Axis Bank Limited Q2FY27 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 September 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 proceedings 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, and there will be an opportunity for you to ask questions at the end of briefing session. Should you need assistance during the conference call, please signal the operator by pressing star and 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 & CEO and Mr. Rajeev Mantri, Group Head & CFO. I now hand the conference over to Mr. Amitabh Chaudhry, MD & CEO. Thank you, and over to you, sir.

Amitabh Chaudhry: Thank you, Sagar. Good evening, and welcome to Axis Bank's earnings call to discuss the Bank's financial results for the quarter ended September 2026.

Before we begin, I would like to warmly welcome Rajeev Mantri to the Axis Bank family.

Also joining us on the call today are our Executive Directors—Subrat Mohanty, Munish Sharda and Neeraj Gambhir—along with other members of the leadership team.

The global macroeconomic environment continues to face headwinds from geopolitical tensions and trade-related disruptions. Renewed tensions in West Asia have continued to disrupt global supply chains and fuel volatility in energy markets, while rising energy and food prices are adding to inflationary pressures across economies.

Despite the overhang from elevated commodity prices, tariff-related disruptions and weather-related risks, the Indian economy has continued to demonstrate resilience, with growth supported by broad-based economic momentum. Economic activity was underpinned by robust investment activity and healthy private consumption aided by sustained discretionary spending. Supported by proactive regulatory measures, system liquidity improved significantly during the quarter, providing a fillip to credit growth and deposit accretion across the banking system.

In an environment characterized by resilient domestic growth and persistent global uncertainties, Axis Bank continued to build a differentiated and agile franchise through investments in digital trust, payments innovation, AI-led capabilities, network expansion and talent development. We sustained momentum in our businesses while delivering sustainable and quality growth, further strengthening balance sheet resilience, enhancing productivity and deepening customer relationships across segments.

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

1. Starting with **Growth**

Our momentum on gaining market share across deposits and advances continued during the quarter, driven by broad-based growth and supported by encouraging mobilisation on FCNR(B) front.

- Our total advances grew 23% YOY and 9% QOQ, and excluding the loans extended by our international branches for FCNR (B) deposits, the advances grew 19% YOY and 5% QOQ. The growth in advances has been supported by:
    - Continued healthy traction in Retail disbursements across segments for the fourth straight quarter, translating into retail book growth of 16% YoY & 10% QOQ. Even post excluding the leverage facility extended for FCNR(B) deposits, retail book grew 10% YoY.
    - Our SME franchise continues to deliver broad-based growth of 25% YoY and 9% QoQ, driven by differentiated offerings, best-in-class tech & digital capabilities and a customer-centric approach tailored to the evolving needs of India's MSME ecosystem.
    - Our Wholesale Banking franchise delivered another strong quarter with growth of 34% YoY, driven by robust client activity across sectors supported by resilient economic momentum. Our relationship-centric approach, characterised by greater engagement intensity, disciplined follow-through and an omnipresent client coverage model, alongside deeper One Axis collaboration, continued to strengthen client relationships and franchise performance. Our growth has been through deepening the wallet share across our customers, while maintaining our RAROC thresholds. These relationships also provide us access to corporate salary accounts as well as potential for liability relationship and additional fee income going forward.

- Moving on to the Deposits:
    - Through our strong NRI franchise and proactive outreach, we garnered a meaningfully better market share of ~8% on FCNR (B) deposits in this quarter, raising an aggregate of ₹1,018 bn of FCNR (B) deposits.
    - Year-on-Year on QAB & MEB basis, our total deposits grew 23% & 21%; term deposits grew 28% & 27%, CA grew 15% & 7%, SA grew 13% & 12%, and total CASA deposits grew 14% & 11%, respectively.
    - Quarter-on-quarter on QAB & MEB basis, our total deposits grew 7% & 6%; term deposits grew 10% & 8%, CA grew 3%, SA grew 2% & 2%, and total CASA deposits grew 3% & 2%, respectively.
    - Excluding the portion of FCNR (B) deposits backed by loans given by our International branches, our total deposits grew 17% YOY & 3% QOQ and term deposits grew 21% YOY & 3% QOQ on MEB basis, post accounting for the 8.6% QOQ decline in the non-retail term deposits as we utilised part

of the FCNR (B) deposits to optimise our balance sheet. Please refer to slide 6 for more details on the impact of FCNR (B) on various reporting metrics.

- Our New-to-Bank (NTB) franchise scaled further with an increasing mix of premium and relationship-led acquisition, resulting in 20% YoY growth in NTB average balances and reinforcing the quality of franchise growth.
- The Corporate Salary business continued to deliver robust performance, supported by deeper engagement from wholesale coverage team and a sustained focus on relationship deepening. Average NTB salary balances grew by 40% YoY, while the Existing-to-Bank salary portfolio expanded by 16% YoY, reflecting stronger customer primacy, improved engagement and continued franchise deepening.
- Burgundy continues to anchor our premiumization journey, with assets under management up 27% YoY and 9% QOQ including AUM for Burgundy Private, which grew 12% YOY and 3% QOQ.

