Axis Bank Limited Q1FY27 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Axis Bank Conference Call to discuss the bank's financial results for the quarter ended as on 30th June 2026. Participation in the conference call is by invitation only. Axis Bank reserves the right to block access to any person to whom an invitation has not been sent. Unauthorized dissemination of the contents or the proceeding of the call is strictly prohibited and prior explicit permission and written approval of Axis Bank is imperative.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of the briefing session. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

On behalf of Axis Bank, I once again welcome all the participants to the conference call. On the call, we have Mr. Amitabh Chaudhry, MD and CEO, and Mr. Puneet Sharma, CFO. I now hand the conference call over to Mr. Amitabh Chaudhry, MD and CEO. Thank you and over to you, sir.

Amitabh Chaudhry: Thank you, Michelle. We welcome you to a discussion on Axis Bank's Financial Results for the quarter ended June 2026.

We have on the call our Executive Directors - Subrat Mohanty, Munish Sharda, Neeraj Gambhir and other members of the leadership team.

While the global macroeconomic environment stays fragile and susceptible to geopolitical and trade-related uncertainties, intermittent moderation in energy prices and normalization of supply chains are keeping sentiment like where it was when we reported our Q4FY26 results.

India, meanwhile, continues to stand out as one of the fastest-growing major economies. The country has navigated recent geopolitical disruptions with notable resilience, underpinned by robust consumption, strong investment activity and the Government's sustained focus on infrastructure and capital expenditure.

In this favorable yet evolving macro environment, Axis Bank remained steadfast in its commitment to building a stronger, more resilient franchise. We continued to deliver quality growth while further strengthening our balance sheet, improving productivity and deepening customer relevance across businesses.

Now let me talk briefly about the progress we have made on each pillar of our GPS strategy.

1. Starting with **Growth**

Our growth momentum remained firmly intact during the quarter as we continue to gain market share across advances and deposits both on a YOY and QOQ basis.

- Our total advances grew 19% YOY and 2% QOQ, within which Wholesale grew 38%, SME 25% and Retail 8% on YOY basis.
    - Retail disbursement trends continue to sustain and remain encouraging, supported by our focus on sourcing quality customers, maintaining

underwriting rigor and scaling distribution through effective execution across multiple distribution channels.

- Our SME franchise continues to deliver strong and diversified growth, with digital and analytics serving as key enablers of scale. These capabilities are enhancing sourcing, speeding up credit decisions and improving customer experience while supporting disciplined and scalable growth.
- Wholesale Banking growth remains broad-based driven by sectors benefiting from strong transaction flows. Our relationship-led strategy continued scaling of Mid-Corporates and Conglomerates, and deeper One Axis engagement are enabling us to gain wallet share while steadily improving yields and relationship economics.

- Moving on to the Deposits
  - We continue to sustain faster than the industry growth as:
    - Year-on-Year on QAB basis, our total deposits grew 18%; term deposits grew 21%, CA grew 13%, SA grew 14%, and total CASA deposits grew 13%.
    - Sequential momentum in deposits was also strong on a QAB basis, with Total deposits growing at 6%, CASA growing at 5% and Term deposit growing at 7%
    - FCNR (B) deposit is attracting strong interest from NRI customers and we see it as a meaningful opportunity to augment our deposit base through our NRI franchise and our proactive outreach to banks across overseas markets.
  - Our cost of funds declined by 35 bps YoY and 2 bps QoQ.
  - Our efforts remain focused on further strengthening the deposit franchise through increased granularization and a more stable liability mix, supporting a resilient and well-diversified funding base.
  - We continue to see strong momentum in both customer acquisition and engagement. Our New-to-Bank franchise is scaling with improving quality and premiumization, evidenced by an 18% YoY increase in NTB average balances.
  - The Corporate Salary segment continues to be a strong growth driver with 30% YOY increase in average NTB balance in salary accounts, while the Existing-to-Bank salary book also grew at 18% YoY, reflecting continued strengthening of our corporate salary franchise and customer deepening.

- Burgundy continues to be our key driver of premiumisation, with assets under management up 20% YoY and 11% QOQ including AUM for Burgundy Private up 16% YOY and 12% QOQ. The strength and consistency of our proposition was further recognised with Burgundy Private being honoured at PWM Wealth Tech Awards 2026.

2. On **Profitability,** our focus has been on building a more sustainable earnings profile, driven by disciplined execution, operating leverage and ongoing efficiency gains.
    - Our NIM for Q1FY27 at 3.46% is our cycle bottom. With the FCNR B deposits opportunity, in the near term we will focus on growth and deployment of the additional liquidity raised through this route
    - Our cost-to-assets declined further to 2.20%, down 21 bps YoY and 8 bps QOQ through continued improvement in operational productivity
    - For the quarter, our consolidated ROA was 1.56% and ROE was 14.52%

