Management Discussion

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Thank you, Michelle. Good evening, ladies and gentlemen, and thank you for joining us for a discussion on our bank's financial results for the second quarter of the financial year 2027. We have uploaded the results along with the presentation on our website, and I'm sure you had a chance to go through that in detail ahead of this call. I'm joined by Executive Director, Mr. Jaideep, and the CFO, Mr. Bhavin, and other members of our management team to address any questions you may have. Before we get into the details on the Q2 operational performance, I would like to briefly touch upon the macro trends. The Indian economy continues to demonstrate resilience, supported by the robust domestic demand, healthy services activity, improving manufacturing momentum that's supported by the government policies, and sustained investment. The GDP growth expectations for FY27 have been revised upwards to around 7.1%, reflecting the strength of underlying economic activity. High-frequency indicators remain encouraging, while credit growth continues to be robust across the banking system, providing a supportive backdrop for the banking sector. However, the global macroeconomic environment has become increasingly challenging in recent months, with heightened geopolitical tensions, elevated crude oil prices, tighter global financial conditions, and higher interest rates contributing to greater volatility across currency, bonds, and capital markets. Inflation risks are likely to remain elevated over the coming quarters, driven by energy, freight, and food-related pressures.In response, the Reserve Bank of India has raised the repo rate by 25 basis points to 5.5% and shifted its policy stance to calibrated tightening, signaling a continued focus on containing inflationary pressures. It has also undertaken measures to manage currency volatility, including interventions in the spot and forward foreign exchange markets and the introduction of a special window to meet daily dollar requirements. Market expectations point to the possibility of further rate increases, while the system liquidity is expected to gradually normalize as surplus liquidities are absorbed.Elevated crude oil prices, weather-related risks, and external uncertainties will therefore remain key monitorables. Notwithstanding these challenges, India's strong economic fundamentals, the fiscal discipline, and the sustained domestic demand provide a solid foundation for medium-term growth. Fiscal pressures are modest, and government's efforts towards fiscal consolidation are paying off when several developed economies are on the other side. Despite rising inflation, the fact that it is rising from a low level and likely to remain within the upper tolerance band of Reserve Bank of India is comforting.The system-wide banking asset quality is robust and therefore remains constructive on the outlook for the banking sector. With resilient economic activity and a healthy credit demand expected to support its growth trajectory, the bilateral and multilateral trade and investment agreements is a lever to navigate external imbalances, while domestic consumption and demographics will shift gear towards higher growth. In a scenario wherein higher interest rates, evolving liquidity conditions, and increased market volatility warrant continued vigilance, we believe that the overall medium-term operating environment within India remains favorable and offers meaningful potential for growth. In this backdrop, I will briefly touch upon our trends in the quarter. As you are aware, we have generated a large amount of liquidity on our balance sheet between the capital raise and the deposits raised during the FCNR scheme.For context, between both, we have added 35% of our balance sheet as of 31st May, 2026. This liquidity is deployed as follows. First, prepaid -- or chosen not to renew the borrowings and bulk term deposits which were at a higher cost. Grow our business across both wholesale and secured retail, where we have seen demand and the business conditions continue to remain fairly stable. The wholesale lending is a highly rated corporates where we want to start or deepen the relationship.

The balance liquidity is tactically deployed in a combination of the short-term investments and the short-term loans given to our wholesale customers. Given the large liquidity still on the balance sheet, we expect to continue this for the next few months.Over the medium term, we expect this liquidity to be fully deployed in the wholesale banking segment, where we want to use both our ability to underwrite larger exposures and the liquidity to strengthen the relationship with the better-rated corporates, and the secured retail through the branch banking route, again, to deepen the customer relationship. At the same time, the corporate deposits and borrowings have already seen reduction in the cost, we will continue to focus on building granular retail deposits and rationalize our deposit rates gradually. As you may have seen, we have already started on this journey across our savings and term deposits. We will continue our investments in upgrading our distribution across branches, people, and technology to deepen our network and improve the quality of our products and services. Onto asset quality trends in retail. The collection momentum, including the rural businesses, this quarter, has been stable with no disruption so far. However, given deficient monsoons in certain districts, we continue to remain very watchful. We have also not seen any material impact on our portfolio arising from the conflict in the Middle East so far. In our unsecured retail business, we have seen JLG return to normalcy for a few months now, with the bucket X efficiency consistently close to 99.5%. We remain confident in the journey of credit cards and have seen the last quarter in line with the path laid out a few quarters ago. We are encouraged with the asset quality trends, and we expect slippages to trend materially downwards in line with our guidance in the last quarter. Onto business trends in the quarter. We continued to see robust growth across both sides of the balance sheet. Our credit rating upgrades have helped us add customers, especially in the wholesale, for both advances and deposits. Our advances grew this quarter by 42% year-on-year, to INR142,314 crore, and the average advances grew 33% year-on-year. This includes leverage we provided to the customers of INR10,300 crore for FCNR deposits and the liquidity deployment in a better-rated wholesale clients where we are looking to deepen and start new relationships.Similarly, our deposits grew 34% year-on-year to INR156,272 crore in the quarter. Average deposits grew 24% Y-o-Y. This includes the FCNR deposits raised by this quarter. As a result, our average CASA ratio stood at 24% as of 30th September. It would have been 28.1% excess in our deposits. Now the milestones achieved in the quarter. One, the balance sheet crossed INR2 lakh crore to end the quarter at INR2,22,344 crore, more than doubling over from financial year 2022. The term deposits crossed INR1 lakh crore to INR1,13,746 crore. Operating profit crossed INR1,000 crore mark to INR1,396 crore for Q2 FY27. Cost-to-income ratio for the quarter was 56.5% versus 70.7% in Q2 FY26. In summary, as we look ahead, our growth priorities are focused on building a scalable, resilient and profitable franchise. Our normal business trends are improving quarter-on-quarter as unsecured stress normalizes. At the same time, we are working on putting together building blocks, which we will articulate in greater detail over the coming months.But briefly, we would focus on deepening and starting new relationships with large corporates, which were not accessible earlier, either due to constraint of credit rating, capital position, or our cost of funds.We are also working to target the trade flows in the corridors where ENBD is present, where we believe we have competitive advantages because of the ENBD network. Continuing to build granular and stable liabilities with the objective of progressively narrowing the cost of deposit gap, which are with the larger banks. At the same time, we want to leverage the momentum from the FCNR deposit relationship we have onboarded to target non-resident flows, starting with the Middle East and over the time in all the geographies where ENBD has a presence.MNC and in sectors like IT and IT services, relationships are being strengthened, especially on the liability and non-funded side