2. On **Profitability,** our focus has been on building a more sustainable earnings profile, driven by disciplined execution, operating leverage and improved efficiency.
   - Our net interest income for the quarter grew 12% YOY and 5% QOQ.
   - NIM for Q2FY27 was 3.36% including accounting for the impact of FCNR (B) deposits. Excluding the impact of FCNR (B), NIM for Q2FY27 stood at 3.47%.
   - Our cost-to-assets declined further to 2.14%, down 24 bps YoY and 6 bps QOQ.
   - For the quarter, PAT grew 38% YOY and our consolidated ROA was 1.49% and ROE was 13.96%

3. On **Sustainability**, we stay focused on driving quality growth, strengthening balance sheet resilience, building future-ready technology platforms, advancing industry-first innovations and investing in people and capabilities to deliver sustainable outcomes at scale.
   - Our GNPA was at 1.16%, declining 30 bps YOY and 12 bps QOQ; NNPA at 0.35%, declining 9 bps YOY and 4 bps QOQ; while the Net credit cost was at 0.45%, down 28 bps YOY and 18 bps QOQ
   - For the quarterly progress on our AI transformation journey, please refer to Slides 14 and 15 for details.
     - We continued to make significant progress in our AI journey through AXIOM, our enterprise-wide AI operating model focused on embedding AI across customer journeys, operations and decision-making. AI-driven solutions such as Doc.AI, Voice AI and GenAI-powered collections continue to enhance customer experience, improve operational efficiency and delivering better business outcomes. With a strong focus on governance, talent and innovation, we are accelerating our transition towards becoming an AI-native institution.
   - We continued to strengthen our leadership in digital payments and secure banking through industry-first innovations. During the quarter, Axis Bank became the first and

only Indian bank to enable Apple Pay for its credit card customers, marking a significant milestone in the evolution of digital payments.

- Building on our commitment to safe and intuitive banking, we introduced industry-first UPI Limit Management feature in our mobile banking app that enables customers to set and manage transaction limits across different UPI payment categories.
- Beyond technology and innovation, customer engagement and talent development remained key priorities. We strengthened our customer connect through the launch of Sparsh Week 2026 last month, our flagship customer engagement initiative, while continuing to invest in building a future-ready and customer-centric workforce.
- Our continued focus on innovation, customer experience, talent development and execution excellence was recognised through several prestigious industry accolades, including India's Best Digital Bank at the Euromoney Awards for Excellence 2026, honours at the Brandon Hall Awards, ICC Emerging Asia Awards, ABF Retail and Wholesale Banking Awards, and the SABRE South Asia Awards.

As we enter second half of the year, we continue to remain watchful and closely monitor the evolving external environment. We remain confident in our agility, execution capabilities and ability to navigate the evolving challenges while capitalising on emerging opportunities. Backed by a strong capital position, a prudent risk culture and diversified growth drivers, we are well positioned to deliver sustainable and profitable growth while continuing to outperform the industry.

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

Rajeev Mantri: Thank you, Amitabh.

Good evening everyone and thank you for joining us. The salient features of the financial performance of the Bank for H1FY27 and Q2FY27, across (i) Operating performance; (ii) Capital and liquidity position and (iii) Asset quality, restructuring and provisioning are as follows:

For **H1FY27**, we delivered healthy operating performance supported by strong NII growth, and operational efficiency:

1. NII at ₹30,018 crore, grew 10% YOY
2. Fee at ₹12,536 crore, grew 6% YOY
3. Operating expense at ₹20,541 crore, grew 7% YOY, delivering a positive jaw on core operating revenue
4. Core operating profit at ₹22,120 crore, grew 11% YOY
5. PAT at ₹14,117 crore, up 30% YOY

The key metrics for **Q2FY27** are:

a. NII at ₹15,371 crore, grew 12% YOY and 5% QoQ
b. Fee at ₹6,381 crore, grew 6% YOY and 4% QOQ, granular fee at 90% of total fee

c. Expenses at ₹10,819 crore, grew 9% YOY and up 11% QOQ
d. Cost-to-assets stood at 2.14% improving by 24 bps YoY and 6 bps QoQ
e. Operating profit at ₹11,083 crore, up 6% YOY
f. Core operating profit at ₹10,998 crore, 11% YOY
g. Net credit cost of ₹1,564 crore at 0.45%, down 28 bps YOY and 18 bps QOQ
h. PAT at ₹7,003 crore, up 38% YOY
i. GNPA at 1.16%, declined 30 bps YOY and 12 bps QOQ
j. NNPA at 0.35%, declined 9 bps YOY and 4 bps QOQ
k. PCR% healthy at 70%
l. Standard asset coverage of 1.16% improved 3 bps YOY. All provisions by GNPA ratio is 164% improved 17% YOY
m. Annualised Consolidated ROA% at 1.49%, Annualised Consolidated ROE% at 13.96%. Subsidiaries contributed 11 bps to the consolidated annualized ROA and 66 bps to the consolidated annualized ROE this quarter.
n. Banks CET-1 including H1FY27 profit stands at 14.61%, we net added 23 bps of CET-1 in the half year. The Bank has provisions aggregating to ₹8,006 crore, 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 ~49 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 the growth or protection pillars.
o. As mentioned during the previous quarter earnings call, we raised AT-1 aggregating to US$ 600 mn within H1FY27, which has been used to call back the earlier AT-1 as per its contracted call date in September 2026. Additionally, in Q2 we raised US$ 600 mn in senior notes.