3. On **Sustainability**, we stay focused on quality, balance sheet resilience, building future-ready technology platforms and investing in people and capabilities to deliver sustainable outcomes at scale.
    - Our GNPA was at 1.28%, declining 29 bps YOY and NNPA at 0.39%, declining 6 bps YOY; while the Net credit cost was at 0.63%, down 75 bps YOY
    - We successfully raised US$600 million in Additional Tier 1 and US$300 in senior debt instruments, further strengthening our capital position and funding profile. The AT-1 saw interest from high quality long only investors. The transactions reinforce our credit standing and enhances financial flexibility.
    - We introduced regular updates on our AI transformation journey last quarter, reflecting the growing role of AI across the franchise. Please refer to Slides 13 and 14 for details on the progress made.
        - AXIOM, our enterprise AI operating model, is designed to systematically embed AI in the functioning of the Bank by adopting a capability platform-led approach. The core idea is simple: build capabilities once, govern them centrally, and deploy them many times across the enterprise. This will enable us to create reusable AI assets that can be leveraged across businesses, functions, products, and customer journeys, driving consistency, speed, and scale
    - Our investments in digital, AI and innovation continued to gain industry recognition. During the quarter, we were named 'Best Digital Bank' at the Financial Express India's Best Banks Awards, won the 'Best AI-Driven Customer Experience Initiative' at the 14th Digital Customer Experience Awards 2026, and received the Platinum Award at the Infosys Finacle Innovation Awards 2026 for leveraging next-generation technologies to drive innovation in corporate banking. These accolades reinforce the progress we are making in building a technology-led, customer-centric franchise.
    - At the heart of our strategy continues to be a relentless focus on customers. Through our Customer Obsession initiative - Sparsh, we are leveraging digital capabilities, analytics and AI to simplify journeys, enhance service outcomes and build deeper, more meaningful customer relationships. Our digital enablers are

now helping consistently enhance customer interactions through AI and CX platforms. Adi handled ~7.4 lakhs queries while ~30.9 lakhs customer servicing interactions were enabled through Kaleidoscope during the quarter.

We remain watchful of evolving uncertainties, including the potential implications of El Nino on the macro, we are confident in the strength and resilience of the franchise we have built. With a robust balance sheet, disciplined risk culture and a diversified growth engine, we are well positioned to capitalize on opportunities and deliver sustainable growth that outpaces the industry.

With that, I will now hand over to Puneet to discuss the financial performance for the quarter.

Puneet Sharma: Thank you, Amitabh.

Good evening everyone and thank you for joining us. The salient features of the financial performance of the Bank for Q1FY27, across (i) Operating performance; (ii) Capital and liquidity position and (iii) Asset quality, restructuring and provisioning are as follows:

a. NII at ₹ 14,646 crs, YOY growth of 8% and 1.3% QoQ
b. Fee at ₹ 6,156 crs, YOY growth of 7%, granular fee at 90% of total fee
c. Expenses at ₹ 9,722 cr, YOY growth of 5% and expenses declined QOQ by 7%, we delivered a positive operating jaw on both operating revenue and core operating revenue
d. Cost to assets at 2.20%, declined 21 bps YOY and 8 bps QOQ
e. Operating profit at ₹ 11,659 crs, up 16% QOQ
f. Core operating profit at ₹ 11,122 crs, YOY growth of 10% and 4.7% QOQ
g. Net credit cost at 0.63%, down 75 bps YOY
h. PAT at ₹ 7,114 cr, up 23% YOY and 1% QOQ
i. GNPA at 1.28%, declined 29 bps YOY
j. NNPA at 0.39%, declined 6 bps YOY
k. PCR% healthy at 70%
l. Standard asset coverage of 1.24%, improved 12 bps YOY. All provisions by GNPA ratio is 161% improved 2,318 bps YOY
m. Annualised Consolidated ROA% at 1.56%, Annualised Consolidated ROE% at 14.52%. Subsidiaries contributed 5 bps to the consolidated annualized ROA and 36 bps to the consolidated annualized ROE this quarter.
n. Bank's CET-1 including Q1FY27 profit stands at 14.64%, we net added 26 bps of CET -1 in the quarter. The Bank has provisions aggregating to ₹ 8,244 crs, including the standard asset provisions created in Q2FY26 pursuant to regulatory guidance. These have not been reckoned for regulatory capital computation. Consequently, they represent an additional buffer over and above reported capital ratios, translating into an incremental capital cushion of ~52 basis points. This reinforces the Bank's balance-sheet strength and enhances our ability to navigate

uncertainty while continuing to support growth and shareholder value. We reiterate that we do not need equity capital for either for the growth or protection pillar.

o. We raised AT-1 aggregating to US$ 500 mn during the quarter and US$ 100 mn post quarter end to date. AT-1 raised till quarter end added 34 bps to overall capital adequacy in the quarter. The fresh AT-1 raise till date places us comfortably to call back the existing AT-1 on its contracted call date, subject to receipt of regulatory approvals.

Net Interest Income and Margins

NIM for Q1FY27 was 3.46%, declined 34 bps YOY and 16 bps QoQ.

The YOY NIM decline of 34 bps can be attributed to (i) 19 bps due to full impact of 125 bps of repo rate cut in the current quarter versus only 25 bps rate cut in same quarter last year net of benefit in cost of funds due to liabilities repricing; (ii) 16 bps due to the change in balance sheet mix through the last 12 months.

The YOY NII growth was 8%. The difference between the YOY NII growth of 8% and YOY advances growth of 19% can be attributed to (i) 6% due to full impact of 125 bps of repo rate cut in the current quarter versus only 25 bps rate cut in same quarter last year net of benefit in cost of funds due to liabilities repricing; (ii) 5% due to change in balance sheet mix.

The QOQ NIM decline of 16 bps can be attributed to (i) 3 bps due to interest reversal attributable to seasonality of Agri slippages in Q1 versus Q4 (ii) 4 bps due to the change in balance sheet mix through the quarter and (iii) remaining 9 bps due to change in pricing of loans.

The cost of funds declined 35 bps YOY and 2 bps QOQ.

Low-yielding RIDF bonds declined by ₹ 5,725 cr YOY. RIDF comprised 0.41% of our total assets at June 26 compared to 0.84% at June 25.