due to the group's cross-border strength and the bank's strong credit rating. We will invest in the distribution infrastructure, be it branches, people, and technology, to strengthen our presence in the relevant geographies. We will also take early steps on investing in a wealth proposition for our customers. I invite Mr. Bhavin to take you through the specifics of our results.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Thank you, Mr. Kumar. Briefly touching on some of the specific aspects of our financial performance. Our advances grew 42% year-on-year to INR142,314 crore in the quarter. Average advances grew 33% year-on-year. Wholesale advances grew 56% year-on-year, retail grew 32% year-on-year. Within wholesale, the corporate segment grew 60% year-on-year and commercial banking segment grew 47% year-on-year. While in the retail segment, secured retail assets grew 52% year-on-year and unsecured retail advances grew 56% year-on-year.Secured retail advances include the FCNR leverage we have provided to customers of approximately INR10,300 crores. The retail-wholesale mix was therefore at 56/44. Our total deposits grew 34% year-on-year to INR156,272 crores. This was helped by the FCNR deposit. Excluding the FCNR deposit, the growth was 6% year-on-year as we look to optimize the cost of deposit, as mentioned earlier. Average deposits grew 24% year-on-year. Our CASA grew 14% year-on-year to INR42,526 crores. Average LCR for the quarter was at 148%. Now on our operating performance. Our NII was up 37% year-on-year and 29% sequentially to INR2,131 crores. Our NIM for the quarter was at 4.61%, an increase of 48 basis points sequentially. Non-interest income grew 16% year-on-year and 12% sequentially to INR1,077 crores. This was also helped by foreign exchange income from the FCNR deposits. Fee income grew 12% year-on-year and 13% sequentially to INR1,040 crores. Our net total income grew 29% year-on-year and 23% sequentially to INR3,208 crores. Our opex grew 3% year-on-year and 7% sequentially to INR1,812 crores.The credit cost for the quarter was at INR771 crores or 63 basis points, which included a standard asset provisioning of 11%. The specific credit cost was lower at 52 basis points versus 62 basis points of last quarter, or INR641 crores vis-a-vis INR670 crores for the last quarter. Our net profit for the quarter was up 170% year-on-year and 90% sequentially to INR482 crores. On asset quality, GNPA was down 28 basis points sequentially to 1.02%, and net NPA was down 8% sequentially to 0.29%. The PCR stands at 71.5%.Our capital adequacy ratio was at 30.1% and CET1 ratio was at 29%. With this, we will open the session for question and answer.

Questions & Answers

Operator
Thank you very much, sir. [Operator Instructions] The first question is from the line of Rikin Shah from IIFL Capital. Please go ahead.

Rikin Shah - Analyst, IIFL Capital Services Limited
Hi, good evening, everyone, and congratulations on very strong FCNR mobilization in this quarter. I had seven questions. The first one, if we look at the period-end CASA growth, it's up almost 15% Q-o-Q, but the average CASA growth is flat. So could you just elaborate on progress on various initiatives to strengthen the retail deposit accretion, including branches, etc.? I do notice that the employee headcount has been rising, but any progress on strengthening the retail franchise? That's my first question.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Yeah, Rikin. As far as the CASA today, what you are seeing it down is a conscious decision of let go some of the high cost because we saw that we have reduced our CASA rate considerably. Whenever the rate of interest is reduced in the CASA, there will always be a downward dip, and it catches up. You would have seen it in two quarters before, we reduced the rate and around INR1,500 crores we lost, and our team could mobilize the same amount within a period of four to five months' time. So the recouping is a little time.So even if suppose any correction takes place, there will be some exit, and those exits will be corrected with the revised rate of interest, number one. Number two, the strategies are very simple. We are expanding our branches and densifying the respective branches. That means the number of people whose productivity has reached the desired level, more number of people are being added in the respective branches. That is where you saw the people addition. And second, what is being done is that we are just expanding in the width -- wide -- number of branches. We will be adding approximately 30 to 50 branches in a quarter. This quarter, branches are supposed to be opened in next two weeks' time. We'll open it today, but for that crowded program of code and other things, we couldn't do it today. Another time, around 38 branches are getting opened in a couple of weeks' time.So the branch expansion is on track. And now we are going to have a differentiated approach, which is going to be unique for us in the sense that we are entering into the affluent, which you said almost three, four quarters before that we are getting into the wealth business. Now with the ENBD's partnership, we are pretty confident of expanding this growth. And our segment growth, you would have seen it is growing fairly well, and it is providing us a lot of confidence because of the various propositions which have been introduced into this particular segment for prioritization. And if you see it, our retail term deposit continues to be growing at a very healthy rate. Last two quarters, it did around 20%, 22%. This time again, it grew around 16%. That will again continue to grow and support our deposit growth and other things. I mean, our advances deployment.

Jaideep Iyer - Executive Director, RBL Bank Limited
Yeah. We are also building our NRI proposition and the journey is well to capture the entire UAE corridor, which will help us to build the liabilities business.