Net Interest Income and Margins

- NIM for Q2FY27 was 3.36%, declined 37 bps YOY and 10 bps QoQ. Excl. the FCNR (B) impact, NIM for the quarter was 3.47%
- The QOQ NIM decline of 10 bps can be attributed to (i) 11 bps due to grossing for self-leveraged FCNR deposits and due to the liquidity carry associated with FCNR(B) deposits, with surplus funds being parked in low-yielding securities prior to deployment (ii) slightly offset by the 1 bps benefit from lower interest reversals.
- The YOY NIM decline of 37 bps can be attributed to (i) 11 bps due to FCNR impact as explained for QoQ (ii) 16 bps due to the change in balance sheet mix and (iii) ~ 10 bps due to full impact of 125 bps of repo rate cut in the current quarter versus only 100 bps rate cut in same quarter last year net of benefit in cost of funds due to liabilities repricing.
- The cost of funds declined 8 bps YOY and increased 3 bps QOQ.

Other Income and Operating Expenses

- Our fee to assets stood at 1.26%; Total wholesale fee grew 10% YOY and Total retail fee grew 4% YOY.
- Trading profit and other income at ₹150 crore declined 74% QOQ, mainly on account of MTM losses on investments.
- Operating expenses for the quarter stood at ₹10,819 crore, growing 9% YOY and 11% sequentially.
    - The YOY increase in operating expenses is ₹862 crore. This increase can be attributed to the following reasons: (i) 48% linked to volume; (ii) 23% for investments in technology and digital and (iii) remaining in staff costs and other operating expenses.
    - For QoQ increase in expenses, it needs to be noted that the Bank had Rs 271 crores of one time reversals in staff cost in last quarter. Further, there are one-time expenses of Rs. 254 crores in this quarter mainly related to new labour code related items and certain expenses attributable to FCNR (B) mobilisation. Adjusted for the same, the QOQ increase in operating expenses is ₹572 crore (6%) attributed to following reasons: (i) 60% linked to volume; (ii) 13% for investments in technology and digital and (iii) remaining other BAU costs.
    - Technology and digital expenses constituted ~10% of total operating expenses for Q2FY27.
    - We opened net 119 new branches in the quarter and 139 new branches in H1FY27. Our H1 period end head count declined by 375 compared to 31st March 2026.

Growth across our liabilities and loan franchise

Amitabh has already discussed the growth in loans and deposits along with the impact of FCNR (B) on both. We continue to gain market share on deposits and advances. We gained ~10 bps in market share on the loan franchise and ~10 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 SME at 12%. Please refer slides 20 and 21 for details around the quality of our liabilities franchise and slides on our loan franchise.

- ~72% of our loans are floating rate, of which 60% are linked to Repo, 12% are linked to MCLR and other benchmarks. ~ 44% 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 10 of our investor presentation.
- In Q2FY27 Retail disbursements grew 22% YOY. Disbursement growth in home loans was 24% YOY, Vehicle loans was up 25% YOY, SBB was up 33% YOY, Retail agri was up 19% YOY, Consumer loans was up 20% YOY.

Asset quality and provisioning

- Slippages, GNPA, NNPA and PCR ratios for the Bank, and segmentally for Retail, CBG and Corporate are provided on slide 45 of our investor presentation.
- Gross slippages in the quarter were ₹4,762 crore of which retail was ₹4,286 crore, CBG was ₹287 crore and WBCG was ₹189 crore
- Our Gross slippage ratio for the quarter declined 63 bps YOY and 31 bps QOQ
- For the quarter ~33% 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 ₹2,383 crore. Net Slippages segmentally were ₹2,042 crore in Retail, ₹210 crore in CBG and ₹131 crore in WBCG
- Net slippage ratio for the quarter declined 30 bps YOY and 37 bps QOQ
- Recoveries from written off accounts for the quarter was ₹971crores up 51% YOY
- Net slippage in the quarter adjusted for recoveries from written off pool was ₹1,412 crore. Segmentally, Retail was ₹1,313 crore, CBG was ₹98 crore and WBCG was ₹1 crore.
- As on 30th September 2026, Gross NPAs of the Bank stood at Rs. 16,778 crore, Net NPAs stood at Rs. 5,054 crores and provisions for NPAs stood at Rs. 11,724 crore.
- The cumulative non NPA provisions as at September 30, 2026 stand at ₹15,860 crores, comprising (i) Prudent provisions for standard assets of ₹6,775 crores; (ii) Restructuring provisions of ₹173 crore, (iii) standard assets provision at higher than regulatory rates of ₹1,914 crore, (iv) additional one-time standard asset provision of ₹1,231 crores and (v) weak assets & other provisions of ₹5,767 crores.

Coming to the performance of our subsidiaries

- Detailed performance of the subsidiaries is set out on Slides 52 to 59 of the investor presentation.
- In H1FY27, the domestic subsidiaries reported a net profit of ₹1,210 crore, growing 29% YOY. The return on investment in domestic subsidiaries was ~45%.
- **Axis Finance**:
    - Assets under management crossed ₹54,590 crores growing 23% YOY. Retail + MSME book constitutes 71% of total loans.
    - H1FY27 PAT grew 42% YOY to ₹546 Crores, CAR at 22.15%.
    - Strong asset quality with net NPA of 0.35%

- **Axis AMC:** Overall QAAUM grew 9% YOY to ~ ₹3,82,966 crores, H1FY27 PAT (adjusted for impact of PMS business transfer) at ₹370 Crores, growing 36% YOY
- **Axis Capital:** PAT stood at ₹149 Crores up 61% YOY and executed 20 ECM and 5 non-ECM deals in H1FY27.
- **Axis Securities:** Revenues for H1FY27 at ₹842 crores and H1FY27 PAT (adjusted for impact of PMS business transfer) stood at ₹191 Crores up 9% YOY.