- Our fee to assets stood at 1.30%; Total wholesale fee grew 18% YOY in line with growth in advances reflecting improvements in the franchise
- Trading profit and other income at ₹ 580 crs declined 62% YOY, mainly on account of us having booked realized gains across Govt. securities and bonds in Q1FY26.
- Operating expenses for the quarter stood at ₹ 9,722 cr, growing 5% YOY and declining by 7% sequentially.
  - The YOY increase in operating expenses is ₹ 420 cr. This increase can be attributed to the following reasons: (i) 38% linked to volume; (ii) 44% technology and growth related and (iii) remaining BAU. Staff costs decreased by 6% YOY.
  - The QOQ decline in operating expenses is ₹ 744 crs. Of this ₹ 271 crore is due to one time items in staff cost. Our QOQ period end head count declined by 609. Operating expenses (other than Staff) were down 9% QOQ largely driven by driven by lower statutory costs and lower volume linked expenses.
  - Technology and digital expenses constituted ~11% of total operating expenses for Q1FY27.

- We opened 20 branches in the quarter.

- Net credit costs for the quarter were ₹ 2,079 cr. Annualized net credit cost for Q1FY27 is 0.63%, declining 75 bps YOY.
- During Q4 of FY26, the Bank had proactively strengthened its balance sheet by voluntarily enhancing its prudent provisioning framework for standard assets. Based on an assessment of evolving and unpredictable macroeconomic and geopolitical uncertainties, the Bank had created an additional one-time provision of ₹ 2,001 crores during Q4FY26. The Bank has not drawn down any amount from the said provision during Q1FY27 and hence the said provision remains at ₹ 2,001 crores at June 30, 2026. This provision continues to be prudent and precautionary in nature and does not reflect any deterioration in asset quality or adverse credit trends in the Bank's loan or investment portfolio as of the reporting date.
- The cumulative non NPA provisions at June 30, 2026 stand at ₹ 15,608 crores, comprising (i) Prudent provisions for standard assets of ₹ 7,013 crores; (ii) Restructuring provisions of ₹ 184 cr, (iii) standard assets provision at higher than regulatory rates of ₹ 1,854 cr, (iv) additional one-time standard asset provision of ₹ 1,231 crores and (v) weak assets & other provisions of ₹ 5,326 crores.

<u>Growth across our liabilities and loan franchise</u>

Amitabh has already discussed the growth in loans and deposits. We gained ~10 bps in market share on the loan franchise and ~20 bps market share on a YOY basis on the deposit franchise. Our loan book is granular and well-balanced with retail advances constituting 54% of the overall advances, corporate loans at 34% and CBG at 12%. Please refer slides 19 and 20 for details around the quality of our liabilities franchise and slides on our loan franchise.

~74% of our loans are floating rate. ~45% of our fixed rate book matures in 12 months. Break-up of the floating rate loan book by benchmark type and MCLR re-pricing frequency is set out on Slide 9 of our investor presentation.

In Q1FY27 Retail disbursements grew 18% YOY. Disbursement growth in home loans was 24% YOY, Vehicle loans was up 21% YOY, retail agri was up 16% YOY, personal loans was up 23% YOY.

<u>Coming to the performance of our subsidiaries</u>

Detailed performance of the subsidiaries is set out on Slides 51 to 58 of the investor presentation.

- In Q1 FY 27, the domestic subsidiaries reported a net profit of ₹ 546 cr, growing 21% YOY. The return on investment in domestic subsidiaries was ~ 41%.

- **Axis Finance**:
  - Assets under management crossed ₹ 50,000 crores growing 21% YOY. Retail + MSME book constitutes 71% of total loans.
  - Q1FY27 PAT grew 29% YOY to ₹ 244 Crores, CAR at 21.56%.
  - Strong asset quality with net NPA of 0.39%

- **Axis AMC:** Overall QAAUM grew 10% YOY to ~ ₹ 3,69,030 crores, Q1FY27 PAT at ₹ 134 Crores, growing 3% YOY

- **Axis Capital:** PAT stood at ₹ 65 Crores up 72% YOY and executed 8 ECM and 3 non-ECM deals in Q1FY27.

- **Axis Securities:** Revenues for Q1FY27 of ₹ 410 crores and Q1FY27 PAT stood at ₹ 96 Crores up 8% YOY.

Asset quality, provisioning and restructuring

- The Slippage, GNPA, NNPA and PCR ratios for the Bank, and segmentally for Retail, CBG and Corporate is provided on slide 44 of our investor presentation.
- Gross slippages in the quarter were ₹ 5,566 cr of which retail was ₹ 5,176 cr, CBG was ₹ 266 cr and WBCG was ₹ 124 Cr.
- Our Gross slippage ratio for the quarter declined 134 bps YOY
- For the quarter ~ 31% of the gross slippages are attributed to linked accounts of borrowers which were standard when classified or have been upgraded in the same quarter.
- Net slippages in the quarter were ₹ 3,440 cr. Net Slippages segmentally were ₹ 3,204 cr in Retail, ₹ 210 cr in CBG and ₹ 26 cr in WBCG.
- Net slippage ratio for the quarter declined 121 bps YOY.
- Recoveries from written off accounts for the quarter was ₹ 961 crores up 6% YOY.
- Net slippage in the quarter adjusted for recoveries from written off pool was ₹ 2,479 cr. Segmentally Retail was ₹ 2,614 cr, CBG was ₹ 136 cr and WBCG was negative ₹ 271 cr.

In summary, we continue to make progress towards building a stronger and more sustainable franchise. We remain vigilant in monitoring the macroeconomic and geopolitical environment, inflation, liquidity, and our cost of funds, along with their impact on our business. This concludes our opening remarks. We would be happy to take questions.

Moderator: The first question is from the line of Chintan from Autonomous. Please go ahead.

Chintan: Thank you for taking my question. Can I get some color on the 9 basis points of pricing of loans that you gave in the quarter-on-quarter NIM bridge. What is this exactly, is this kind of incremental pressure on loan yields that is impacting.