Rikin Shah - Analyst, IIFL Capital Services Limited
Got it. The second is a data-keeping question. If you could provide a breakup on loan book mix based on various interest rate benchmarks, and also when does repo loan reset happen for your customers?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So the reset is a 90-day reset, so you will expect that most of the loans will get reset by end of the quarter. So you will see the full benefit in the next quarter. If you look at overall, about 58% is linked to external benchmarks, 32% is linked to repo. We have about 11%, which is to the FBIL benchmark, 12% to other external benchmarks, and about 3.5%, 4% is under internal MCLR rates.

Rikin Shah - Analyst, IIFL Capital Services Limited
Got it. The third one is on margins. So how should we think about the trajectory in 3Q and 4Q? Because on one hand, while you will have full quarter impact of FCNR in 3Q, but on the other hand, you may also have interest reversals from -- the interest reversal on cards going down and cost of fund may also potentially improve given the recent SA and TD rate cuts you have taken. So the outlook on 3Q and 4Q margin trajectory would be helpful.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So Rikin, I think there are quite a few pushes and pulls. Some of that you have mentioned. On a blended average basis, we would expect it to be slightly lower, uh, than what we have reported in this quarter. It will also depend on the speed at which we can deploy normal advances growth, because a lot of this is now lying in lower yielding investments. And within advances also, we've been tactical. So it will be a -- it will be a question of what kind of opportunities we get. But on the margin, I would imagine that we should be slightly lower next quarter and then probably inch up in Q4.

Rikin Shah - Analyst, IIFL Capital Services Limited
Got it. Q4 inch up remains on the rate hike that has already happened. And -- got it. The fourth question is on bank --

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah, go ahead.

Rikin Shah - Analyst, IIFL Capital Services Limited
The fourth one is on bancassurance income. So while it constitutes 8% of your FY26 fee income and 3% of total revenue, assuming there are no cost offsets and watering down of the IRDA guidelines, what kind of impact should we expect if this gets rolled out from next year?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
So, Rikin, I think the total banca income generally disclosed in the annual report. I think we have approximately INR300 crore plus minus of income per annum. And I would imagine based on plain reading of this, I think that will get substantially impacted. I would imagine anywhere between 50% to 60% impact should be minimum to be penciled in.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
I think enough research reports have been written by you guys to make a map of it. We have not done as much detail as you guys have. But you would expect a substantial drop in the fee income, which may come through, if nothing changes from this perspective of whether draft circular is implemented the way it is set.

Rikin Shah - Analyst, IIFL Capital Services Limited
Got it. Fair enough. The fifth question is on opex growth. So it has been quite low in the last few quarters, particularly led by the line item of other expenses. I do see that employee expense has inched up this quarter, presumably due to salary hikes that may have gone. But what kind of growth should we expect on overall opex going ahead, assuming some need to invest in the franchise branches, etc.?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Around the same range of 7%, 8%.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So I think -- Rikin, I think there has been an opportunity for us to rationalize certain areas including one of the major areas that we've rationalized is collection costs, specifically in cards. And I think that's been flowing through that we first had been part of the reason. And we've now pretty much coming down to normalized rates on that. And from here on, I think there will be an increase. I think

it's a question of how quickly we are able to or what is the kind of quality we want to in terms of adding branches people.And we will also want to invest in certain newer businesses. I mean, not exactly new business, but a greater focus on wealth management. So some expenses will start getting incurred from next couple of quarters onwards. But I don't think the delta materially changes. We will probably inch up to low single digits, maybe a little higher. But we will come back with details on this rather than there is a lot more clarity pen to paper that we put on the model going forward.

Rikin Shah - Analyst, IIFL Capital Services Limited
Got it. And I think some investment in marketing, etc., may also perhaps help. We have seen some midsize banks investing a bit aggressively on marketing. So if that happens as well, that would be fairly okay. The next question is on asset quality. So the gross and net slippages have continued to trend down in absolute terms. You had earlier guided for credit card slippages to come off materially from 3Q onwards. So could you just provide some color on the underlying trends in credit card and how do we think about the improvement in credit costs here on?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So Rikin, yes, the cards slippages are in line with expectations. So while the quarter still had a 600 plus number, But if I take the last month number of the quarter we are already in the 125, 130 zone. And therefore I would imagine that that trend should hold, give or take a few percentages here and there. So that's something that I'm quite happy to report, that while it took us a little more time to get this in order, but we are now actually seeing that on the ground as we speak.So we would expect credit card slippages to come down to around the 400 plus minus number for Q3, Q4 financial of numbers. And therefore credit costs on cards should come down from the low double digits that we've seen to the 6% zone.And the rest of the businesses will hold where they are, give or take, unless we see some -- any material deterioration in any of the rural businesses, which so far we have not seen at all, including the October 1st week collections that we have on retail assets. We've not seen any change in bounce rates or anything like that. So ceteris paribus cards comes down from 11% plus minus to closer to 6%. So 5.5% to 6% range.

Rikin Shah - Analyst, IIFL Capital Services Limited
Jaideep, what was this 125 to 135 number that you mentioned?

Jaideep Iyer - Executive Director, RBL Bank Limited
Slippages in the month of September.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Monthly, monthly.

Rikin Shah - Analyst, IIFL Capital Services Limited
Okay, got it. And then just the last question on yield on investments. They have jumped almost 80 basis points sequentially. So is it just this temporary FCNR liquidity parked into money market? And an extension to this that given that the yields have moved up sharply, should we expect any significant M2M on investment book in the coming quarters?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So we've stayed light on duration, so again, no problems on that, on mark-to-market. So second part of your question. On yields, of course, money market has given us opportunity to maximize on yields, and we've done that. So whatever uptick you are seeing is thanks to that. There we don't

carry too much of duration.

Rikin Shah - Analyst, IIFL Capital Services Limited
Understood. So thank you so much for answering all the questions. That's all from my side.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Thank you.