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: Thank you very much. We will now begin with the question-and-answer session. Your first question comes from the line of Chintan with Autonomous. Please go ahead.

Chintan Joshi: Hi, thank you for taking my questions and congrats and welcome, Rajeev. Can I start with the retail versus corporate debate? I think a couple of quarters ago, we had a fairly robust conversation on the call. And at that stage, the indication was that retail will probably tap out at 55%. But it seems like the corporate opportunities continue to remain and they remain strong because the AA spreads are still quite wide. So is this a trend that we can still expect that as long as these corporate opportunities are there, the percentage of retail in the loan mix could continue to fall? That was question one.

And the second question was on understanding how NIMs might evolve in the next quarter. First, I mean, I should thank you for giving us very clear disclosures on the FCNR adjusted NIMs. Your peers have not done that. So I appreciate that slide. But just on next quarter, if you could throw light on what kind of movement we should expect there, that would be helpful. Thank you.

Subrat Mohanty: Yes. Hi, this is Subrat. Since you asked the question on the overall mix, Chintan, we didn't guide for any particular topping out of or bottoming out of the retail share of the total mix. If you look at our retail disbursement growth on a quarter-on-quarter basis, that's quite strong across all the categories.

So we continue to push the pedal on retail growth in terms of disbursement. The book growth also has gone up even ex-FCNR, it's now above 10%. So it's been going up from 6% to 8% to 10% over the last few quarters. On the corporate side, there is good opportunity, good pipeline, very good companies with whom we are actually gaining wallet share. And these are long-term relationships.

And like we have mentioned, the downstream benefits of these relationships where we are actually substituting other banks cannot be in any sense, undervalued. So we are continuing to make sure that the retail book growth starts to catch up once the disbursement growth continues to remain as robust over the next couple of quarters. And it is doing that. It is growing. The book growth is starting to grow at a faster clip. And going forward, we are not putting a particular number, but we are very cognizant of our medium-term structural NIM guidance. And we know that we have to do this balancing act at a faster clip in terms of making sure that we do not further move away from the mix that we are right now and we get back to the above 55% retail mix. So that effort is on at this point in time.

Rajeev Mantri: On the second point on NIM, as we have depicted in the investor deck, we have about 11 basis points of impact, which has come during the quarter due to the FCNR (B) deployment or due to

the FCNR (B) mobilization. If we net out for that, the NIM for the quarter was at 3.47%, which was 1 basis point higher than the last quarter.

As these funds have come through, we are now looking at further deployment and optimization to be done using these funds. In the last quarter, we have utilized some portion of these funds to retire the more expensive NRTDs. That was done towards the end of the quarter. So we should be able to see some benefit of that come through in the next quarter in terms of NIM uplift.

At the same time, like Subrat mentioned, we are working towards improving the loan mix, liability mix as well as various aspects of product level mix that we can actually work on in terms of improving the NIM trajectory. The FCNR-related deployment will take us the next couple of quarters in terms of fully seeing the benefit of the optimization. And then we'll also see how exactly we are able to uplift the NIM.

So overall, structurally, the guidance that we had given on NIM remains unchanged. However, as you can see, these are various factors which are playing out. And therefore, from a time line perspective, we won't be able to specifically guide on how much time frame this will take in terms of moving forward on that trajectory. Though structurally, we are working towards our through-cycle guidance of 3.8% that we have mentioned earlier.

Chintan Joshi: Rajeev, just to clarify, the 11 basis point FCNR impact on the NIMs, optical impact on the NIMs, does that increase or decrease in the next quarter?

Rajeev Mantri: So, 11 basis points had broadly two components. One was the impact due to the grossing up of the balance sheet. And the second was the fact that it took some time for these funds to be deployed, let's say, for retiring of the NRTDs, a portion of that. Initially, these have been sort of parked in low-yielding investments.

So as we look at the deployment of this into the advances growth as well as further optimization of the balance sheet, I think we should be able to see an uplift. So this impact was for this particular quarter. I think in Q3 and Q4, you should be able to see some sort of a benefit coming through due to the optimization exercise that we'll be doing.

Chintan Joshi: Thank you. That helps. Thank you.

Moderator: Your next question comes from the line of Mahrukh Adajania with Tara Capital. Please go ahead.

Mahrukh Adajania: Yes. Hi, good evening. I had a couple of questions. Just again on the corporate retail mix. So a lot of banks that have raised FCNR, private banks, they are growing corporate loans quite rapidly. Is it a shift in demand? I mean, do you see the industry shifting to a higher corporate loan growth given inflation, possibly the war?

And I mean, is that the correct way of looking at it? Because even for you, your retail has grown quite impressively. The growth has picked up, but the corporate loan growth has also increased. So that's really my first question.

And my second question is on credit costs. So you would have had made standard provisions on FCNR loans. And you would have also -- I mean, you've drawn down some provisions. You had already discussed that when you had made those provisions, so you've drawn those down. So where does credit costs settle? Are there any benefits to be seen on any segment or they normalize back to Q1 levels? How do we view credit costs? These are my questions.

Vijay Mulbagal: This is Vijay. I'll talk about corporate growth. See, as demonstrated over the last few quarters, we now have a boringly consistent and repeatable playbook. As we have said in the past, we are not chasing assets. We originate selectively. We apply our internal filters on transfer pricing, RAROC and RWA. And we're letting go of several assets.