And also, if you can discuss the nature of these corporate loans. What is the kind of tenor? What is the kind of products that we are writing in? Is this something that kind of reverses once the capital markets become more accessible to the corporates? So some color on that would be helpful?

And secondly, on the funding side, it seems like a lot of this corporate loan funding is being driven by wholesale funding, your LCR retail proportion has come down a bit. CASA systematically is a little weaker. Is this kind of matching up of temporary corporate loans with temporary wholesale funding, which can go away over time as this demand goes away? Thank you.

Puneet Sharma: Chintan, thank you for your questions. I'll respond to it in parts. I think the one thing we can definitely tell you is we are lending on the corporate side at positive spreads and at RAROCs that we feel comfortable with. So effectively, from a funding perspective, as long as we're able to lend at positive spreads, we're happy to undertake that lending as they are meeting our risk thresholds.

Second, please do appreciate that 91% of our corporate lending is to A- and above rated corporates. So we are lending to the higher end of the credit spectrum. Over the last 5 quarters, we haven't slipped down the credit spectrum at all. So the growth is high-quality corporate lending that we are undertaking. We feel comfortable with it and if the opportunity presents itself, we will continue to pursue that strategy.

The second part of your question was, 9 basis points of pricing on loan. Chintan, my request would be to think about it this way. We had roughly a percentage point shift in mix last quarter. We had also called out last quarter that period-end growth was higher than average growth. So there has been a spillover of last quarter's corporate loan pricing impact into the current quarter.

We've also roughly had about a percentage point shift of mix in the current quarter. Both of these play through pricing on loans. In general, pricing on loans has been competitive for us as well as the rest of the industry. I think to your last question on CASA, we've held up reasonably well, both on period-end CASA as well as average CASA. In fact, numbers that I see, I think our QOQ performance on CASA, on average has been better than most in the industry. I hope I've covered all of your questions. I'm happy to take a follow-on.

Chintan: Yes. Just two quick follow-ups. You said 4 basis points from balance sheet mix. So, I would attribute the corporate mix shift towards that 4 basis points, and 9 basis points in pricing of loans. So should that be spread compression, but it doesn't sound like that? So I just want a clarification on that.

And the second point on the corporate volumes. Are these temporary in nature? In the sense, are corporates coming to Axis Bank because it's better for them for the moment? And once bond markets kind of normalize they might go back away. So just trying to understand whether these corporate balances are sticky or they kind of become a headwind to growth as they unwind?

Vijay Mulbagal: Chintan, Vijay here. So these are across project finance, term loans and working capital. Some of these loans will transition into bonds. We believe that these loans have been given for in case of working capital, to take care of their shorter cycles and in case of project finance and term loans for longer terms. And we expect them to remain with us.

And because these are across sector, such as energy, commercial real estate, infra and metals, and we don't expect transition as soon as the bond markets become active. But in the natural course, they will transition when the assets mature. And typically, that's how we have seen the market behave over several years.

Amitabh Chaudhry: Since you're asking questions on temporary loans, I just want to clarify. We have been in this business for a long period of time, and we are doing a combination of loans across, as Vijay pointed out, around working capital, term loans, et cetera.

So, there is no specific bunch up of temporary period loans, which have been created in this quarter, which will kind of somehow run off very quickly. Normal ratios around a typical wholesale franchise. That's what we maintain. Just to clarify.

Chintan: Thank you helpful. Thank you for that.

Moderator: We'll take the next question from the line of Mahrukh Adajania from Tara Capital. Please go ahead.

Mahrukh Adajania: Yes. Hi, good evening. My first question is again around NIM. So your cost of funds seems to have bottomed out. Now where do NIMs go from here? As in that we had the structural NIM target of 3.8%, which we thought would be achieved over, say, maybe 12 to 15 months is what I recall. Where do we stand on that soft guidance? That's my first question.

And then my second question is on opex. So obviously, you've called out and you've given many details on opex. But what would be a normalized run rate for opex, because you are seeing some productivity gains, you are seeing some reversals. So what would be a normalized level? So those were my 2 questions.

Subrat Mohanty: Thank you for your question. This is Subrat. On the direction of NIM, we have not changed our structural NIM guidance of 3.8% including the time period that we have mentioned in the past. Like Amitabh mentioned, we think this is the bottom of the cycle in this quarter, which in some ways from our perspective would mean that from here on, the effort will be to continue to move towards the structural NIM guidance that we have during the time period that we had suggested earlier.

Amitabh also mentioned that there is an FCNR (B) opportunity coming up during this quarter, which would mean that there might be surplus liquidity, which we'll try and deploy in terms of making sure that there is the right way to deploy and get growth on the back of that liquidity as well. On the guidance on cost, see the work on efficiency and improvement on productivity has been ongoing over the last four to six quarters.

So if you look at where the cost to assets have trended over the last six quarters or so, they have been trending downwards. We don't offer a specific, you know, terminal cost to asset ratio guidance. From our perspective, there are opportunities to continue to improve the productivity within the franchise. We have some opportunities on the upside in terms of productivity at the branch level.

The technology investments that we've made in the past are bearing fruits. Additional investments are happening in AI. So like we've mentioned in the past, over the next 18 to 24 months, we'll continue to be on this path, but no specific guidance on where the cost to assets will eventually land.

Mahrukh Adajania: Okay, thank you. Also, just one last thing on your foreign loans. They've grown quite sharply, so if you could comment on that as well?

Vijay Mulbagal: As we've earlier said, we've been very selective about both sectors and clients. And whenever we've seen opportunities to participate which meet our internal thresholds and RAROC and also give us an opportunity for reciprocal flows and fee, we will continue to participate. Where in this case the opportunity presented in foreign currency loans, so that's what it is.