Operator
Thank you, sir. We will take the next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah - Analyst, Citigroup
Yeah. Thanks for taking the question. So again, coming onto the margin side. So when we would look at it in terms of this deployment of the liquidity, if you can highlight in terms of what is the incremental yield compared to that of the book yield, which is there at 10.8%-odd. And maybe what is the kind of decline which we can expect? And the savings rate tweak which you had done recently. So maybe from 5%-odd cost of SA, where do we actually see that coming down?No doubt, you have indicated some directional trend on margins, but maybe specifically on yield and cost of deposits, how the trend should be.

Jaideep Iyer - Executive Director, RBL Bank Limited
Kunal, let me see if I can give an answer. Let me explain, right? There are so many moving parts, and I'll give you some of those which will help you maybe build something, right? So if you see yield on advances, which has gone down from 11.2% to 10.8%. If you actually see individual segments, nothing has gone down. It's actually -- it's just a mix issue. As wholesale has picked up and the unsecured retail has come down, that is reflecting in what's happening on the yield on assets. Yield on assets obviously is impacted also by the FCNR leverage that we have done. If you actually exclude that, this number would be another 10, 15 basis points higher. But it's more a mix issue rather than an incremental yield issue at individual product level. Now, the way to think about it from a going-forward perspective as well, the liquidity which is generated is currently sitting in investments, in non-SLR investments, which is still lower than what the advances yield are. So going forward, as your stage 1 will be the fact that we'll move from the investment yield to wholesale yield, and from then wholesale yield to the blended advances yield. That is a journey, but it's not a one-quarter, two-quarter journey. That's going to take a little bit longer. That's on the positive side. The flip of this is that you will see a full quarter impact of the FCNR leverage given in GEF, because you see only a month and a half, or that's just a little bit more than a month in this quarter. So that full quarter impact will come and offset somewhat by the increase in the repo rate, which will flow through a little bit in this quarter and a little bit in the next quarter. So too many moving parts to actually pinpoint on to say this is where we would. We are fairly confident to say you will see a little bit of reduction in the next quarter just on account of where the mix is sitting right now on the balance sheet. As that moves forward, you would see an increase going through. But pace of that will remain on deployment of the liquidity which is available.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Kunal, I think the longer term, I think we will also want to see trends where liability costs come down as we rationalize retail deposits, savings account deposits, as our mix of current accounts and savings accounts improve from here on, because I am hoping that this is as low as one gets, given

that we are, saddled with FCNR as well as a one-off event. So I think the idea would be to reduce rates on liabilities as well as improve the mix over time to add to margin and some of that we will be more than happy to lose to the kind of lending that we will look forward to doing over the next few quarters.

Kunal Shah - Analyst, Citigroup
Sure. And in terms of the provisioning so there is a standard asset provisioning, which obviously on this INR26,000 crores of incremental advances which have been built. We would have taken 40 basis points of provisioning. But besides that, was there any other standard asset provisioning or buffer which was created during the quarter?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
No, not specifically.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Between what was provided from FCNR, because there are two specific things. One is the entire FCNR on which we have to carry the 40. And the pickup in gross loans itself, right? So while it doesn't show in the average size.

Kunal Shah - Analyst, Citigroup
Yeah, absolutely. Yeah. Okay.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
But that's the two larger ones. There's nothing. No buffers on the standard asset side.

Kunal Shah - Analyst, Citigroup
And how much was credit card in the overall provisioning? You said like it might come down to 6%-odd, which is closer to INR400 odd crores. Okay. So maybe currently, is it still near INR600 crores, INR650 crores, and that's the delta, maybe INR200 crores, INR250 odd crores, which we could see on the credit cost side?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
So if you see, I'll sort of --

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So our cards provisioning for the quarter was approximately INR575 crores. And yes, this should come off a reasonable bit.

Kunal Shah - Analyst, Citigroup
Yeah. So 6% would almost on INR27,500 crores would translate to INR400 crores. So almost like INR175 odd crores on credit cost getting into the second half.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah, yeah. Sorry. What was the total amount you said? INR20,000 crores. Yeah. That's right. It's roughly INR20,000 crores.

Kunal Shah - Analyst, Citigroup
Yeah. Okay. Okay.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
[Indecipherable]

Kunal Shah - Analyst, Citigroup
Got it. Got it. And one last question, maybe this year would still have some FCNR noise, but getting into FY28, what would be our overall guidance on the ROA trajectory, the overall growth, looking at the higher base, which would have been set already in FY 2027? If you can just provide that outlook, that would be really helpful in terms of how we are looking, because there is a huge liquidity, almost 35% of balance sheet liquidity, good time to reconstruct the balance sheet and improve the ROA profile. So what would be your targeted ROA for FY28?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Kunal, I would rather say that you settle down with what you are seeing it now and the immediate growth, what we are looking at. And with regard to what is '28 and all, no, let us, let us wait for some more time. And then -- I did say that over a period of next few months, we will come back to you with the complete details. Now let us settle down with the current 0.92 and how it is looking positive for next couple of quarters.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So, Kunal, just to kind of give a little bit of flavor here. See, we are -- it's very interesting to have a situation where there is a significant amount of liquidity between FCNR and equity, which is effectively fixed rate in a rising rate environment. So there will be tailwind to margins. There is tailwind to growth. So clearly, I think there is going to be material -- and the fact that our BAU business, which is excluding all this noise, is obviously trending much better in terms of [Indecipherable] predominantly cards, MFIs in the pretty much normalized. So I think one should see significant tailwinds, but I do not think we would want to comment at specifics at this stage.

Kunal Shah - Analyst, Citigroup
Okay, thanks. Yeah, this is helpful, and all the best for the future quarters. Thank you.

Operator
Thank you. The next question is from the line of Jayant Kharote from Axis Capital. Please go ahead.

