RBL Bank Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Avoid The bank remains structurally unprofitable with returns on assets below 0.5% in three of the last five years, while asset quality improvements rely on aggressive technical write-offs rather than organic recoveries.

Key findings

Key findings

- □**3,770.48 Cr** in technical write-offs drove the reduction in Gross NPA, significantly dwarfing organic recoveries of only □433 Cr.
- □**3,816.84 Cr** in fresh slippages during the year remained higher than the closing Gross NPA balance, indicating that underlying asset stress has not yet subsided.
- **3.88%** net interest margin proxy is the lowest in five years, reflecting a structural shift toward lower-yielding secured retail loans.
- **32.44%** of the net credit book consists of unsecured retail advances, exposing the balance sheet to high credit costs if consumer stress rises.
- □**26,015.77 Cr** in primary capital from Emirates NBD post-year-end raises the Capital Adequacy Ratio to 33.28%, removing near-term solvency risks.
- **11.48%** growth in employee costs outpaced the 2.11% increase in total income, leading to deteriorating operational jaws and efficiency.
- **0.29%** of pre-provision operating profit was paid to management, demonstrating high discipline and alignment with minority shareholders.
- **No. 1** ranking in grievance redressal by the Ministry of Finance indicates strong operational discipline and institutional trust during the ownership transition.
- **25.26%** deposit growth was achieved through the addition of 60 new branches, showing successful execution in granular liability sourcing.
- □**11,783.12 Cr** in overseas borrowings increases reliance on wholesale international funding, though these exposures are currently hedged.
- **80%** of new savings accounts are now digitally onboarded, providing the scalable infrastructure required for the bank's next expansion phase.
- **Zero** net slippages in the Wholesale Banking segment suggests superior underwriting quality within the corporate and commercial portfolios.

What to watch

What to watch

Monitorable	Current	Threshold
Return on Assets (ROA)	0.49%	> 0.75%
Recoveries to Write-offs Ratio	0.11x	> 0.30x
CASA Ratio	33.62%	> 36%
Unsecured Loan Share	32.44%	< 25%
Cost-to-Income Ratio	68.4%	< 60.0%

1. Business overview

RBL Bank Ltd operates as a commercial lender offering a diversified portfolio of retail, agricultural, corporate, and commercial banking solutions across India. The bank's raw material is money, sourced through granular customer deposits and wholesale lines, and deployed as credit assets across diverse consumer and enterprise segments. Its scale is reflected in a national physical footprint of 628 branches across 28 states, backed by a scalable digital ecosystem and its wholly owned microfinance distribution subsidiary. The company serves individual retail consumers, low-income rural communities, small business entrepreneurs, mid-market commercial ventures, and large domestic and multinational corporations. While business segment revenues are not explicitly reported under separate retail and wholesale totals, the bank discloses its complete gross revenue streams and asset credit scale across specific categories.

Gross revenue streams (FY 2025-26)

Revenue stream	Revenue (□ Cr)	Share of total	YoY movement	Key drivers
Interest/Discount on Advances/Bills	11,660	63.17%	+3.9%	Volume growth in the interest-earning advance book, offset by a drop in loan yields to 12.1%.
Income on Investments	2,145	11.62%	-0.1%	Performance of the investment book, offset by a decline in investment yields to 6.4%.
Other Interest Income	531	2.88%	-20.4%	Interest earned on general liquid balances and bank placements.
Non-Interest Income	4,121	22.33%	+8.3%	Core fee income momentum, corporate trading profits, and transaction banking fee growth.
Total Gross Revenue	**18,457**	**100%**	**+3.43%**	Combined growth in core credit interest and robust corporate transaction fee streams.

To complement the revenue view, the bank provides complete disclosure of its asset credit scale and loan deployment across specific wholesale and retail business segments.

Loan portfolio scale by business segment (as of march 31, 2026)

Segment	Credit scaled (□Cr)	Share of total credit	YoY movement	Key drivers
Corporate Banking	31,845	27.9%	+26.4%	Relationship-led corporate client lending cross-selling trade and capital market options.
Commercial Banking	15,267	13.4%	+30.2%	Calibrated credit deployment across 20 small-and-medium enterprise clusters.
Wholesale Banking Total	**47,112**	**41.2%**	**+27.6%**	Scaled transaction-intensive institutional coverage and corporate debt underwriting.
Business Loans	16,793	14.7%	+50.5%	Working capital sole banking credit expansions routed across core branch channels.
Credit Cards	16,250	14.2%	-5.2%	Conscious portfolio recalibration and shift from partner models to in-house distribution.
Others (incl. Gold Loans & OD)	10,209	8.9%	+71%	Rapid scale-up of gold loans transitioning to a 100% branch-led sourcing framework.
Housing Loans	8,717	7.6%	+6.6%	Expansion in Tier 2 and Tier 3 homebuyer finance and affordable housing credit.
Microfinance	7,702	6.7%	+33.9%	Normalized post-pandemic Joint Liability Group loan demand and underwriting standards.
Rural Vehicle Finance	3,044	2.7%	+10.5%	Agricultural tractor, harvester, and farm equipment financing across 308 rural districts.
Personal Loans	2,960	2.6%	-8.8%	Calibrated tightening and measured exposure reductions in unsecured retail assets.
Retail Agri	1,445	1.3%	-4.3%	Priority sector agricultural credit allocations.
Retail Banking Total	**67,120**	**58.8%**	**+20.5%**	Calibration toward high-quality secured and collateral-backed credit assets.
Total Advances	**114,232**	**100%**	**+23.3%**	Broad-based loan deployment matching calibrated balance sheet rebalancing.