Subrat Mohanty: Just to clarify on foreign currency loans, you know, this is purely opportunistic. There are clients, there are relationships, sometimes they bunch up in a particular quarter or so. No specific directional change in terms of how the portfolio mix is going to be. So some of this is purely opportunistic at this point in time.

Mahrukh Adajania: Okay, thank you very much.

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

Rikin Shah: Thanks. Had a few questions. The first one again on margins. So this 34 basis points of NIM expansion in next 12 to 15 months basis your guidance, could you just provide a walk of how much of that can come through via reduction in the wholesale loan share, reduction in wholesale cost of fund, and the decline in the overseas loan share? So, a walk would be helpful to at least, contextualize and get some confidence as to how this margin improvement comes through. That's the first one.

The second question is on opex. There is a disclosure that there was some one-time write-back. Was it around INR220 crores and what exactly is this number write-back?

The third one is on the upgrades and recoveries which seem a bit weak in this quarter. Why was that and how should we think about potential recoveries from technical slippages of the last year here on? And maybe if I can just add one more question. It's on whether would you like to increase stake in Max Financial Services to 30% given RBI of late has allowed some banks to increase their stake up to 30%? Thank you.

Puneet Sharma: Rikin, thank you for the question. I'll probably answer three and then request Subrat to come in on the fourth. Your first question on the bridge back to 3.80%. As part of my opening remarks, I had said that we've lost about 16 basis points due to change in balance sheet mix over the last 12 months. So if you look at that change in balance sheet mix, we have consistently said that we do think we have the ability to recalibrate the balance sheet over a period of time. Retail disbursements have started growing. So that 16 basis points call out was to give you a quasi-indication of the actionable that can be undertaken. The balance sheet mix is both segment advances as well as rupee/non-rupee that was discussed as part of an earlier response.

Moving to your second question on opex and what are the one-offs in opex. If you recollect when we reported last quarter, we had taken about a INR129 crores charge for provident fund liability given where government security rates were at the end of that quarter.

Government security rates were adversely impacted because of the RBI administrative action at quarter end. G-Sec rates have eased through quarter one and therefore the charge that took place in quarter one has in a substantial part ended up giving us a reversal. So Q4 charge has ended up giving us a reversal in Q1. So that's one large item. The second large item is around gratuity and the third item effectively is we true up variable pay and there was an excess variable pay provision that we've trued up.

Those are the three items that aggregated to the quantum of the one-off that I have called out for you. In fact, we've been transparent and if you look at slide 12 of our investor presentation, we've actually given you a Q-o-Q decline reported as well as normalized for your perusal.

Rikin, I think your next question was on upgrades and recoveries, I think the simple point I would make to you is we stopped calling out technical versus non-technical. I think you should draw comfort from the fact that Q3 credit costs and Q1 credit costs are very similar. They both have seasonality, they both have meaningful improvement on recoveries from the technical pool. So I think that should give you comfort. We remain comfortable that slippages attributable to technical criteria will not result in an economic loss for the bank. I'll hand over to Subrat for the Max Life question.

Rikin Shah: Before Subrat you come in on Max Life, Puneet, just a clarification on margins. Out of 35 basis points of potential improvement that we are talking about, 16 basis points is the balance sheet mix reversal. Where does the balance come from?

Puneet Sharma: Rikin, I'm not going to lay out the entire bridge for you. You've got to let us work through some of these numbers. Effectively, please appreciate that 19 basis points of margin have been lost year-on-year because of a repo rate cut. So effectively, even if I had held book static, I would have lost 19 basis points of margin. 16 basis points of margin is books mix change as of today.

Effectively, like we said, retail disbursements continue to grow and as retail disbursements and retail growth picks up, you'll see some recalibration come through. The balance we will find a way to bridge over time. We would not want to give you a exact itemized bridge because that flexibility we'd like to retain with ourselves.

Rikin Shah: Got it. Fair point.

Subrat Mohanty: So Rikin on Max Life's stake, yes, there is an opportunity based on the clarifications that RBI came up with in December. We are engaging internally. We will go through the process internally in terms of, you know, weighing the pros and cons of increasing the stake and then go to the regulator and check if they are open to this idea.

As you know in the past, we were always keen on having a higher stake. At that point in time, the regulation didn't allow us to. So, this particular evaluation will happen and we'll let you know if there is anything based on some of the internal conversations and board approvals.

Rikin Shah: Got it. Thanks Subrat and Puneet.

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

Kunal Shah: Yes, so when we are talking about in terms of the change in the balance sheet mix, do you think it will have impact on the growth as well, maybe as we try to pull up the margins and maybe if the overall non-rupee proportion is to come off a bit and retail has to grow, would we see some pull back on the growth side, ex of FCNR benefit which will be there in the very near term, but otherwise from the current run rate, do we see some normalization in the growth as well?

Puneet Sharma: Kunal, we don't offer outlook on current run rate. I think what we've consistently said is we feel comfortable that we'll grow at industry plus 300 in the medium term. We haven't walked away from the industry plus 300 over the medium term as part of our commentary on the NIM bridge. So we will reiterate the fact that we still believe we will continue to grow at industry plus 300 as we find ways to recalibrate margins.

Kunal Shah: Sure. And in terms of the overall overseas portfolio, so this doesn't include any part in terms of either the FCNR or the leveraging part of it. So that's definitely not there in this entire book? And if you can just highlight in terms of how we are assessing the opportunity out there and how much we would be raising in terms of this entire FCNR window?