In spite of that, we are able to see growth because the growth is pretty broad-based across several sectors and across segments. And we're also seeing growth across capex, project finance, refinancing as well as working capital. So we don't have any dependence on any single sector or client segment or financing category. So the growth is sustainable as we have shown over the last few quarters. I also want to add that we believe in taking the balance sheet to the market.

Obviously, wherever we are taking balance sheet, we take the full franchise. We have spoken about One Axis in the past and that's no longer a pilot. It's actually embedded in how we operate. We take our NEO platform, which is best-in-class digital stack. For both flow business, for fee business, we are also taking our One Axis approach to get cross-sell across corporate salary as well as Burgundy.

So corporate growth is sustainable because it's well diversified across sector segments and financing categories. And we don't want to lose the opportunity because we are seeing, as Subrat had said earlier, there are several downstream benefits that we are realizing. Thank you.

Rajeev Mantri: I think on your second part of the question, Mahrukh, on the credit cost, we have definitely seen an improvement trajectory on a quarter-on-quarter as well as on a year-on-year perspective, we have seen the improvement come through. We don't give a specific guidance on what exactly is the credit cost going to be.

But directionally, what I can confirm is that we are on the trajectory towards improvement. I think there is some further improvement that also we can expect. Though some portion of this improvement that has come through is also because of the mix.

But in individual portfolios as well, we are seeing definite improvement coming through as reflected by the overall slippage ratios as well as the recoveries improvements. So I think the trajectory of improvement continues, and we can expect some further improvement as well but we won't be able to give a specific guidance.

Mahrukh Adajania: Okay. And just one last question on ECLGS disbursements. How much of ECLGS loans have you disbursed?

Anand Vishwanathan: Yes. We have sanctioned around 12,000 and 12,500 loans worth around INR10,700 crores and 80% of those approximately have already been disbursed.

Mahrukh Adajania: Sorry?

Anand Vishwanathan: We sanctioned around 12,500 loans worth around INR10,700 crores and around 80% of these have been disbursed till now.

Mahrukh Adajania: Okay. Thanks a lot. Thank you.

Moderator: Thank you. Your next question comes from the line of Rikin Shah with IIFL Capital. Please go ahead.

Rikin Shah: Sir, a few questions. The first one on clarification on the labor code impact in that one-off item of INR254 crores. Would the large part of that INR250 crores be associated with the labor code? Or would that also include FCNR? I mean any split, if at all, you could provide? And this labor code impact was already recognized last year. So, curious to understand why did it come up again? And how do we think of it incrementally? Should we expect more of this in the coming quarters? That's my first question.

Rajeev Mantri: Yes. Hi, Rikin, Rajeev here. So, broadly, if we were to look at the one-offs during this particular quarter of INR254 crores, I think slightly more than half of this was really relating to the labor code-related impact. Broadly, I think certain clarification that we have recently received as regards a couple of components pertaining to some of the outsourced employees and the provisioning that we have taken around that as well as some clarifications relating to the ESIC. So, those have been the key items on which we have actually taken some one-time expenses. And the remaining is pertaining to the FCNR-related mobilization as we have called out.

Rikin Shah: And we shouldn't expect any further labor code-related opex in the coming quarters, right?

Rajeev Mantri: So, this is an evolving area. We are continuously looking at the various guidelines and the circulars coming our way. And as and when if anything comes through, we immediately highlight across. So far, based on what we have been aware of, we have already taken those into accounts. But this is an area where, you know, some new guidelines, etcetera, whenever they come, we will have to deal with that. So, as of now, based on what we are aware, we've already factored that in.

Rikin Shah: Got it. The second question is on fee income related. So, the fee income growth overall has been a bit weakish in the last 2 -3 quarters, largely led by cards and payments. Some of your peers have seen some benefit on fee income due to FCNR. Did you not receive that? How should we think of it going ahead, excluding Banca? And if you could also offer some comment on

bancassurance, what could be the potential impact following the draft IRDA guidelines? And I have one more question after this. Thanks.

Subrat Mohanty: So, on fee income, Rikin, this is Subrat. You know, there is the growth in corporate book means that some of the asset-linked fee on a ratio basis is lower. Also, some of the non-asset-linked fees come a bit later. So, that trend continues. So, that's a bit of a challenge. The other one is on credit cards, fee income has been a bit weak. The spend numbers have not been strong.

And also, last year, September was when the festive month had started. This year, that has shifted to October. So, there is a bit of a temporal difference on account of that. So, we continue to work on it. If you see quarter-on-quarter, the growth was quite okay. But on a year- on-year basis, the growth is not as strong as we used to see fee income growth in the past. So, we are continuing to work on it.

On the insurance part, I mean while the consultation paper is out, I still think it's early days. We have various points of views being expressed by various industry players. They have been sent to the regulator. They're also in a listening mode at this point in time. We've done some assessment of how things are based on the consultation paper. We believe there will be some time before they actually come through. We also possibly believe there might be a few areas where there might be a specific amount of time given or a glide path given for us or for the insurance players to actually manage the change.

So, some of those things will happen. I don't think there is anything right now that we can give with more specificity in terms of how they will play out. We've done some of the work from our side in terms of what potential impact could be and how we could mitigate through a combination of volumes, product mix, etcetera, we'll try and manage it and the remaining we'll try and see if there are other sources of fee income that we could crank up in the meantime. So, I think we might get about 6 to 9 months before that comes through. So, we'll try and mitigate the impact during that point of time.