The bank has built a genuine, highly competitive position in Diplomatic Banking, serving as the official partner for 124 out of 166 countries represented in India and managing relationships for over 2,500 diplomats. Wholesale Banking demonstrates excellent underwriting quality, with net slippages remaining near zero and credit costs being negligible throughout the fiscal year. Customer protection performance is outstanding, with the bank ranking first in grievance redressal among all private sector banks according to the Ministry of Finance. These achievements reflect strong operational discipline and deep institutional trust across its core target markets.

Cost base

The bank's cost base is concentrated in interest financing expenses, operational networks, technology transformations, and credit provisions. - Interest Expended (Funding Cost): Deployed at □7,976 Cr, with interest paid on deposits accounting for □7,040 Cr. It moves with overall deposit volumes and systemic interest rate cycles. Overall deposit costs successfully reduced to 6.2% due to systemic rate cuts and savings account rate rationalization. - Operating Expenses: Stood at □7,182 Cr, driven by deliberate physical and digital distribution expansions. Real inputs include the rollout of more than 60 new branches in a single year, relationship team expansions across 20 commercial clusters, and the deployment of a new Debit Card Management System. - Technology Modernization: Included a full modern enterprise risk technology refresh executed over nine months to replace legacy platforms with next-generation solutions. Real digital investments encompass scaling

generative AI tools, NPCI-integrated biometric payment frameworks, and developing in-house straight-through processing platforms. - Provisions and Contingencies: Formed a ₹2,260 Cr credit cost base that moves directly with asset quality stress and segment slippages. This cost item experienced a healthy 23.6% reduction due to a sharp normalisation in Joint Liability Group microfinance portfolio stress, with JLG slippages falling from a peak of ₹536 Cr in Q3 FY25 to ₹87 Cr in Q3 FY26.

Capacity

Capacity is not a constraint for RBL Bank, as its capital, physical reach, and digital infrastructure have been aggressively scaled. - Capital Capability: Sourced through a major strategic transaction where Emirates NBD acquired a 60% stake via a primary capital infusion of ₹26,016 Cr. Management notes this transaction "has significantly strengthened our capital position and created a stronger foundation for long-term growth," eliminating near-term capital constraints. - Sourcing Capacity: Anchored by a 628-branch national footprint and its wholly owned distribution subsidiary, RBL Finserve Limited. RBL Finserve manages an extensive network of nearly 1,080 touchpoints and serves 2.45 million customers, providing a highly scalable rural sourcing engine. - Digital Capacity: Driven by highly scalable cloud-native and API-first architectures. The digital setup handles over 7 Lakh API calls daily via more than 260 active corporate APIs, supporting digital onboarding for over 80% of new savings accounts and 65% of term deposits. - Service Capacity: Augmented by Virtual Relationship Manager centres in Kolhapur and Sangli and the AI-powered RBL Cares customer support infrastructure to handle high-volume digital servicing demands.

Forward visibility

Forward visibility is driven by visible transaction run-rates, product model shifts, and targeted segment volume expectations rather than a contractual order book. - Loan Book Recalibration: Management is executing a visible pivot "to shift from a concentrated lending approach towards a balanced and calibrated portfolio." Secured retail lending expanded 36% to ₹40,207 Cr, while unsecured retail credit slowed to a measured 3% growth run-rate. - Credit Card Sourcing: Visibility has been clarified by transitioning from a partnership-led sourcing model to an integrated, in-house franchise. This model achieved a stable customer acquisition run-rate exceeding 1 Lakh new credit cards in a single month. - Sourcing Pipelines: The bank projects its Joint Liability Group microfinance business to "sustain monthly disbursements exceeding" ₹700 Cr. Concurrently, its newly fully branch-led organic gold loan sourcing framework has established a robust monthly disbursement run-rate of ₹1,000 Cr. - Wealth and Asset Pipelines: Forward cross-selling momentum is visible via the Invest First++ platform and an integrated 3-in-1 account ecosystem, with 95% of smart deposits and nearly 89% of mutual fund systematic investment plans now originating digitally.

What must stay true

For this business model to sustain its long-term growth and calibrated strategy, several key operational inputs must hold true: - Core Asset Quality Resilience: Wholesale asset quality must maintain its superior position, where net slippages remain near zero and credit costs are negligible. Concurrently, microfinance collection efficiencies (recently at 98.4% in early buckets) must stay insulated from systemic overleveraging or adverse climatic events. - Deposit Granularity and CASA Sourcing: Branches must successfully act as the primary engine for stable funding to overcome systemic credit-deposit divergence where credit outpaces deposits. Granular retail accounts below ₹3 Cr (currently ₹63,943 Cr) and low-cost CASA deposits must expand continuously to avoid reliance on costlier certificates of deposit or bulk wholesale lines. - Sourcing Network Power: Sourcing channels must continue driving high lead generation with superior cost efficiency. The branch network must maintain its performance of originating over 60% of all retail credit leads while keeping customer acquisition structures disciplined, including segment-based sweep-out thresholds of ₹0.1 Cr for Insignia and ₹0.05 Cr for Signature customers. - Successful Corridor Amalgamation: The planned corporate amalgamation of Emirates

NBD's existing India business with RBL Bank must execute smoothly. This integration is critical to unlock the full potential of cross-border trade finance, remittance corridors, and international banking across the India-GCC axis. - Regulatory and Predictive Readiness: The bank must finalize its infrastructure and data-intensive predictive models to seamlessly transition to the Expected Credit Loss accounting framework ahead of the regulatory April 2027 deadline.