Puneet Sharma: Kunal, thank you. Your question had some affirmative statements which I won't like to confirm or deny, you said the overseas book has no FCNR. We will comment on FCNR growth as part of Q2, when we know the quantum that's been raised. The color of the overseas book, I would request you to look at Slide 30 of our investor presentation. I'll just read out the salient features. 98% of that book is rated A- and above and 64% of the outstanding is to the top 10 conglomerate. So it's a very high-quality book that we run on the offshore side.

Kunal Shah: Okay. So in terms of the quantum raised till now under the FCNR window?

Puneet Sharma: Kunal, we're not calling that out yet. Please allow us to report FCNR (B) numbers once we have concluded quarter 2. We've offered qualitative commentary on what we think we can do on FCNR. We believe that we'll clock above our organic market share on FCNR. We are not providing numbers on what we've raised till June or what we expect to raise till September.

Kunal Shah: Sure, got it. Thanks and all the best.

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

Zhixuan Gao: Hey, thank you for the opportunity. First to hop on the margin part. You talked about the potential reversal of that 16 basis point mix change in the last 1 year. But that's as a result of 38% wholesale growth and then 8% of retail growth. So, how much of that can we reverse because to reverse that we need to grow retail at 30% odd and wholesale at 8%. So how much of that mix change back should we expect in the next 1 year or so?

Subrat Mohanty : See we don't offer very specific details on how the mix change will evolve over the next 1 year. I think we have made this point consistently that you should look at our retail disbursement growth trends over the last three quarters, including this quarter, where it has been at about 18%. That disbursement trend will eventually translate to book growth, which is happening gradually.

So the work on making sure that mix change reversals has been on for the last two quarters. And we'll see as we go forward, the disbursement strength in the retail side will help us towards that. But we don't offer specific milestone-based numbers on how this will reverse itself over the next year.

Zhixuan Gao: Got it. And just a follow-up on the previous participant's question on the 9 basis points pricing change impact. Sorry, I'm still confused because there's 4 basis points of mix change. And then what's the 9 basis point about is it Q-on-Q margin?

Puneet Sharma: So the 4 basis points of mix change comprises asset plus liability mix change because mix change could also be placements, investments and advances. Please appreciate it could be proportionality between earning assets. It could also be proportionality of earning assets to total balance sheet.

So that's the quantum that is sitting in the balance sheet mix change. There is a liability mix change that is also sitting in the 4 basis points of balance sheet mix change. Now the 9 basis points of pricing change is a full impact of pricing of loans in the last quarter visible on yields in the current quarter, repricing of contracted loans, and given where incremental growth is coming from, the incremental loans compared to headline yields are because of the segment to which they're being lent to are being priced lower. So we've seen a price compression across loan categories given market competitive intensity which is sitting in the pricing 9 bps. And we've seen balance sheet mix change across assets and liabilities, that's sitting in the balance sheet mix change. I hope that clarifies that.

Zhixuan Gao: Sorry, on the retail disbursement, may I have the absolute retail disbursement number because we have had high retail disbursement growth around 18%, 20% odd in the last three quarters. So the book growth is accelerating but seems like a rather slow paced from 6% odd to 8% of the three quarters?

Puneet Sharma: We don't disclose specific product-wise disbursement rupee values. I think if I was to give you something for you to look at, to corroborate our commentary. If you were to look at Slide 22 of our investor presentation and look at year-on-year growth for current quarter and plot next to it year-on-year growth for each product category that we reported last quarter. In all of the product categories, you would see an improvement in year-on-year growth. That should give you some comfort on the fact that the disbursement growth is translating into book growth with the lag.

Zhixuan Gao: So let's assume, for example that mathematically the disbursement will maintain at 18%, 19% of retail book, right? From how long did it take from 8% retail growth to go to at least your average loan growth of 17%, 18%? How long does that take just mathematically?

Puneet Sharma: My request is we can take the mathematical questions offline. Very simply put, whichever way I am asked the question, I'm not going to guide product-specific growth. We have only 1 headline guidance on growth, which is 300 basis points above industry. I'm happy to answer this question in as much granularity on how you should think about the arithmetic. But as a management team, we regret we will not provide segment-specific or product-specific growth numbers.

Zhixuan Gao: Thank you so much.

Moderator: Thank you. The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Hi team. Congrats on the quarter and thanks for taking my question. Just going back to a mathematical thing, if NIM had declined 16 basis points and our assets, average assets, average interest-earning assets, whatever grew 3%, 4%, then NII should have declined, right, but it still grew. So what am I missing here?

Puneet Sharma: Sorry, Piran, could you please repeat that again? I didn't fully catch the question.

Piran Engineer: So Puneet, what I'm saying is just mathematically, a 16 basis point impact on, let's call it, a 3.5% NIM is 5%, right? And if your balance sheet, average balance sheet, whatever grew 3%, 4% Q-o-Q, the NII should have declined. It's 5% sort of profitability pressure versus 3%, 4% growth, net-net, it should have been a decline. So is there some anomaly here and the actual core compression is lower?

Puneet Sharma: Look, I think, Piran, the way I would explain that number is effectively, if you think about it, my period-end advances growth or my period end interest-earning asset growth is not reflective of the average interest-earning asset growth that we have had through the quarter. Again, just to give you illustratively reasons why that could happen, I could have run an asset for a large part of the quarter and then have had a sell down of that asset towards the end of the quarter, which would effectively mean that I have earned income on that asset for a period.

So let's hypothetically say I booked an asset on day 1, I sold the asset on day 88. I would have had income on that asset for 87 days in the quarter, but it will not appear in my closing balance. So the broad explanation to your question is while you're seeing a 2% quarter-on-quarter advances growth. The average interest earning book has grown at a much faster pace for us in the quarter. I hope that explains the anomaly of the math that you're seeing.