Rikin Shah: Got it. And my last question is a clarification on margins. So, of course, Rajeev, you did offer some comments on how to think about it. But just to get it and make it completely unambiguous, while there could be some drag on FCNR full quarter for the next quarter, can we say that this quarter, including the FCNR hit, is this the bottom and directionally, it can stabilize to move up in the 3Q and onwards?

Rajeev Mantri: Yes. So, I think on the NIM trajectory, as I had explained in the previous question that came through, you know, we have seen the significant impact of FCNR (B) come through in this quarter. But net of that, we have seen a 1 basis point improvement. We had said that Q1 is where we are seeing sort of the bottom of that. And then we will see an improvement. We've clearly shown net of the FCNR impact that improvement come through.

Going forward as well, based on the various levers that the bank is working on, especially around the advances, assets as well as liability mix, we are trying to work through that improvement.

Some of that will also be aided through the rate hikes that will come through, but there are also certain headwinds that we need to work on. So, across the various factors, our endeavor is to make sure that the NIM trajectory continues to move up.

So, I think that's what we had mentioned earlier and would like to reiterate the same. But as I mentioned, I think we are just working through the various levers. The time frame of this is difficult to sort of ascertain. But sequentially, we should be able to show an improvement going forward. That's what we are working on.

Rikin Shah: Got it. Okay.

Subrat Mohanty: But Rikin, you had that additional point on whether we have collected FCNR fees as we have mobilized these deposits. And does the 6% year- on-year growth include that fees also? No, it doesn't include that.

Rikin Shah: So, where would that part be?

Subrat Mohanty: No, we didn't collect the fees. We didn't specifically charge fees for raising deposits.

Rikin Shah: Okay. That's clear. Thank you, Subrat.

Moderator: Thank you. Your next question comes from the line of Abhishek Murarka with HSBC. Please go ahead.

Abhishek Murarka:: Yes. Hi. Good evening, and thanks for taking my question. So, back to fees, I think you said, you know, qualitatively, you've made some assessment of, you know, the impact and the offsets available. I would actually be interested to know if you can expand a little bit on what you could change to offset the impact. Obviously, numbers will come through later on, but just a broad qualitative, you know, understanding would help.

And in your, you know, sales, overall insurance sales, what percentage comes from credit life versus the rest? Can you sort of split that up in broad terms again? So, that would also help in our overall understanding? That's my first question. I'll just come back for a second after this.

Subrat Mohanty: Thank you for the question. See, we don't give the breakup of fee income at that level and within that, you know, some breakup in terms of how much comes from various product categories. So, that's not something we offer. On your first point, see, there are multiple levers. I think it's still premature to go into some of those levers even on a qualitative basis. If you look at how the industry has navigated previous changes in, you know, regulations as late as last year when we had a GST rate cut change.

There was an expectation that the volumes would go up and the volumes went up. And in that sense, on a net basis, the industry managed to have higher volumes of, you know, the product that actually had the maximum GST impact in terms of price reduction. And on an overall basis, the industry still came out positive. I think some of those levers will try and work on. But like I

said, until we get a final picture of how various products look in terms of the change in their commission structure, it would be a bit premature to talk about more qualitatively the subcategories through which we'll be able to mitigate.

Abhishek Murarka: Got it. Okay. And on the other hand, due to this MDR on UPI, would you have some broader numbers about how much revenues you hope to gain? Because that could be an offset also available, you know, for whatever you lose out on the insurance side. So, an order of magnitude there also would help.

Arnika Dixit: This is Arnika. On UPI MDR, as you are aware, we play across all the three spectrum as issuing bank, PSP bank as well as the acquiring bank. You know, at this stage, we can't give any specific guidance because the MDR implementation has been postponed. You know, and as and when it comes, I think the bank is committed to ensure that we also use some of the revenue we have to actually grow the ecosystem, you know, by increasing our merchant footprint as well as, you know, the infra cost that we incur on maintaining the UPI. So, Yes, no specific breakup there.

Abhishek Murarka: Do you think most of the gains that you would actually go in developing the channel?

Amitabh Chaudhry: You know at the end of the day, a lot of people will be jostling for this, for the share of this pie. And as Arnika said, we have a decent share across various parts of this value chain. Finally, where we end up will all depend on obviously what leverage we have over each other. To say that, oh we'll have to spend money too, right now it was not profitable, now suddenly, there's a revenue pool available. What ends where, it is difficult to predict at this stage. Anyway, the implementation has been delayed. Our endeavor, obviously, would be to get some revenue out. But given the fact there are so many variables and one of them, you added one more to the equation, it's very difficult to predict at this stage as to where, kind of penny will drop. But we do believe we are much better placed than a lot of the others.

Abhishek Murarka: Yes, exactly, which is why I was asking you the question. But anyway, thanks for the response, and all the best for future quarters.

Moderator: Thank you. Your next question comes from the line of Kunal Shah with Citi. Please go ahead.

Kunal Shah: Hi. So the first question on the operating jaws overall. So even adjusting for this labor code, as well as one-time impact which is there in the overhead cost, still in terms of cost to assets, it seems to have inched up on a quarter-on-quarter basis. And you indicated, adjusting for all of this, like 60% is volume-linked.

So as we still keep on growing the retail portfolio and the disbursements out there, would we see limited opex-to-asset benefit now kicking in from 2.1-odd % wherein we are currently, or there are still some jaws available?