2. Management commentary & outlook

Management detailed several operational transformations and milestone achievements throughout the financial year, focusing on shift updates in core sourcing strategies, branch distribution, and digital infrastructure capabilities.

Topic	Management claim	Verbatim quote
Credit Card Sourcing Strategy	Successfully scaled an independent, in-house sourcing model past a monthly acquisition milestone.	"Crossed the important milestone of acquiring more than 1 Lakh new credit cards in a single month"
Physical Distribution Network	Accelerated the expansion of the branch network, establishing a record for single-day branch openings.	"Expansion of our network to over 628 branches across the country. We launched more than 60 new branches in the financial year, including a record 25 branches in a single day."
Retail Lead Sourcing	Utilized physical branches as the primary generation engine for retail consumer leads.	"Over 60% of our retail leads originate through our branch network"
Digital Platform Adoption	Realized high customer migration metrics and improved user feedback scores after consolidating mobile platforms.	"With 72% of eligible customers now registered on the platform and the application's iOS rating improving to 4.5"
Operational Service Efficiency	Structured a new customer relation framework that resolves the majority of service requests within one day.	"83% of our CRM ticket volume, representing nearly 72% of all service requests, is resolved within 24 hours."
Microfinance Onboarding	Accomplished a total transition to digital signatures within the microfinance business segment.	"100% of e-sign penetration was achieved in the microfinance business."
Commercial Banking Segment Expansion	Expanded the commercial banking book significantly through targeted regional relationship investments.	"Commercial Banking continued to be a key growth driver, expanding by 30%"
Regulatory Grievance Performance	Attained the top ranking for dispute resolution among private sector banking peers from the Ministry of Finance.	"Ranked No. 1 in Grievance Redressal among private sector banks by the Ministry of Finance during the year"

Outlook

- **Demand**: Management merely DESCRIBED future credit demand across retail and commercial banking verticals, connecting it to broad macroeconomic growth, without committing to specific consolidated loan volume targets.
- **Capacity**: Management merely DESCRIBED its expanding physical infrastructure footprint and unified digital banking application reach without committing to concrete future branch count metrics or opening dates.
- **Costs**: Management merely DESCRIBED its ongoing capital investments in technology refreshes, cloud infrastructure, and sales distribution expansion without committing to future cost-to-income figures.

- **Balance sheet**: Management merely DESCRIBED its portfolio rebalancing strategy away from unsecured loans toward secured retail lines without committing to a specific target framework or credit cost numbers.

Tone

The tone of the commentary is dualistic, matching granular operational transparency for completed milestones with boilerplate marketing adjectives regarding future strategies. While backward-looking updates provide specific, falsifiable metrics on customer service turnaround times and digital platform adoption, forward-looking declarations lean heavily on broad macroeconomic tailwinds and aspirational corporate slogans.

3. Financial analysis

3.1 Financial statements

P&L statement — lender basis (□Cr)

Line item	Mar 2026	Mar 2025
Interest earned	14,337	14,041
Interest expended	7,975	7,576
Net interest income (NII)	6,362	6,465
Non-interest income	4,127	3,778
Total income (NII + non-interest)	10,489	10,243
Operating expenses and provisions (combined)	9,136	9,312
Depreciation	247	236
Profit before tax	1,106	696
Net profit	879	717
Non-interest income as % of total income	39.35%	36.88%
NII as % of interest earned	44.37%	46.04%

Balance sheet (□Cr)

Line item	Mar 2026	Mar 2025
Equity Capital	618	608
Reserves	16,106	15,062
Deposits	138,959	110,933
Borrowing	16,796	13,735
Other Liabilities	8,267	6,435
Non controlling int	0	0
Other liability items	7,312	5,654
Total Liabilities	180,747	146,772
Fixed Assets	602	638
Investments	32,059	32,103
Other Assets	148,066	114,025
Cash Equivalents	14,012	10,965
Other asset items	133,823	102,873
Total Assets	180,747	146,772

Cash flow statement (□Cr)

Line item	Mar 2026	Mar 2025
Cash from Operating Activity	7,578	-829
Profit from operations	4,155	4,309
Loans Advances	-24,423	-12,113
Operating investments	-16	-2,321
Operating Deposits	28,074	7,712
Other WC items	-66	1,762
Working capital changes	3,569	-4,960
Direct taxes	-146	-178
Cash from Investing Activity	-191	-276
Fixed assets purchased	-235	-288
Fixed assets sold	10	8
Capital WIP	0	0
Other investing items	34	5
Cash from Financing Activity	3,160	-503
Proceeds from shares	160	38
Proceeds from borrowings	3,061	0
Repayment of borrowings	0	-450
Dividends paid	-61	-91
Other financing items	0	0
Net Cash Flow	10,547	-1,608