Jayant Kharote - Analyst, Axis Capital
Thanks for the opportunity. Sir, data keeping end of period deposit, term deposit versus last end of period, there seems to be a delta of INR26,000 crore, INR 27,000 crores. And we've raised INR34,000 crores of FCNR. So if you could tell me as of 2Q end, what is the stock of FCNR on the book as of September end? And against that, can you also tell me the stock of wholesale deposits plus wholesale borrowings, some of which we could expect to be repaid in the third quarter?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
FCNR UOP only is around INR32,300 crores or something like that, and I think there is a downward trend. I don't know the exact numbers.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No. We will maybe pick it up offline. See, in effect, if that -- I mean, if I were to explain to you a bit through saying what the generation of FCNR deposit has allowed us to not necessarily remove some of these Q2 time deposits, which we had on the books. We've chosen consciously to let go of -- run

down some of the high-cost time deposits. As a result, maybe it's your math not working out, but maybe we can pick it up offline and we'll see.

Jayant Kharote - Analyst, Axis Capital
So maybe you can just let us know what is the amount you've run down this quarter and how much do you plan to run down next quarter?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
It doesn't work that way, right? Because what comes up for renewal is what we can run down. We are still willing to pick up all deposits which is available at a particular price point. Correct? So it is not a conscious call. It's more about the fact that what comes in when there is a rate which is available, it is a choice of the customer. If the customer renews with us, we are happy to renew it at our rate. It's not like I am telling no to a customer. It's just that I have put up a rate which if the customer is happy with, they will come. So I don't have a number to say this is what I am running off. Unlike, let's say, a borrowing, which I may consciously say I will run off, which is what we already done in the first quarter.

Jayant Kharote - Analyst, Axis Capital
Understood, sir. Thanks. Sir, second question is on more of a tow-year or slightly outer year question, not immediate quarter. Sir, we currently have this liquidity deployed in G-Sec yielding decent 7% or maybe slightly lower. We are increasing our mix on corporate, clearly, doubling down. So I can understand near-term margins will look up after 3Q, maybe an inch up in 4Q. But with the mix shift happening, is it fair to assume directionally we are looking at a lower NIM, lower credit cost model, let's say for '28-'29? Should we think about it like that?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So I don't have an answer to that, and I do want to leave a thought which Jaideep mentioned earlier, and I'll draw your attention to Slide 8 on the right-hand side bottom. You see that quarter-on-quarter, our total cost of funds is coming down. Our cost of time deposit is also coming down. So while you will see a little bit lower yield on assets, you would expect that to be either coincidentally or with a lag, the cost of funds catching up as well. So we're not telling you that I'll continue with a high NIM or etc. NIM is a function finally of what happens to what the credit cost and what the -- at the end of the day, customers' profitability is important, not necessarily individual-productivity or individual product level line items, right?There are two levers here, and we'll try and play both of them with the hope that we continue to be in an elevated net interest margin level from where we are. But no guidance per se to say it's coming down or staying there or not, right? It's too many moving parts.

Jayant Kharote - Analyst, Axis Capital
Understood. So the last question is on the SA growth, low single digits sequentially not in line with the rest of the balance sheet. Is there any number in your mind that if you're unable to grow SA at this pace, you are willing to slow down balance sheet growth, or at this point it is not consequential?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
How are you linking SA to balance sheet growth? I do not know. But anyway, the SA growth we have decided, as I said a little while earlier to Rikin, we are going to expand the branches. We are getting into the NR segment, which is hitherto we were not able to penetrate much. And this will see a lot of positive growth in SA as we move forward in coming quarters.

Jaideep Iyer - Executive Director, RBL Bank Limited
The sequential growth in SA --

Jayant Kharote - Analyst, Axis Capital
Sir, I was saying, is it a prerequisite for you for SA to grow at least let's say double digit or to continue the balance sheet growth, or you're willing to wait till it builds out over the next one or two years?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
See, I think we will want to look at CA and SA as well together. I think there are multiple things here. The fact that we want to go down the path of lower funding costs is a reasonable assumption to have. Now that will come down through a combination of, higher access to wholesale deposits because a lot more corporates are willing to now bank with us given rating profile, etc. There is a large amount of trade corridor business that one may look at, which will also come along with its current account opportunities. There will be an increased focus on NR, as Mr. Kumar mentioned. So I think it's a combination. Maybe the better way to look at it is, will we continue to grow loan book when our cost of funds is going up or not coming down? Probably there will be some level of give and take that we will need to look at. But I do not think we will link it to any single metric like you are talking about.

Jayant Kharote - Analyst, Axis Capital
That perfectly answers my question, sir. Thank you very much, and congratulations on a great set of numbers.

Operator
Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer - Analyst, CLSA
Yeah. Hi, team. Congrats on the quarter. Just firstly, one question. Bhavin, did I hear you correctly when you said cost of deposits, the 5.97% number is ex-FCNR?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Sorry?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Ex FCNR.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No. Total deposit is there, but we have broken that up into the TD and SA separately. You can see that on Page 8.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Page 8 has the --

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Page 8, right-hand side bottom chart gives you the breakup of cost of SA, cost of TD, and cost of INRTD.

Piran Engineer - Analyst, CLSA
Yeah. So the cost of TD of 6.86% is FCNR and INR both?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah. That is correct.

Piran Engineer - Analyst, CLSA
Got it. Okay.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
INR is 7.12%.