Piran Engineer: So that much faster, would it be more like 6%, 7% actually?

Puneet Sharma: It won't translate to 6%, 7%, but it is a multiple of period-end growth that you're seeing.

Piran Engineer: Got it. And just secondly, how much of this 9 bps can be offset by lower opex and credit cost? Because obviously, if you're giving it to better quality customers or AAA rated corporate, there will be a benefit on the other line items, right?

Puneet Sharma: So, Piran, rather than giving you outlook on what it would be, the simple answer I would offer is, I've had an 8-basis point cost of assets improvement Q-o-Q versus a 9-basis point pricing impact that you've called out. So that's one way to think about it. That may not be very accurate in its holistic sense. But if you're asking me the pass-through through the DuPont there's 9 on pricing, there's 8 on cost.

Piran Engineer: Got it. And just one question, nothing to with guidance. I think on corporate loans that are linked to, say, T-bill or repo linked? How often can you as a bank go back and change the terms and conditions with the borrower. So, let's say you've given it to some, say, Tata Steel at T-bills 250 bps. A quarter later, can you go ahead and say, no, I now want, T-Bill plus 275 bps?

Vijay Mulbagal: Unless there is a credit event, we won't be able to reprice it. If there is a repo change, we'll be able to reprice it, typically we do at the quarter end. Unless there is a credit event, we won't be able to do that in general.

Piran Engineer: You can't change the spread?

Vijay Mulbagal: In general, yes.

Piran Engineer: Got it. Good. Okay. That's useful. Just lastly, sorry, reporting on a Saturday, is this a one-off also like your NIMs, or is this steady state now? And I would urge if we could go back to week day reporting.

Puneet Sharma: Piran, thanks for the suggestion. Honestly, I'm not the person who should be answering this question. But let me answer that question for you. I think we are very clear that from a data confidentiality perspective, from a risk perspective to the institution and our Board, we'd like to follow a Saturday format. We'd like to report on a market holiday. It helps us have a deliberated discussion with our Board on results and have more detailed discussions then.

Piran Engineer: Got it.

Puneet Sharma: And we've consistent and we've made this change effective Q4 of last year, so you will see us consistently follow the Saturday format going forward.

Piran Engineer: No, no. I did notice that, but we all thought it was a one-off. And it's just that in the case, as is today, you all are the fourth guy on the con call. We all are stretching ourselves thin. A lot of foreigners won't dial into the con call because it's a Saturday. So, it's also in your best interest in terms of maximum outreach to keep it on a weekday like most other Indian corporates do, like most other global banks do. And we get the same thing about data confidentiality from others, but our simple point is, we trust you all with our money, right, and our bank accounts INR20 lakh crores or whatever, and that's safe. So, you can definitely keep some NIM and slippage numbers safe. Anyway, that's how I think about it and that's honestly how most of us think about it. So, we would urge you to go back to week day reporting, if that's possible.

Puneet Sharma: Piran, thank you for the suggestion. We'll consider it. But for the moment, I think you should assume that it is going to continue to be Saturday. Thank you.

Piran Engineer: Sure, sure. Thanks.

Moderator: The next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: So, a couple of questions. First, in the NIM outlook that you have given, have you accounted for any dilutive effect of whatever FCNR balances that you might raise or that would be over and above the guidance that you've given?

Puneet Sharma: Sorry, Abhishek, I'm not clear on the question itself. You said we've given an outlook on NIM. I don't think we've given an outlook on NIM. So there were 2 parts to pick your question as I understood it. You indicated that we've given an outlook on NIM and whether FCNR will be dilutive or accretive. I just want to categorically clarify; we've not given any outlook on NIM for the near term. We don't provide any outlook on NIM even for a full fiscal year basis.

Abhishek Murarka: I mean the structural NIM guidance that you've given of 3.8% over a time period, that is what I was referring to. I mean I didn't mean near-term structure NIM guidance?

Puneet Sharma: Okay, understood. Thank you. That's super helpful.

Moderator: The next question is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Yes hi, thank you for the opportunity. So, my question is on the investment yield. So last quarter, we had seen a sharp decline in the investment yield, given that the investment book has grown sharply. But this quarter with the investment book declining sequentially, naturally, your investment yield should have ideally picked up. So even this quarter, it has declined. Anything to read on that?

Puneet Sharma: Thank you for the question. Give me a moment to process whether investment yields have declined or not? We could move to your next question, I'll just come back to you with a response on that question before we finish up the call.

Ankit Bihani: Second is on the ECL front, if we can tell the onetime impact, and what could be the increase or impact on the run rate, the credit cost run rate going forward?

Puneet Sharma: On ECL, our assessment as of 31st March 2026, balance sheet is that impact on net worth will be marginal. And the marginal impact is purely an outcome of the fact that ECL is an exposure standard, whereas IRAC is an outstanding standard. And therefore, unfunded exposures will need a provision plus RBI has prescribed floors. Therefore, we do think between these 2 components, which are incremental to IRAC, we should see a marginal impact on net worth on transition date.

On a go-forward rolling impact, effectively, our assessment is, the industry as a whole, including us, should see higher provisions to assets in post or in the first year of transition, purely given the way Stage 1 and Stage 2 provisioning will run against the 40 basis points of standard asset provisioning that runs today. So that's how we are thinking about ECL transition.

There is a 6 basis points increase in average earnings investments on a Q-o-Q basis, is how I am looking at the data. I'd be happy to pick the decline number that you've pointed out separately and have a conversation. But just to give the group comfort, when I look at average balance sheet and income, we've seen a 6 basis points increase in average earning investments Q-o-Q. So happy to work with you on the specific numbers. If you could send us an e-mail with the data you're looking at, we'll corroborate that and send back to you corrections once we receive.