3.2 Financial analysis summary

1. Is this business actually making money? Yes, the bank is profitable, reporting an increase in consolidated net profit to □879 Cr in FY2026 from □717 Cr in FY2025, though its core lending profitability is under pressure. Cumulative net profit over the five-year window stands at □3,610 Cr. Profit growth this year was primarily sustained by risk-provisioning reductions and non-lending operations rather than expanding core credit margins: * **Provisions Reduction:** Profit before tax was supported by a □699 Cr reduction in provisions and contingencies, which dropped to □2,260 Cr from □2,959 Cr in the prior year. * **Core Margin Compression:** Net Interest Income shrank to □6,362 Cr from □6,465 Cr in FY2025. This contraction was driven by a drop in loan yields to 12.1% and a reduction in the net interest margin proxy to 3.88%, the lowest level seen across the five-year window. * **Write-off Dependencies:** Stressed assets remain a challenge as fresh slippages were high at □3,816.84 Cr, exceeding the closing Gross NPA of □1,674.95 Cr. The improvement in the bad loan ratio was achieved through technical write-offs of □3,770.48 Cr, while organic recoveries provided just □433 Cr. * **Segment Losses:** The Other Retail Banking segment recorded an operational loss of □395.11 Cr on an asset credit base of □60,629.48 Cr, leaving group profits reliant on the Corporate/Wholesale and Treasury segments. * **Operational Slack:** Total income growth slowed to 2.11% (□14,337 Cr), but employee expenses rose by 11.48% to □2,431.94 Cr, reducing core operational efficiency. Additionally, the bank's equity-to-assets ratio worsened from 10.68% to 9.25%, the lowest point in the observed period.

2. Is that money arriving as cash? Yes, operating cash generation before working capital adjustments is solid at ₹4,155 Cr, but final cash flow metrics are governed by deposit and credit volume movements. As a commercial bank, net operating cash flows function as funding indicators rather than typical industrial cash conversion tools: * **Net Cash Recovery:** Net cash from operating activities turned positive at ₹7,578 Cr in FY2026, recovering from a negative ₹829 Cr in FY2025. This turnaround was driven by a 25.26% jump in customer deposits to ₹138,959 Cr, bringing in ₹28,074 Cr of operating inflows. * **Asset Deployment:** This liquidity completely absorbed the ₹24,423 Cr utilized to fund loans and advances, up from ₹12,113 Cr in the previous year. * **High Earnings Validity:** The cash authenticity of the bank's earnings is confirmed by its tax history. Over four profitable years, the bank recorded a P&L tax charge of ₹611 Cr but paid out ₹754 Cr in cash to tax authorities. This 1.23x payment ratio indicates clean earnings uninflated by non-cash book adjustments. * **Non-Cash Operating Drag:** Cash flow from operations before working capital adjustments was reduced by a non-cash provision and write-off charge of ₹2,809.59 Cr and an ESOP reserve charge of ₹62.83 Cr.

3. Where is the cash going, and who is getting it? The cash is primarily being re-invested into the credit book to finance new advances, with depositors, employees, and international wholesale lines receiving the largest distributions. Cash flows are distributed across the following key segments and parties, ranked by transaction size: * **Borrowers:** Net advances to clients consumed the largest share of capital, taking ₹24,423 Cr in fresh funding. Unsecured retail advances comprise 32.44% of the net credit book, standing at ₹37,062.34 Cr out of ₹114,231.94 Cr. * **Liquid Capital and Bank Balances:** Net cash flows added ₹10,547 Cr to cash and liquid equivalents over the year. * **Depositors and Wholesale Funders:** Interest expended on funding sources cost ₹7,974.66 Cr (up 5.26% YoY), driven by growth in higher-cost term deposits to ₹92,245.36 Cr as the low-cost CASA deposit ratio fell slightly to 33.62%. * **Employees:** Payments to personnel took ₹2,431.94 Cr, representing an 11.48% expansion that includes a one-time structural cost of ₹28.61 Cr from New Labour Code wage updates. * **Fixed Assets and Technology Infrastructure:** Capital expenditures absorbed ₹235 Cr during the year, contributing to a total five-year cumulative capex of ₹1,242 Cr. * **Shareholders:** Received minimal distributions, with total dividends paid falling to ₹61 Cr in FY2026 from ₹91 Cr in FY2025. Over the entire five-year window, equity holders received a cumulative ₹242 Cr. * **International Capital Providers:** Wholesale cash generation was assisted by a 65.37% spike in borrowings outside India, which climbed to ₹11,783.12 Cr. * **Management (Key Personnel):** Value leakage remains tightly managed. Total remuneration to Key Management Personnel was ₹9.76 Cr, with the MD & CEO receiving ₹5.62 Cr (combined, this is a minor 1.11% of net profit). Year-end deposits from key management were ₹11.20 Cr, and outstanding credit extensions were negligible at ₹0.01 Cr.

3.3 Contingent liabilities & commitments

Contingent liability head	31-Mar-26	31-Mar-25
Forward Exchange Contracts	64,511.01 Cr	53,392.33 Cr
Guarantees (India & Outside)	17,066.82 Cr	14,617.64 Cr
Acceptances and Endorsements	9,111.50 Cr	6,242.26 Cr
Tax Disputes & Other Matters	229.92 Cr	124.59 Cr
Total Contingent Liabilities	140,828.51 Cr	108,393.76 Cr

• **Forex Exposure:** Forward exchange contracts represent 45.81% (calc.) of total contingent liabilities. The sharp increase from 53,392.33 Cr to 64,511.01 Cr signals heightened hedging activity or increased client-side trade finance volumes. • **Tax Litigation Risk:** Disputed income tax and other matters nearly doubled to 229.92 Cr. While the bank classifies these as contingent, any adverse ruling would directly hit the Profit & Loss account. • **Capital Commitments:** Outstanding capital commitments are 131.24 Cr, primarily for IT and infrastructure upgrades, slightly higher than the previous year.

3.9 Earnings quality & forensic checks

Is the income real?

