policy rates have been cut, simply because of the fact that the deposit rates are sluggish to move down. On CI ratio, again we have guiding a 50 to 52% partly because of the investments that are already done in the last few months and that is planned from a branch distribution, ATM standpoint, so most likely we are guiding a range of that 50 to 52%.

Aakkash Dattaani: My last question is on the SA growth that you mentioned. You mentioned something about new business segments or I didn't hear that too clearly actually that has driven growth this quarter, so could you elaborate on that please?

Surinder Chawla: So savings approach for the bank has always been impact of the CASA and the entire liability is also to approach the business in a very segmented manner because of the fact that we had a limited geographic presence of the branch network, we have always segmented the market and gone after segments which are less dependent on the physical network, so there have been multiple fronts opened on various segments and all parts of the bank really work on that and some of those segments are now yielding results and becoming accentuated as we go along. In fact on the other side, I was wanting to add to my earlier comment that given that we are now adding branches at a far accelerated pace, we actually expect that the granularity will improve further from here as well, so it is just that multiple segments are opening up and many successes are coming through on those as well. So just to give you a few examples of the segments, we have a non-resident segment, we have a TASC segment, we have government banking as a segment, we have a salaried employee as a segment, the HNW customers as a segment, so on and so far, so multiple parts to it.

Moderator: Thank you. Next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: Just a couple of questions, one to Harjeet on the first one. I think Jaideep mentioned that roughly about third of slippages has come from the cards portfolio, so if I look at your numbers and if I just kind of analyse that and the slippages come to depending on which quarter you take it comes to anywhere between 6% to 11%, if you look at it on a one-year basis or if you are looking it on a 2-quarter basis, how should we read into this number and if you could also tell us some colour as to have the write-offs and credit cost in this business gone up, gone down on this portfolio? The second question is on the Agriculture portfolio, just some colour on, how much more is pending in terms of credit cost in this particular portfolio out there?

Harjeet Toor: I will take the first one first, so if you look at it, the total GNPA increase for the bank is about 188 crores. About 20% of that is actually related to cards. On an overall basis, as I said earlier, both the NPA percentage on cards is about 1% which is therefore trending down by a few basis points which was where the previous quarter. I think the more heartening piece we have seen is that the credit cost which was 4.3% last year end has come down to 4 now and that trending

down trajectory has started and that is what we were hoping that as the portfolio starts maturing and the proportion of portfolio greater than 18 months starts growing, we will start seeing this trend. So on both these sides, we are seeing good results. Your second question was on Agri.

M. B. Mahesh: Just one clarification. See, how should one look at slippages in this portfolio because one traditional way of where we, how we look at it is that you look at the last year's balance and then you see how much of additions that you have done during the course of the year, but cards being a short duration product out there, when does the delinquency start to hit on a card which is originated today?

Harjeet Toor: The delinquency peak anywhere between 12 to 18 months on the card which is originated and in fact for the card portfolio, credit cost is a better metrics than GNPA metric.

M. B. Mahesh: So you think that write-off being at 4.3 heading downwards is the positive trend that you are seeing out there?

Harjeet Toor: That is right. So this year, for example, it is at 4%.

M. B. Mahesh: And the Agri side?

Harjeet Toor: One the Agri side, I think more or less if you look at an NPA side, we are almost hitting the peak. Any regular increase should be offset by the recoveries from write-offs which will happen in this portfolio, so from here you will see some gradual decrease happen over the year. We don't expect too much of the decrease in GNPA here because the market is still volatile and therefore it is going to take time, but at least we are, I think hitting the peak levels which we spoke about.

M. B. Mahesh: And my final question, this is on the savings account side. What is the current interest rate at which the portfolio is running at?

Jaideep Iyer: Mahesh, approximately 6.5.

M. B. Mahesh: So there is no change on that front?

Jaideep Iyer: Yes.

M. B. Mahesh: And one clarification, RBL Finserve, does that operate at a profit model or it is a zero profit business out there because you are originating loans, there are employee seen there, how does the accounting work between the two entities?

- Harjeet Toor:** So it works on a normal BC commission model as of now because it is expanding at a rate, it is about breakeven more or less.
- Jaideep Iyer:** But otherwise Mahesh, it is an arm's length.
- M. B. Mahesh:** But they don't do any other business apart from yours?
- Jaideep Iyer:** Yes.
- Moderator:** Thank you. We take the next question from the line of Onkar Ghugardare, Individual Investor. Please go ahead.
- Onkar Ghugardare:** The retail banking, actually the profits are less year-on-year basis and same is the case with treasury, but the revenues have gone up?
- Jaideep Iyer:** No, if you looking at it from a segmental disclosure perspective, I think those do not necessarily reflect the way we look at business, those are unfortunately regulatorily constrained disclosures, so may not be the right conclusions out of that.
- Rajeev Ahuja:** Just to clarify, the government securities trading business has been weak for last several quarters for everybody, in fact if you remember pretty much last year, given the selloff in the bonds, most market participants had a lot of negative MTM, we had a very modest number, we have reduced our risk exposure in securities trading for that reason which is why you have seen a lower contribution by trading to the overall other income over the last several years.
- Onkar Ghugardare:** But more or less the profit growth is similar to the revenue growth, in retail and treasury side?
- Harjeet Toor:** That is right, at least in the retail side, yes.
- Onkar Ghugardare:** So I would like to know what is your current balance sheet size and where would you like to take it to next 5 years?
- Jaideep Iyer:** We would expect a growth while we will come out with some formal guidance for the next planning cycle during the course of this year, but as we see today, I don't think we should be in the broad range of somewhere 30 plus minus range in terms of loan book growth over the next few years.
- Onkar Ghugardare:** And when do you think that you would be generating around 2% return on assets and above that, would it be possible in the next 5-year cycle?
- Jaideep Iyer:** I don't think there are honestly too many banks at a 2% ROA level given all the regulatory things that we have seen over the last few years and likely that we would want to target at 2%

ROA, I think we will be happy with the 1.7 to 1.8 range over the next 3 years, but we will come out with a little more specifics around planning cycle over the next few months.

Onkar Ghugardare: And what about the ROE?

Jaideep Iyer: ROE will be unfortunately a function of where we are in the capital cycle, on a fully leverage basis, at that ROE we should be at 16 to 18% ROE.

Onkar Ghugardare: In the next 5-year cycle you are saying?

Jaideep Iyer: Yes, I am saying when we are at 1.7% ROA and if we are at a normalized leverage, we should naturally come out with 16 to 18% ROE.

Moderator: Thank you. We will now conclude the Q&A session. If you have any further questions, please contact RBL Bank Limited via email at ir@rblbank.com. Thank you very much. Ladies and gentlemen, on behalf of RBL Bank Limited, we thank you for joining us this evening. You may now disconnect your lines. Thank you.