Piran Engineer - Analyst, CLSA
Understood, understood. Okay. That clarifies. Just firstly, from a wholesale lending perspective, now you mentioned a few times that wholesale lending is a priority with high-quality corporates. How should we think about over the next, say, one, one and a half years, what is your target ROE in this segment? Like, for example, hypothetically, if you think you'll make an ROE of 50 bps lending to some Tata company, would you do that business or not?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So, sir, that is not the way to actually think about it at all, especially at this point of time, but generally as well, I would think. Because you need to look at, on the wholesale side especially, you have to look at the risk-adjusted, capital-adjusted returns and not necessarily pure ROE. But that's a separate lease. Right now, from our standpoint, the way you think about this is what money is sitting right now in a liquidity, in a short-term money market instrument, would I lend to what you mentioned? Absolutely. Because that's a clear pickup of 50, 60, 70 basis points from where there it is. Right? So that is the way you start thinking about it, given where our situation is, our position is.But I would generally say for a bank who doesn't have the excess liquidity that we have would also still think of a wholesale, not necessarily only from an ROE standpoint, but a larger relationship that they would have. And it definitely consumes less capital, right? I mean, these are not constraints that I have as a bank.

Piran Engineer - Analyst, CLSA
Got it. Got it. Okay. And maybe it's too soon. Sorry, were you saying something?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No, no. Go on.

Piran Engineer - Analyst, CLSA
Yeah. No, maybe it's too soon, but any targets that the board now has for management over the next three years or so that you can share with us?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Nothing on that chart now.

Piran Engineer - Analyst, CLSA
Okay.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Piran, I think we are in a situation where there is enough and more --

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Activities to do.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
To be done, and I think it will take some time for us to put all that together and look at any specifics for the longer term.

Piran Engineer - Analyst, CLSA
Understood. And is a name change on the cards also soon?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
See, we told you some time back now RBL Bank name is there, and we'll deliberate and then do any based on the market feedback. And I think we'll take a call at the appropriate time.

Piran Engineer - Analyst, CLSA
Got it. Got it. And just lastly given that we are pretty close to ECL transition, how do we think about steady-state credit costs the impact of that from next year onwards?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So again, there's just too many moving parts. A lot of things will depend on the mix. The way we are seeing it right now is at an individual product line level, whether it is credit card, whether it's the microfinance business or the secured retail business. Wholesale has always been pristine. We've not seen a mishap in wholesale for a while. We've seen individual product lines all trend better, and we would expect that to continue, especially given that we would start moving up the value chain in terms of the customer profiling and selection as well.A lot of the absolute credit cost at a bank level will depend on the mix, which I don't really have a viewpoint at this point of time at what the mix would be at the end of next year to be able to give you a sense of that.

Piran Engineer - Analyst, CLSA
Okay, yeah. That's it from my end. Thanks and wish you all the best.

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

Param Subramanian - Analyst, Investec
Hi. Good evening. Thanks for taking my question. Firstly, on the NII for the quarter. So quarter on quarter, the NII is up like INR476 crore. So could you help me with the walk of that? Because when I do the rough math, the capital itself contributes that much which seems to indicate that, the rest of the business we did didn't accrete much NII. So what am I doing wrong over here? Yeah. So the rough math is INR27,000 crores into 7% by four. It comes to a similar number, yeah.

Jaideep Iyer - Executive Director, RBL Bank Limited
If you can give us opportunities to deploy risk-free quickly, 7%, please meet us after the call.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No, there are two, three things, right? So there's part of -- a little bit of there was in the first quarter as well. It's not necessarily just the second quarter that, you need to adjust that. It's not that it makes too much of a difference, but there is a little bit of that. If you were to, as Jaideep mentioned, the ability to say that I can deploy everything at 7% is even today, not the case, actually. And had you done -- by the way, done the 7% and got that you would have actually be sitting on right now a mark-to-market given where the rates are. So you have to be very careful of deployment when we did at that point of time to say we need to be putting in a place that, I mean, rate expectation, hike expectations were around for a while. So we've actually gone short on duration in the initial piece. So your expectation of 7% for the full INR27,000 crore, which came out of capital and INR30,000 crore, which INR34,000 crore came out of the FCNR is a little bit of ambitious rate to go with. It's very difficult to now say, listen, for capital it is this much. In FCNR it is this much. It's hypothetical. You can keep doing that, but you will keep growing in a manner which is sustainable is the only thing that I can say. Drag from FCNR also.

Param Subramanian - Analyst, Investec
Fair. Fair Was there a negative drag from FCNR in this quarter? Is that something like that there, as in --

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No, NII will not be negative. Net interest margin will be a negative drag.

Param Subramanian - Analyst, Investec
Got it, got it. Not absolute NII. Yeah. Fair.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah, yeah. Absolute NII is not a drag.

Param Subramanian - Analyst, Investec
Okay, okay. Secondly, on fee income, right? So if I look at retail fee, it is growing at 9%. Your overall core fee you're saying is growing at 12%, so it is lagging the balance sheet growth. Now, if we are, say, focusing more on wholesale going ahead, is that sort of par for course going ahead because of the cards business, pressure from the cards business? Or how do we think about this line going ahead, yeah?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Again, this is a very unique quarter where the balance sheet has grown manyfold on account of the FCNR, and not just the deposit which has landed in the country. If you recall, there's also a leverage that we did outside. So actually, the balance sheet growth is multiplied by that, and you would expect that -- you not expect too much of a processing fee out of the FCNR piece. Having said that, as you start dealing with better-rated customers, better-rated corporates, your ability to extract fee then becomes that much more challenging. I wouldn't encourage you to link it to the balance sheet growth, but we will -- as we continue to -- as we start thinking of trade, as we start thinking of some of the processing side of things, we would expect that to grow as well. Work in progress as we start detailing out some of these things, we should be in a better position to model it as well.

Param Subramanian - Analyst, Investec
Got it. Fair enough. And this quarter, there is no one-off in the fee, right? FCNR-related, anything?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
No, there will be a little bit on an FCNR on the fee because of the currency swap that would have happened. The fixed-to-floating swap as well. So there is a one-off, which is why you see sequentially fee going up by 12%, right? You cannot expect that to happen on an ongoing basis.

Param Subramanian - Analyst, Investec
Okay, okay. So largely that is the one-off fee. Okay. Fair enough.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
That is correct.