Insufficient · all 4 signals clean · confidence high · 4/4 checked

Signal	FY25	FY26	Status	What it means
Yield on advances vs cost of funds	—	Not disclosed	Unresolved	—
Interest on income-recognition-suspended accounts	—	Not disclosed	Unresolved	—
Net interest income vs treasury/ trading gains	6,464.92 Cr	6,362.08 Cr (-1.6%)	Clean	Net interest income dropped by 102.84 Cr while treasury/trading gains were 349.42 Cr
Fee and other income quality	3,047.12 Cr	3,347.76 Cr (+9.9%)	Clean	Core fee income forms 81.11% of total non-interest income of 4,127.18 Cr

Is the book honestly provisioned?

Insufficient · 4 of 7 signals flagged · confidence high · 6/6 checked

Signal	FY25	FY26	Status	What it means
GNPA / NNPA movement and recognition	2,465.47 Cr	1,674.95 Cr (-32.1%)	Watch · high impact	Gross NPA fell to 1,674.95 Cr due to aggressive write-offs, while fresh slippages remained high at 3,816.84 Cr
Write-offs vs recoveries	Not disclosed	3,770.48 Cr	Watch · high impact	Technical write-offs of 3,770.48 Cr far exceed organic recoveries of 433 Cr
Provision coverage ratio	2,192.18 Cr	1,229.72 Cr (-43.9%)	Watch · medium impact	Provisions for NPAs fell significantly, resulting in a calculated PCR of 73.42%
High unsecured loan book exposure	3,230.44 Cr	3,706.23 Cr (+14.7%)	Watch · medium impact	Unsecured advances grew to 37,062.34 Cr, representing 32.44% of total net advances
Restructured / SMA book	—	Not disclosed	Unresolved	—
Fresh lending to a borrower group whose earlier exposure was already stressed -- the evergreening question: did new credit go out so that old interest could come back?	—	Not disclosed	Unresolved	—
Divergence reported by the regulator	—	Not disclosed	Clean	No divergence reported against RBI IRAC norms

Is the P&L being manufactured?

Watch · 2 of 5 signals flagged · confidence high · 4/4 checked

Signal	FY25	FY26	Status	What it means
Provisions drop propping up profit growth	2,937.40 Cr	2,486.56 Cr (-15.3%)	Watch · high impact	Total provisions dropped by 450.84 Cr, which primarily drove the 22.59% growth in PAT
Floating / counter-cyclical provision usage	754.14 Cr	642.46 Cr (-14.8%)	Watch · medium impact	Reversal of standard asset provisions added 114.95 Cr to PBT, representing 10.39% of PBT
Deferred tax asset recognition	663.31 Cr	544.27 Cr (-17.9%)	Clean	Net DTA decreased due to a deferred tax expense charge of 125.69 Cr in the P&L
Exceptional items	—	Not disclosed	Clean	No exceptional items were recorded
Accounting-policy or estimate change	75.58 Cr	—	Clean	Prior year transition to revised investment directions created reserves of 75.58 Cr, with no current year P&L policy adjustments

Is value leaving to insiders?

Clean · all 3 signals clean · confidence high · 3/3 checked

Signal	FY25	FY26	Status	What it means
Related-party and group exposures	9.20 Cr	11.20 Cr (+21.7%)	Clean	Total deposit balances from KMP and relatives rose slightly to 11.20 Cr
KMP / director remuneration vs pre-provision operating profit	8.56 Cr	9.76 Cr (+14.0%)	Clean	Total KMP remuneration was 9.76 Cr, representing 0.29% of pre-provision operating profit of 3,365.34 Cr
Loans to directors / related entities	0.08 Cr	0.01 Cr (-87.5%)	Clean	Advances outstanding to KMP were minimal at 0.01 Cr

Can the capital and funding base take a hit?

Insufficient · 4 of 7 signals flagged · confidence high · 6/6 checked

Signal	FY25	FY26	Status	What it means
CAR / CET1 headroom	Not disclosed	12.77%	Watch · high impact	Total CAR stands at 14.25% (2.75% headroom above regulatory minimum) and CET1 is 12.77% (4.77% headroom)
Contingent liabilities vs net worth	108,393.76 Cr	140,828.51 Cr (+29.9%)	Watch · high impact	Total contingent liabilities of 140,828.51 Cr are 8.42x the total net worth of 16,724 Cr
Wholesale funding concentration / CASA mix	34.14%	33.62%	Watch · medium impact	CASA ratio deteriorated slightly to 33.62%, indicating higher term deposit reliance
Derivative asset and liability volatility spike	616.01 Cr	2,632.25 Cr (+327.3%)	Watch · medium impact	Derivative assets spiked to 2,632.25 Cr and derivative liabilities rose to 2,465.51 Cr, expanding balance sheet size risk
Fixed versus floating split on BOTH sides -- loans given and funds raised -- and the repricing buckets	—	Not disclosed	Unresolved	—
Credit-deposit ratio	92,618.27 Cr	114,231.94 Cr (+23.3%)	Clean	Credit-deposit ratio stands at 82.21% compared to 83.49% in the prior year
AT1 and Tier-2 instruments, write-down history	854.75 Cr	948.35 Cr (+11.0%)	Clean	The bank carries zero AT1 capital and relies on 948.35 Cr of Tier-2 subordinated debt

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unmodified
Fraud reported by the auditor	Watch	13 employee cases (□0.88 Cr)
Audit trail (edit log) in the accounting software	Clean	Operated throughout the year, no tampering
Statutory dues unpaid	Clean	None reported
Promoter pledge (% of promoter holding)	Clean	0% (No promoter entity during FY26)
Independent directors (% of board)	Clean	60% (6 out of 10 directors)
Woman director	Clean	2 directors present
KMP pay against the statutory ceiling	Clean	Exempt under statute; approved by RBI
Related-party transactions (% of revenue)	Clean	<0.1% of revenue (Routine arm's length)

A. Auditor report & key audit matters

The financial statements were audited jointly by M/s KKC & Associates LLP and M/s Singhi & Co., who delivered an unmodified opinion. The auditors highlighted two Key Audit Matters:

1. **Information Technology (IT) Systems and Controls over Financial Reporting:** Given the high volume of daily transactions processed across the Core Banking Solution, the audit deployed technology specialists to test the operating effectiveness of general IT controls, user access management, database management,

and network operations. Compensating manual and automated business cycle procedures were verified to ensure report logic was uncompromised.