Ankit Bihani: So basically, I'm looking at the period-end figure, maybe that is why the discrepancy.

Puneet Sharma: Yes, that may be the case because please do appreciate that we have raised a quantum of money and we do get period-end flows that would have gotten placed. We raised our AT1 on 30th June, and the senior bond.

Ankit Bihani: Thank you.

Moderator: Ladies and gentlemen, this will be the last question for today from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Just one question between the choices that you have done. If you look at the last, let's say, about 2 - 3 quarters, you pushed the corporate loan growth on the argument that the return was slightly better and where the balance sheet is. Just trying to understand, it still kind of caused the margin condition. And you also, on the other side, argue saying that retail disbursements are going up? Just wanted to understand what has changed in the last few quarters that suggest that the risk-adjusted return has improved across the various products? Because at the end of the day what we see on the ground is that the margins have fallen. Just trying to understand, why chase that corporate loan book in the last two quarters, and why you believe that retail is also now generating a similar return.

Amitabh Chaudhry: Okay. So, Mahesh, please understand the wholesale strategy. When we talk about return, we are talking about not only NIM, but what are some of the other businesses we are able to generate to these corporates in terms of higher balances, trade fees, FX, etc. So, we're looking at overall return and not necessarily NIM. NIM obviously for a typical wholesale franchise would tend to be on the lower side if you compare it to other retail asset classes.

Now, when our deposit franchise starts doing well, and we can raise deposits and retail will take its own steady manner brick by brick, it will take time to ramp up back in terms of growth, wholesale is the best way to deploy it. We also believe that we are getting great opportunities there, and overall return is meeting our RAROC standard; the RAROC of the wholesale business stands head-to-head with the retail side of the business.

So, it's not that we cannot or should not look at wholesale as a growth opportunity. Now, as unexpectedly when FCNR has come as an opportunity, and depending on how much money we are able to raise, we will see as to how to deploy that FCNR fund, whatever we are able to raise across our franchise.

So no, I think what we're really saying is that the, because NIM is such an important question, every analyst has been asking about it. We have seen the bottom. All of you know the levers, we know the levers. We are working across each of those levers. But at the same time, just to ensure that, somehow, we have to be held against the NIM number, we should drop our growth or see something it does not make sense to us.

So, we are still standing by what we have said in the past. But we are just saying that if there are opportunities, this is the way we are building it. So, strategy itself has not changed. But yes, our deposit franchise has done well; we've used the opportunity there to continue to grow our wholesale franchise. We've been able to deploy it at good rates; overall returns are good, and it makes sense to us. Now I will ask the other team members to add to it if you don't mind. Thank you.

Vijay Mulbagal: To further continue with what Amitabh is saying, keeping our book pristine at 91% A- and better, 87% incrementally on a quarter basis. Just to reiterate, we are not just in the game of lending here and we are not clearly competing on pricing. We're going after sectors where there are economic tailwinds. We're going after clients we are comfortable with and clearly where there are reciprocal flows and fee and where there is One Axis opportunity across Burgundy Private, Corporate Salary. You've seen the corporate salary momentum that Amitabh referred to as well as investment banking share. So, we're looking at composite returns, not just lending returns. And we are very comfortable because these are clearing our internal RAROC thresholds. So, we'll continue to go after opportunities and without dilution of either risk returns or our credit standards.

M.B. Mahesh: Vijay, just if I have to just ask 1 additional question for you. When you look at the ECLGS applications that are coming in, can you just kind of give us some color as to what is the nature of the customers that are coming in? And how are you entertaining those requests?

Anand Vishwanathan: Yes, so we have put in place the right guardrails around what kind of customers we would like to select for offering the ECLGS too. We are seeing that the ECLGS scheme is being requested primarily in the MSME space. And the customers who are coming to us are meeting those criteria. Typically, they are in the manufacturing sector or the trading sector, and we are processing their applications in line with the regulations and the requirement of our own policy.

M.B. Mahesh: Are you able to quantify how much of ECLGS requests have come in and you've accepted it?

Puneet Sharma: Yes. Thanks, Mahesh. I'll quantify that for you. We've sanctioned about INR5,000 crores of ECLGS. And of that, we have disbursed about INR2,400 crores as on date.

M.B. Mahesh: Thank you.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Puneet Sharma for closing comments. Thank you, and over to you, sir.

Puneet Sharma: Thank you, Michelle. Thank you, everyone, for taking the time on a Saturday evening. We did hear the pain, so we apologize for it. But if there are any questions that remain unanswered on the call, please do reach out to our IR team, Rahul, Umang or myself. We'll be very happy to take those questions. Abhishek, my apologies; you got cut off. We'll pick up that question straight up after this call. Handing the call over to Amitabh.

Amitabh Chaudhry: I think, we do believe that we have done quite well on our deposit franchise. I think one of the few franchises which have delivered positive savings account growth after typically fourth quarter being what it is. You have seen our QAB and MEB balances. We believe our advances are in the right direction. I think we have a resilient balance sheet; there's enough provisions there.

And frankly, I didn't want to say that. I wanted to use the opportunity to actually thank Puneet for working with us and doing all the yeoman's work over the last six years. I know he's created a huge credibility with the system, with the analyst community. We are sad to lose him, but we do wish him the very best to meet his career aspirations.

And I am confident and sure that he will carry the Axis Bank flag and be an ambassador for Axis going forward. So, thank you Puneet, and thanks everyone for supporting him through his six-plus years journey with Axis Bank. Thank you.

Moderator: Thank you, members of the management. On behalf of Axis Bank, we thank you joining us, and you may now disconnect your lines. Thank you.