Param Subramanian - Analyst, Investec
Okay, okay. And I think this was asked earlier, just one last question. The opex will also, from here on, this is the more normalized trend because in the first quarter the number was sharply lower. Is this the more normalized trend going into the second half on opex?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
More or less it is just trending in that line. There will be a small uptick with our investment in the branches go up and investment in the people goes up and technology, but it's not materially way away from what you have been showing it. Maybe a marginal increase will be there in opex.

Param Subramanian - Analyst, Investec
Got it. So we are still committed to 1,000 branches in two years that we had called out earlier?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Yeah, around two and a half, three years you can put it that way. Because if we just have around 30, 40 branches, two and a half, three years maximum.

Param Subramanian - Analyst, Investec
Okay, okay. And when does the ENBD India business acquisition get completed?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
This evaluation application has been submitted to the Reserve Bank of India. Once the application is approved by them, after it will start. Definitely in this financial year.

Param Subramanian - Analyst, Investec
Okay, okay. Thank you so much. Congrats on the quarter. Thank you.

Operator
Thank you. The next question is from the line of Karan Sanghavi from ICICI Securities. Please go ahead.

Jay - Analyst, ICICI Securities
Yeah. Hi, sir. This is Jay [Phonetic]. Thanks for the opportunity and congratulations on the quarter. Sir, most of the questions have been asked. I just wanted to check on the loan growth, overall loan growth, right? This quarter was maybe exceptional because of the excess liquidity and strong capital, which still stays -- a little bit of that still stays. So how to look at the overall loan growth for the bank going into -- for FY27 and maybe if you have a view on FY28 also?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
It's too long a period you asked about it. See, this quarter is a 40% exception, no doubt about it, which you also said it. You just look back in March and June, we set the baseline of between 22% to 25%, so that baseline will be continued as we move forward. That's the minimum.

Jay - Analyst, ICICI Securities
Yeah, but if I do that, sir, then it would mean that we may have actually a negative Q-o-Q growth also. That is why I was thinking that if at least for this year, could it be 30% or maybe more than 30% types?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
See, it all depends upon the opportunity and availability. The baseline is what we have planned about.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So sorry, I got what he meant. You might want to model a 6% or a 5% to 6% quarterly number. Whatever that translates into, you are right. Why? Because of the sensitivity will be higher.

Jay - Analyst, ICICI Securities
Right. Right. Okay. And when we, let's say, on a normalized 25% types, are you seeing any opportunity for credit card growth also and MFI? I mean, what would be your, let's say, baseline projection for credit card business going into FY27 and maybe MFI also?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
On cards, we expect to stop de-growing in a quarter. Hopefully, this coming quarter is a festive season, so we'll have some balance and build up there. And I think, given that we will also move towards better quality and stuff like that, and the industry also kind of not really showing massive growth, we will be happy with low double-digit kind of a growth. So high single digit, low double digit kind of growth on cards.

If you look at industry, given the guardrails and fortunately all the players adhering to the guardrails, again, it's a short product, as you know, it's a 24-month product. There's a large amount of runoffs that happen every month. Again, the growth rates are going to be in that zone, is the way I would look at it right now.

Jay - Analyst, ICICI Securities
Okay, sure. And on the wealth business, right, so that could be a new area of focus. But do you have the, let's say -- I mean, what are the milestones for us to track? Do you have the product team already there? Or after this transition, you would like to introduce new products and get? I mean, where are we in the entire wealth business? Is it set up? Are the products ready? Or it will take -- I mean, it will take some time for you to reintroduce this product?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So I will take you back to what Mr. Kumar mentioned, and I will just say it again, saying we are taking early step into investing in a wealth proposition for our customers. It's very, very early. And we will -- whether it is a product, whether it is a proposition, whether it is the RMs, it will take time to build. So don't expect something to be launched next week.

Jay - Analyst, ICICI Securities
Sure, Bhavin. And lastly, if you have the movement for AFS reserves, just because the yields have risen quite sharply. If you have the Q2 number and maybe the end-of-Q1 number. Thank you.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
We are at INR43,000 crore of book right now. Previous quarter was INR37,700 crore. So that's the size of book right now.

Jay - Analyst, ICICI Securities
No, no, sir. AFS reserve. Sorry.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
We'll get back to you offline on this one. Not something which is public.

Jay - Analyst, ICICI Securities
Okay. Sure.

Operator
Thank you. The next question is from the line of Zhixuan Gao from Schonfeld. Please go ahead.

Zhixuan Gao - Analyst, Schonfeld
Hey, thank you for the opportunity. My first question is on LCR. So now starting LCR is at 148%, I guess. In couple quarters time when we --

Operator
Mr. Gao, I'm sorry, sir. I'm sorry to interrupt you. Your audio is not clear. May I request you to kindly use your handset?

Zhixuan Gao - Analyst, Schonfeld
Am I audible now?

Operator
Yes. Please proceed.

Zhixuan Gao - Analyst, Schonfeld
Yeah. My first query is on LCR. So we are 148% now. In couple quarters of time when we have time for excess liquidity:, what kind of LCR do we want to run in a normalized scenario?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
Normally we would want to be in the 120% to 125% zone on LCR, because there will always be some cushion that we would want to keep.

Zhixuan Gao - Analyst, Schonfeld
Got it. And on your earlier answer, we still want to have a gradual reduction in SA and TD rates. This is despite an expected maybe --

Operator
I'm sorry, sir, your audio is still not that clear. I am sorry, sir, your audio is still not that clear.

Zhixuan Gao - Analyst, Schonfeld
Sorry, am I audible now?

Operator
Yes.

Zhixuan Gao - Analyst, Schonfeld
Yeah. Your earlier comment of we still want to have gradual SA and TD rate reduction, and that is despite a potential 75-basis point rate hike. Should we understand that your SA and TD rates will still come down despite that?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
SA it would be a gradual. TD rates, I think, I would caveat that by saying that it will obviously be a function of economic interest rates. So when we say reduction, it will be relative to what we see in the market.