2. **Income Recognition, Asset Classification and Provisioning on Advances (IRAC):** Reviewing a net loan book of ₹114,231.94 Cr and NPA provisions of ₹1,232.22 Cr, the auditor focused on management's qualitative estimations and regulatory adherence. Audit execution included testing system controls for asset categorization and test-checking individual advance files to validate IRAC compliance.

The report carries no Emphases of Matter or material internal control weaknesses. There are no reported defaults to lenders. Total fees paid to the joint statutory auditors across the consolidated entity stood at ₹3.24 Cr, consisting of ₹2.69 Cr for audit and statutory certifications, ₹0.48 Cr for non-audit services, and ₹0.07 Cr for expense reimbursements.

Lender-Specific Regulatory Disclosures: * **Asset Classification and Provisioning Divergence:** The bank explicitly reports that no regulatory divergence in asset classification or provisioning was identified by the Reserve Bank of India during the period, indicating full alignment with IRAC norms. * **Regulatory Penalties:** No penalties or strictures were imposed on the bank by SEBI, stock exchanges, or capital market authorities over the past three financial years. General operational penalties by the RBI are not in the supplied text. * **Frauds Reported to the Regulator:** The bank disclosed 13 instances of fraud involving bank employees, with 8 categorized as financial frauds totaling ₹0.88 Cr. These instances primarily involved internal misappropriation of funds, cashier theft from the vault, and fraudulent account access via altered demographic data. The bank has initiated staff disciplinary actions, enhanced process monitoring, and filed formal police complaints; the exact provisioning status for these specific losses is not in the supplied text.

B. Related party transactions

Value leakage to connected parties remains functionally non-existent. Total transactions with Key Management Personnel and their immediate relatives are small and routine:

- **KMP Remuneration:** ₹9.76 Cr paid to core executives.
- **Deposit Balances:** Year-end outstanding deposits stood at ₹11.20 Cr (₹8.27 Cr from KMP; ₹2.93 Cr from relatives). Total interest paid on these deposits was ₹0.82 Cr (₹0.49 Cr to KMP; ₹0.33 Cr to relatives).
- **Advances Outstanding:** Nominal balances of ₹0.01 Cr, consisting exclusively of standard retail credit card outstandings.
- **Dividends Paid:** ₹0.47 Cr distributed to KMP based on existing shareholdings.

All transactions occurred within the ordinary course of business and on strict arm's length terms. No preferential credit pricing was extended, meaning minority holder capital was not used to subsidize related-party ventures. There are zero write-offs, provisions, or impairments recorded against promoter or KMP balances.

Lender-Specific Regulatory Disclosures: * **Lending to Directors:** Apart from the nominal retail credit card outstandings of ₹0.01 Cr extended to KMP, no standard corporate loans or advances were granted to directors, their relatives, or connected firms. * **Exposure Limits:** Disclosures regarding single-borrower or group-borrower exposure limit compliance or potential regulatory breaches are not in the supplied text.

C. Shareholding

During the financial year ended March 31, 2026, RBL Bank operated as a professionally managed institution with no single identifiable promoter. Consecutively, there were zero promoter shares pledged or encumbered.

However, a fundamental structural transition occurred post-balance sheet. On June 18, 2026, following the receipt of regulatory clearances, the board finalized a massive capital restructuring transaction with Emirates NBD Bank (ENBD). The bank issued and allotted 92,91,34,820 fully paid equity shares via preferential private placement to ENBD at a price of ₹280 per share, aggregating to ₹26,015.77 Cr.

This transaction granted ENBD a 60% controlling interest in the post-preferential equity capital, resulting in its formal reclassification as the bank's corporate promoter. In compliance with take-over rules, ENBD launched a mandatory open offer to acquire up to 26% of expanded voting capital from public shareholders at □280 per share; however, zero shares were tendered by public shareholders. Additionally, a scheme of amalgamation to merge ENBD’s existing India branches into RBL Bank in exchange for 8,70,89,286 fresh equity shares has received shareholder assent and currently awaits final RBI approval.

D. Board composition

As of March 31, 2026, the board maintained clear institutional separation between management and oversight. Mr. Chandan Sinha serves as the Non-Executive Part-Time Chairman (re-appointed for a three-year term running through May 20, 2029), and Mr. R. Subramaniakumar functions as the Managing Director & CEO. No director shares any family relationship with any other board member.

Board Churn and Transition Tracking: * Dr. Somnath Ghosh (Independent) vacated his seat on December 6, 2025, upon the natural expiration of his term. * Mr. Rajeev Ahuja (Executive Director) retired from services and ceased to be a Whole-time Director on February 20, 2026. * Mr. Jaideep Iyer was elevated to the board as an Executive Director for a three-year term beginning February 21, 2026. * Mr. Manjeev Singh Puri (Independent) completed his tenure and exited the board on May 20, 2026. * Mr. Suryanarayan Subramanian was inducted as an Additional Independent Director on June 5, 2026.