Rajeev Mantri: Yes. Hi, Kunal. Rajeev here. So I think we definitely have seen the jaws being positive on a core operating revenue perspective, with sort of some noise in one-timers etcetera., if you remove that, then I think clearly we see that story come out. The cost to assets ratio has been coming

down steadily quarter-on-quarter over the last one and a half years or so, and I think we do expect that journey to continue.

The bank is actually taking a lot of steps in terms of the efficiency agenda and the productivity improvement as well. We have I think, as had been mentioned earlier, we are looking at deploying AI and various sort of efficiencies that could come on the basis of that, at the same time looking at how do we actually create efficiencies across the entire spectrum.

So I think that journey is continuously on, and we see the benefits of that come through. Essential investments are being done in cost, but the trajectory that we see in opex to assets has been very encouraging, and I think that momentum will be kept on, going forward.

Subrat Mohanty: Kunal, this is Subrat. You mentioned that cost to assets has gone up. If you just look at Slide 13, the quarter-on-quarter drop on cost to assets is from 2.20 to 2.14. That's a six bps reduction.

Kunal Shah: No, that's because we take that 12-point average. If I purely look at on a quarterly basis, it's moving up,

Subrat Mohanty: You are comparing like-to-like in any case when you compare with the previous quarter, but I appreciate your point. Understood.

Rajeev Mantri: I think this is primarily due to the one-timers that we have seen in the cost for this quarter. That's why I think, adjusted for that, you will see the ratio coming down even further.

Kunal Shah: Okay. And lastly, in terms of credit cost, if I hear you right, maybe this 50 basis points doesn't have any unusual recoveries out there. And still, maybe there is scope to further optimize and improve it given the kind of slippage run rate which we are seeing.

Rajeev Mantri: Yes. So there is no unusual recovery which is there in the recovery numbers, and I think we have definitely seen the improvement come through on the net slippage ratio. What we can say is that there was a recovery from the written-off accounts also during the quarter, which I had mentioned as part of my opening commentary, around INR971 crores, which was about 50% higher year-on-year. But that's been the recovery trend that we have seen as well.

Kunal Shah: Okay. Got it. Yes. Thanks, thanks, and all the best here.

Rajeev Mantri: Thank you.

Moderator: Thank you. Your next question comes from the line of Piran Engineer with CITIC Securities International. Please go ahead.

Piran Engineer: Hi, team. Congratulations on the quarter, and just sorry to belabor this point on NIM, but somehow it matters to investors. Now just to be very clear, your month of September NIM or exit NIM for the quarter would be meaningfully lower than your quarterly average NIM of 3.36, correct?

Rajeev Mantri: Piran, hi. Rajiv here. I think we do not give month-wise NIMs, but I think broadly, as I have explained, I think the way the NIMs came about due to the FCNR impact and how exactly we are seeing the improvement come through, or we will see the improvement come through as we optimize it further, I think that will give you some color. But Yes, we won't have a specific number for the month of September.

Piran Engineer: Okay, fine. So then hear out my argument and tell me if I am wrong here. You raised about a INR1 trillion of deposits, and net-net, your deposits have grown INR80,000 crores. So that you probably would have paid down some TDs, whatever, versus INR80,000 crores of deposit growth. Your loan growth ex of the self-leverage portion is INR68,000 crores. So broadly, you have deployed all the money that you have raised, right?

And that also reflects in your LCR not increasing, which brings me back to my question that there isn't a lot left to redeploy from excess liquidity into loans. Is my argument correct or wrong?

Neeraj Gambhir: This is Neeraj here. If you just look at from a balance sheet computation perspective, you are right. The money has to find its way into some place, and it has found its. There are different places where we have deployed it. Deployed could mean we have repaid some high-cost liabilities. Deployed could mean we also created assets out of it. But if you think it from a growth perspective, we have not used the full FCNR (B) liquidity to grow our assets, right?

So to that extent, there is runway for the balance sheet to grow, given the fact that this is an incremental liability that we have raised. So whichever way you want to look at it, it's up to you, but reality is that this has given us an ability to grow as well as optimize our balance sheet.

Piran Engineer: No, but sorry, Neeraj, the ability to grow depends on your LCR, right? If your LCR had gone up to 130, I would have said, Yes, there's enough room to redeploy excess liquidity. But it's remained flat at 119, so what am I missing here?

Neeraj Gambhir: LCR is not an automatic increase. LCR needs to be managed, and we manage our LCR very actively. So if my LCR is going beyond a certain threshold because I have excess liquidity because of higher deposit growth, we will do something with it. We will basically bring down some other lines of liability to make sure that our LCR stays within the band that we have been talking about, which is 115% to 120%.

Piran Engineer: Understood. Is it fair to say that with improved asset quality, we all will be able to lower bounce charges, late payment charges, etc. Does that impact in your fee income growth, or is that too minuscule to matter?

Subrat Mohanty: No, no, Piran, I think that's I mean, there are larger areas that we need to work on. These might contribute a bit, but not really making a big dent on that number.

Piran Engineer: Understood. Okay, Yes, that's it from my end. Thanks and wish you all the best.

Moderator: Thank you. Your next question comes from the line of Jaiprakash Mundra with ICICI Securities. Please go ahead.