Zhixuan Gao - Analyst, Schonfeld
Got it. Last question is on the ROA. We mentioned that the credit costs should come down by about INR200 crores. And then this quarter, we have about INR100 crores of standard asset provisioning, which should somehow translate into normal business. So, if the credit cost is a INR300 crore reduction after this quarter, and that itself is 70, 80 basis points of ROA, should we think about 1.5% ROA going forward as a base, or how should we think about that?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Sorry, we couldn't hear you very clearly, but if I understood, you're right that there will be a --

Zhixuan Gao - Analyst, Schonfeld
[Indecipherable]

Operator
Sir, the participant has a network issue. Audio is not good, sir.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
We can take it offline. You just get in touch with us.

Operator
Sure, sir. May I request Mr. Gao to kindly get in touch with the investor relations team of RBL Bank Limited. Thank you. In the meanwhile, we'll take the next question from the line of Avadhoot Joshi from Trivantage Capital. Please go ahead.

Avadhoot Joshi - Analyst, Trivantage Capital
Hi. Thank you for the opportunity. This is Avadhoot Joshi from Trivantage Capital. My question is on the wholesale advances. Last two quarters, we have seen a significant growth into the wholesale advances. I want to just have a breakup of it, which are the sectors we are lending majorly to? That is first. Secondly, in the beginning, you have put up short-term lending is also happening. So what's the proportion of it? And the third part is IT and IT-related MNCs you mentioned into the beginning that lending is happening to that part also. Is it to IT or IT-related or is it more to AI related capex going on? These are the three questions just broadly on the wholesale advances. Thank you.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
The third one was more in the context of deposits because we have now access to a lot wider section of corporates. On sectors, I think we have not seen any single sector stand out. I think if you look at while the headline growth of percentage looks high, but in the larger scheme of things, this is maybe 0.75% to 1% of incremental growth that the system would have seen. So it is largely working capital-driven. Yes, we've taken some bites on project finance or longer-term loans, but predominantly continues to be working capital-driven, which is what Bhavin said that we are looking at trade-related opportunities that are coming our way. And the reduction in corporate deposits, which is already, let's say, reflecting the creating upgrade and the demand-supply mismatch in our favor that we have, where we need lesser deposits, and there is a wider population of constituents willing to give deposits, I think that's reflected in the rates at which we can raise corporate deposits. That's allowing us to get into hitherto difficult opportunities given the advantages that we have. But I don't think there is any specific sectoral trend that we are either chasing or seeing.

Avadhoot Joshi - Analyst, Trivantage Capital
Understood. Understood. Thank you, and all the best.

Operator
Thank you. The next question is from the line of Gaurav from MLP. Please go ahead.

Gaurav Kochar - Analyst, MLP
Yeah. Hi, good evening. Thanks for taking my question. Sir, the question was regarding the unsecured loans. So on a sequential basis, the overall unsecured pie is flattish. So let's say from this year's perspective, what is the sort of growth that we are looking at? And typically ballpark, what is the drag of 1 percentage point shift from unsecured to secured mix? Is it 12 basis point? Broadly, 21%, 22% is the yield on the unsecured loan, and the secured retail would be more close to 9%, 10%. So is that math right?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah, I think the mix math is broadly right. 21% plus/minus would be the yields on unsecured. In term of growth, as I mentioned earlier, I think cards we expect to start seeing at least some positive growth in the next six months before we start delivering a 10% to 12% growth for next year. And in microfinance, I think we should look at again --

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
25% Y-on-Y.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah. Year-on-year growth is quite strong, but sequentially, we will probably see 5%, 6%

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
5%, 6%.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
5% growth of loan and effect.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
See the strategy for the microfinance is very simple. We wanted to grow only to the extent what we wanted as a PSL. This is not an engine which is going to add up the numbers. It's primarily for PSL.

Gaurav Kochar - Analyst, MLP
Understood. So -- and next year, sir, coming to FY28, so currently, if I look at the share of unsecured is about 19%. Where does this share settle?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
So you can look at an overall growth of let's say, mid to mid-20%s and an unsecured growth of, let's say, high single digits or low double digits.

Gaurav Kochar - Analyst, MLP
For next year?

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Yeah. I mean, I think [Indecipherable]

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
The same order.

Gaurav Kochar - Analyst, MLP
Okay. Same for FY 2028 as well? Hello?

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
The share will be more or less in the same range. You can just keep it that way and then slightly low.

Gaurav Kochar - Analyst, MLP
Okay. Understood. Understood. And my second question is on the interest expense line. If I look at the overall balance sheet, it has expanded by 25% sequentially, but the interest expense seems to be flat. Probably is explained by the average deposits and period-end deposits. Is that the sole reason? I mean, deposit typically on an average came mostly towards the end of the period, and hence the interest expense is flattish in this quarter.

R Subramaniakumar - Managing Director and Chief Executive Officer, RBL Bank Limited
It's a mixture of what you're mentioning and a mixture of the fact that we've let go of some of the high-cost deposits as well, which is coming through. Hence you will see [Indecipherable] coming.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
And also the balance sheet got funded by equity, right? So the full impact of equity is from this time.

Gaurav Kochar - Analyst, MLP
I was only mentioning the deposit.

Bhavin Lakhpatwala - Chief Financial Officer, RBL Bank Limited
Cost of deposit.

Gaurav Kochar - Analyst, MLP
Sure. Got it. No, perfect. That's all from my side. Thank you.

Operator
Thank you. Ladies and gentlemen, we now conclude the Q&A session. If you have any further questions, please contact RBL Bank Limited via email at ir@rbl.bank.in. I repeat, ir@rbl.bank.in. On behalf of RBL Bank Limited, we thank you for joining us, and you may now disconnect your lines.

Thank you.