Post-Year-End Allotment Shake-up: Consequent to the preferential share allotment to ENBD on June 18, 2026, the board underwent an immediate, investor-driven overhaul. Non-Independent Directors Ms. Veena Mankar and Mr. Gopal Jain resigned to facilitate organizational restructuring. Simultaneously, five ENBD Nominee Directors were appointed to the board as Additional Non-Executive Non-Independent Directors: Mr. Shayne Keith Nelson (Group CEO of ENBD), Mr. Patrick John Sullivan (Group CFO of ENBD), Mr. Neeraj Makin, Mr. Manoj Chawla, and Mr. Marwan Mahmood Mohammad Hadi.

Under the specific provisions of the RBI approval, the bank now operates as a foreign bank in subsidiary mode under its parent ENBD. It must comply with Chapter IV of the RBI Governance Directions, though it is exempt from the requirement that half of the directors attending a meeting must be independent.

Lender-Specific Regulatory Disclosures: * **Fit-and-Proper Framework:** The Nomination and Remuneration Committee (NRC) confirmed that all statutory "Fit and Proper" background checks and declarations were completed cleanly for all sitting and incoming directors. * **Specialist Board Expertise:** The board satisfies regulatory requirements, with members holding verified expertise across Accountancy, Banking, Economics, Finance, Law, IT, Cyber Security, Payment Systems, and Rural/Small-Scale Industry management. * **Committee Attendance Governance:** Statutory sub-committees maintained rigorous schedules. The Audit Committee met 11 times, the Risk Management Committee met 6 times, and the NRC met 8 times. No core committee fell short of required operational frequencies. * **Tenure Caps:** Independent tenures are actively monitored against statutory boundaries; for instance, Mr. Ishan Raina previously hit the strict maximum regulatory cap of 8 continuous years on April 29, 2024.

E. KMP compensation

Total compensation distributed to the bank's Whole-time Directors during FY26 was □9.76 Cr, distributed across three executives: MD & CEO Mr. R. Subramaniakumar received □5.62 Cr; retiring ED Mr. Rajeev Ahuja received □3.85 Cr; and incoming ED Mr. Jaideep Iyer received □0.28 Cr.

To assess the proportionality of this pay, it is measured against the bank's consolidated Pre-Provision Operating Profit (PPOP), computed as Net Interest Income (□6,362 Cr) plus Non-Interest Income (□4,127 Cr) minus Operating Expenses (□7,124 Cr), which totals □3,365 Cr. Total KMP compensation consumes a tiny **0.29% of PPOP**, positioning it well below any threshold of minority concern. The direction of executive pay is

fundamentally aligned with shareholder value: total KMP compensation moved marginally higher alongside an 11.48% expansion in broader employee payments, while bottom-line consolidated Net Profit grew by a stronger 22.59% (to ₹879 Cr).

Lender-Specific Regulatory Disclosures: * **Regulatory Sanctions:** All executive remuneration structures and individual payouts strictly matched the specific regulatory approvals obtained from the RBI (including the RBI mandate dated September 23, 2025, which sanctioned fixed pay revisions and performance bonuses for the management team). * **Variable Pay and Deferral Architecture:** The cash variable pay component for the year was ₹2.14 Cr. In alignment with regulatory guidelines on risk-mitigated compensation, deferred cash schedules from prior performance years (FY22, FY23, and FY24) were distributed. Share-linked variable incentives included the grant of 1,96,430 stock options to the MD & CEO and 93,470 options to Mr. Rajeev Ahuja, vesting over a three-year period (30%, 30%, 40%). * **Malus and Clawback Applications:** While formal malus and clawback clauses govern the bank's compensation policy, there is nothing to report regarding clauses being invoked or performance pay being retrieved due to risk breaches during FY26. * **Statutory Median Remuneration Ratio:** Because the bank operates under the Banking Regulation Act, standard industrial Section 197 disclosures and median employee pay ratios do not apply and are omitted.

F. Capital allocation & capex

RBL Bank's capital deployment must be evaluated in two phases: the organic operations closing March 31, 2026, and the transformative capital event of June 18, 2026.

Over the standard operating window, the bank successfully funded its credit acceleration out of retail liabilities without stressing its asset-liability balance: * **Loan Book Funding:** Net Advances grew by 23.33% (increasing from ₹92,618.27 Cr to ₹114,231.94 Cr). This asset growth was fully covered by an expansion in customer Deposits, which increased by 25.26% (moving from ₹110,932.90 Cr to ₹138,959.35 Cr). The bank did not rely on fresh equity issuance to fund regular credit underwriting. * **Borrowing Performance:** The bank raised a net ₹3,061.46 Cr from financing borrowing lines during the year, while its cross-border borrowing footprint rose by 65.37% (to ₹11,783.12 Cr), fully hedged via derivative swaps. * **Dividend Cover and Adequacy:** Capital Adequacy under Basel III closed the year at 14.25% (CET-1 at 12.77%), down from 15.54% in FY25 due to organic risk-weighted asset consumption. Standalone dividend distributions absorbed a conservative ₹61 Cr, ensuring payouts did not compromise minimum capital thresholds.

The Transformative Dilution Event: The post-year-end preferential private placement on June 18, 2026, fundamentally re-baselined the bank's capital position. By issuing shares to ENBD, the bank brought in ₹26,016 Cr of cash, raising its net worth to ₹42,078.97 Cr and pushing its Capital Adequacy Ratio to an extraordinarily high 33.28% as of June 30, 2026. For existing minority shareholders, this structural move bought safety and immense growth runway at the cost of massive dilution, handing over a 60% controlling interest to a foreign banking group at ₹280 per share.