Jaiprakash Mundra: Hi. Good evening, and thanks for the opportunity. So, Rajiv, just sorry on NIM again, but my question is a little bit different. So I heard that there are some moving parts and basis your efforts or your endeavor would be to increase the NIM incrementally. The question is, have you changed the transmission?

Because if I remember correctly, earlier we were passing on only at the last day of the quarter. If that if that is unchanged, then most of the majority of the NIM delta would come from liability and maybe the mix change. Is that understanding correct, or that has changed?

Rajeev Mantri: Hi, Jai. So yes, I think we continue to have the same date. It's the last week of the quarter where the repricing happens. So the latest repo rate increase from a book stock perspective, the benefit we will actually see in Q4 as opposed to in Q3. Of course, any new loans which get written will obviously apply the new rate if it's repo-linked.

Jaiprakash Mundra: Right, sure. Secondly, related to personal loan, so I see and we have been maintaining very useful information on PL that actually 100% of the PL is salaried, right? And at industry level, we see banks' PL growth has been, at industry level, has been only 10%, 12%, 13%, whereas some of the other non-banks lenders, they have been having a very strong PL growth. I suspect that would be because they are lending maybe to non-salaried segment.

Basis your experience on asset quality so far and maybe the interest rate favoring, would there be any change in the PL strategy to offer it to non-salaried also, or you would sort of continue with the same construct?

Munish Sharda: Hi, this is Munish Sharda. Our PL strategy has been centered around building a healthy unsecured portfolio, focused on giving loans to salaried customers only. In our case, PL is only for salaried customers, and the non-salaried customers, self-employed customer loans are covered under the business loan segment, which is a separate segment. We are focused on building that book.

As we've been telling you in the past few quarters, we have done a lot of work in improving the health of the portfolio, invested in collections, technology, etc., also sharpened our underwriting standards and filters. And we are seeing the disbursal grow quite sharply in that business, as we mentioned in the notes.

And Amitabh also mentioned, and Rajeev also mentioned, we've started seeing the book grow on the back of the increasing growth in disbursals, and the portfolio quality remains quite healthy.

Jaiprakash Mundra: Right. That is clear. Secondly, on quality of liability, right? So this quarter, we raised FCNR (B), which I believe is purely retail and would have much lower run-off rates. And we replaced some

of the bulk deposits, possibly 100% run-off rates. But still, the blended run-off rate that we show has actually gone up a little bit. Any more detail here possible?

Neeraj Gambhir: Neeraj here. There's a bit of technicality here. The FCNR (B) deposits that we have raised have a lock-in period of one year. So they are basically treated similar to non-callable deposits, which basically means that they will not show up in the LCR calculation. There is no runoff. There is no sort of HQLA required to be maintained on these deposits.

Within non-retail term deposits, we have seen some swing between callable to non-callable deposits, which has partially led to a slight increase in the rest of the book's outflow rate. But it doesn't have the full impact of FCNR in that sense.

Jaiprakash Mundra: Understood. And last question, sir, Rajeev, on credit cost, right? So we appreciate that the individual portfolio have been behaving well, and hopefully, they will continue. But from FY28 perspective, including ECL and some bump-up in the standard assets provisioning, would you believe that credit cost would still have a ROA improvement lever, including the standard assets provisioning, going into FY28?

Rajeev Mantri: So, Jai, I think on the on the ECL transition and the impact, look, as we have maintained in the past, we don't expect any material impact to come through on the transition itself. This is also supported because we have existing contingent provisions almost close to 8,000 crores that continue, which will help us in terms of moving towards the transition in a smooth manner.

From a flow perspective, how exactly that will play out, based on the floor rates that are there for stage one, stage two, etc., I think that's what we will work through. But overall, for both the transition and the flow, I don't think we expect any material implications on the portfolio that we have. But we are working through this, and of course, as we come closer to the date, we'll have greater clarity on that.

Jaiprakash Mundra: Understood. Sure. Thank you, Rajeev. Thank you, and all the very best.

Rajeev Mantri: Thank you.

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

Zhixuan Gao: Hello. Am I audible?

Moderator: Yes, sir, you're audible. Please go ahead.

Zhixuan Gao Yes. Thanks for the opportunity. Given NIM is more optical this and next quarter, I just want to ask about NII momentum. So, I say NII sequentially grew, improved to 5% from low single-digit in last couple quarters. Should we expect that momentum to improve going forward, given that this rate hike and also deployment of FCNR? Is that a good assumption to make?

Rajeev Mantri: Hi. I think, look, NII is ultimately a function of how the book is growing as well as what we expect on the NIM trajectory. I think our book growth trajectory is on. We have guided for 300 basis points higher than the industry average over the medium term. Even the current year, we're seeing good trajectory on the assets flow.

So, I think that is one key factor. And second, the narrative that you've heard from us on the NIM, where we expect sequential improvement to come through based on the FCNR sort of optimization, at the same time the mix improvements that we'll have to work through. So these are the levers that we'll be working upon. There is no specific guidance we can give on the NII uplift sequentially or on a year-on-year perspective. But those are the broad factors that will play out to make sure that we continue working on improving this trajectory.

Zhixuan Gao Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I now hand the conference over to Mr. Rajeev Mantri for closing comments. Over to you, sir.

Rajeev Mantri: Yes. I would like to thank everyone for dialing in to the call and for placing the trust with the bank. And would also like to wish everyone a happy Dussehra and festive greetings. Thank you.

Moderator: Thank you. On behalf of Axis Bank, thank you for joining us. And you may now disconnect your lines.