Capex Treatment: Fixed asset additions and capital work-in-progress accounted for ₹234.56 Cr for the year. Measured against total consolidated operating expenses of ₹7,124 Cr, capex represents a highly controlled **3.29% of operating overheads**. This technology spend was focused on risk infrastructure, including the complete replacement of legacy SAS risk models, the migration of switches to an in-house platform, the deployment of a new modular data centre that expanded computing capacity by 2.5x, and the transition of customer account openings to the proprietary R-Genesis software platform.

G. Revenue recognition policy

The bank's revenue recognition accounting policy restricts management's ability to artificially inflate financial performance through subjective earnings acceleration:

- **Lending Revenue Accrual:** Interest income is recognized on a strict time-proportionate accrual basis across all performing standard assets. However, for loans classified as Non-Performing Assets (NPAs) or investments categorized as Non-Performing Investments (NPIs), accrual accounting is halted. Revenue on these stressed lines is recognized only upon actual cash realization. Any previously unrecognized, accrued interest on newly designated NPA accounts is reversed out of active earnings, ensuring profit figures remain backed by cash flows.
- **Upfront Fees:** Loan processing fees are accounted for upfront at the moment they become due. While this aligns with transaction execution, it gives management a lever to front-load income statement gains during periods of high credit volumes. Processing fees shared with business correspondents or distribution partners are directly netted from this fee line where applicable.
- **Fee and Commission Revenue:** Guarantees issued by the bank have their commission income recognized on a systematic straight-line basis over the exact operational life of the underlying contract. Dividends are booked into revenue on an accrual basis only when the bank's clear legal right to receive payment is fully established.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	1	Down	ROA below 0.5% in 3 of the 5 years (-0.16% in FY22, 0.49% in FY25, 0.49% in FY26).
Financial health	3	Down	Gross NPA fell mainly through technical write-offs of □3,770 Cr rather than recoveries.
Earnings quality	3	Same	Write-backs and provision reversals represented 10.39% of pre-tax profit.
Management & governance	5	Up	KMP pay at 0.29% of PPOP, zero promoter pledge, and clean audit opinion.
Capital allocation	3	—	Substantial capital raised to fund growth, though current ROE of 5.26% is below the cost of equity.

6. How it has been doing

6.1 The multi-year picture

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Total income growth %	18.65	13.29	2.11	13.29 `# [--o---]` 28.08	**Worse than trend** (worst in window)	Core interest income growth slowed to 3.90% amidst deliberate loan book rebalancing away from high-yield unsecured assets.	Structural
PAT margin %	5.71	5.11	6.13	-1.97 `[-------#---]` 10.17	**In line with trend**	—	—
ROA %	0.51	0.49	0.49	-0.16 `[------#o---]` 0.91	**In line with trend**	—	—
ROE %	4.64	4.58	5.26	-1.32 `[------o#---]` 8.49	**Better than trend**	Net profit recovered to □879 Cr, supported by a □450.84 Cr reduction in credit provisions and contingencies.	Too early
NIM proxy %	4.46	4.53	3.88	4.05 `#[-----o---]` 4.75	**Worse than trend** (worst in window)	Average loan yields fell to 12.10% due to a systemic shift towards lower-yielding secured retail banking assets.	Structural
Equity / assets %	11.22%	10.68%	9.25%	`10.68` # [-o--] `11.8`	**Worse than trend** (worst in window)	Organic consumption of capital buffers occurred via 23.33% asset book growth prior to the post-year-end corporate equity restructuring.	One-off
Deposit growth %	12.18	7.21	25.26	7.21 `[--o------] #` 21.91	**Better than trend** (best in window)	Accelerated branch network expansion with over 60 new branches opened, scaling total deposits to □138,959.35 Cr.	Structural

6.2 Management: said versus delivered

What they said last year	What actually happened	Verdict
"20% growth guidance" to support credit demand across vertical segments.	Total net advances expanded by 23.33% YoY to □114,231.94 Cr, with retail banking growing by 20.50% to □67,120 Cr and wholesale banking growing by 27.60% to □47,112 Cr.	Delivered
"Proposed Equity Issuance (QIP)" of □3,500 Cr to strengthen capital buffers.	Executed a larger corporate capital restructuring transaction on June 18, 2026, raising □26,015.77 Cr via a preferential private placement to Emirates NBD Bank for a 60% controlling interest.	Delivered
Maintain Net Interest Margin (NIM) stability above the 4.50% watch threshold.	The directional net interest margin proxy compressed to 3.88% (the worst in the 5-year window) as standalone net interest income shrank by 1.59% to □6,362.08 Cr.	Partially Met

Screener’s negative financing margin (standing at -19% in FY2026) and volatile operational cash flows are persistent structural features of a lender's business model rather than signs of operational deterioration. In banking entities, operating cash flows are inherently dominated by loan-book additions and deposit sourcing

movements, while the industrial financing margin construction charges the entire corporate operating overhead base against interest income alone.

What has not changed

- Employee expenses have continuously consumed a high share of total income, ranging between 15% and 17.10% for five consecutive years (standing at 17% in FY2026).
- Core non-interest income has persistently contributed a steady share of 19.80% to 22.40% of total income across the entire five-year window, ensuring a predictable baseline of fee and transaction revenue.
- Other fixed assets expanded sequentially for the fifth consecutive year, climbing from □1,317 Cr in FY2022 to □2,075 Cr in FY2026 to support physical and digital infrastructure sourcing upgrades.