

Opening Remarks – Axis Bank's Q2FY26 Analyst Earnings Call

We have on the call, Subrat Mohanty – ED, Munish Sharda – ED, Neeraj Gambhir – ED Designate and other members of the leadership team.

This quarter, we have delivered a strong growth in Advances and deposits gaining market share in both. We have had a steady operating performance aided by stable net interest income, healthy fee income growth and positive operating jaws. Notably, our credit card business crossed 15 million cards in force, and our UPI market share rose to 35%+, in terms of both value and volume, reinforcing our leadership as the top UPI payee. Our balance sheet remains resilient, and our capital position continues to be strong, enabling us to pursue profitable and sustainable growth.

Let me summarise the Q2 performance:

1. On the deposits side, Month-end balances grew 4% QOQ and 11% YOY and quarterly average balances grew 3% QOQ and 10% YOY.
2. On the lending side, total advances grew 5% QOQ and 12% YOY. Within that, Small business, SME and mid-corporate together, grew at 8% QOQ and 20% YOY and constituted 24% of total bank loans.
3. Core operating revenue was up 4% YOY and the core operating profit was up 3% YOY
4. Our Fee to average assets continues to be the best amongst peer private banks.
5. The Bank remains well capitalized with a CET 1 ratio of 14.43%.

We stay focused on three core areas of execution of our GPS strategy namely:

- **Becoming a resilient, all-weather franchise**
- **Creating multiplicative forces to build competitive advantage**
- **Building for the future**

I will now discuss each one of these areas.

We have continued on our journey towards building a resilient, all-weather franchise. There are four areas of focus as we navigate the current cycle - deposit growth, credit growth, retail asset quality, and costs - where we continue to work on sustainable outcomes.

- On credit, we delivered better growth outcome in Q2 driven by Wholesale banking, where we prioritized clients and segments which would drive deeper relationship economics. With faster TATs, executional intensity, and One Axis orchestration, we continue to remain the port-of-call for complex mandates. On Retail banking, we have started seeing gradual uptick both in the secured and unsecured segments with maintaining focus on sourcing better quality customers.
- On asset quality, our Corporate, SME and Retail secured book are holding up well, and the retail unsecured book is broadly seeing improvement and stabilisation - specifically we have

seen improvement in Cards and stabilisation in Personal Loans. All the key indicators – bounce rates, early delinquency, collection resolution rates – have shown an improvement – which provides comfort

- On H1FY26 basis, the expense increased by 3% YOY and we continue to deliver positive operating jaws.

Let me move to Deposits now:

The deposit journey for Axis Bank should be looked at from three aspects – quality, cost, and growth. Please refer to slide number 17.

- We have demonstrated controlled movement in cost of funds over the last two years. Our confidence in the franchise has allowed us to take early and proactive action on savings account rates and term deposits in Q1, which has resulted in a further QOQ decline of 24 bps in the Cost of funds in Q2.
- We continue to remain focused on growing faster than the industry in medium to long term. In Q2, we have gained further market share.
 - YOY on MEB | QAB basis, total deposits grew 11% | 10%; term deposits grew 12% | 13%, CA grew 13% | 7%, SA grew 6% | 4%, respectively.
 - QOQ on MEB | QAB basis, total deposits grew 4% | 3%; term deposits grew 4% | 4%, CA grew (1)% | 2%, SA grew 4% | 3%, respectively.
- We continue to work on improving the granularization in our deposit book.
- The strength of our deposit franchise continues to improve. Our acquisition engine, expansion plans, product launches, salary credits, and Burgundy AUMs remain healthy.
 - Our New-to-Bank (NTB) strategy is sharply focused on quality of customers over quantity — anchored through premium segment acquisition, persona-led sourcing, and productivity-led execution. Continuing the momentum from Q1, this approach has delivered a 44% YOY increase in average balances in Q2, and have grown the share of premium and family relationships in our NTB base. Our transformation projects like Siddhi, Sparsh continue to play a crucial part to this change.
 - The Bank has made focused interventions to ensure better engagements with its salaried customers and continue to see healthy trends with:
 - 14% YOY growth in Salary Uploads in the NTB Salary book by Sept'25
 - 35% YOY growth in number of Premium accounts for NTB Salary book acquired in YTD Sept'25
 - The premiumization of our franchise continues to progress well, led by 2% QOQ and 5% YOY growth in Burgundy assets under management. Recently, Burgundy Private was named Best

Private Bank for HNWIs (India) at The Asset Triple A Private Capital Awards 2025, among several other prestigious accolades—an affirmation of our commitment to excellence in client service and wealth management.

- While NTB growth remains vital, our biggest opportunity lies in deepening engagement with our Existing-to-Bank (ETB) customers. Through structured, data-driven, and segment-specific campaigns, we are driving higher balances, improving product penetration, and enhancing customer lifetime value. Our ETB Salary book is growing at a robust 16% YOY, supported by a focused branch-level strategy. We've identified 400+ salary-centric branches with tailored goals, specialized training, and targeted programs across assets and cards—ensuring sharper execution. This approach is building long-term relationship equity and unlocking the full potential of our trusted customer base and franchise.
- Our industry leading Neo platforms along with customized solutions across liquidity management, payments and collections continue to drive higher transaction banking flows with compressing TATs and deepening stickiness through ecosystem flows. Please refer to slide 31 for more details.

B. Creating multiplicative forces to build competitive advantage

- This quarter, Axis Bank continued to push boundaries, deepening its commitment to digital safety, financial inclusion, and customer-centric innovation through bold, industry-first initiatives and strategic collaborations.
- Continuing the focus on product innovation and digital empowerment, we have launched two industry-first solutions that redefine customer safety and financial access. First, 'Lock FD', a pioneering feature that empowers customers to block premature withdrawals of fixed deposits via digital channels and second, India's first gold-backed credit line on UPI, 'Credit on UPI with Gold Loans' for MSMEs and self-employed entrepreneurs, in collaboration with Freecharge.
- Axis Bank continued to garner industry-wide recognition for its leadership, innovation, and impact. Our commitment to social responsibility was honored with the prestigious FICCI CSR Award 2023-24, while our people practices earned top accolades, including the Business World HR Excellence Award and the Brandon Hall Excellence Award. Further, our digital-first approach was validated with the SKOCH Award 2025 for our pioneering contactless strategy in bounce collections.

C. Building for the future

Digital Banking performance continues to remain strong

- We continue to introduce new journeys and enhancements. In Q2, we launched and scaled the Financial Health Score to all our customers. The Financial Health Score provides a view to customers on how they are doing across various parameters of financial health. Along with

MyMoney, our personal finance management tool, this facility will enable customers to monitor and take actions towards leading financially healthy lives. Additionally, we revamped the Mutual Funds experience for customers and introduced new features to enhance customer safety.

- Also, we continued the rollout and further enhancement of features on the Neo platform on the corporate banking side. By the end of Q2, we migrated approximately 95% of eligible clients to the Neo platform. Basis clients already migrated, we have seen meaningful increase in digital activation, transactions and other relevant metrics.

Bank-wide programs to build distinctiveness through Bharat Banking and Sparsh is progressing well

- The rural advances grew 2% YOY while deposits from Bharat Branches were up 10% YOY. We have expanded our multi-product distribution architecture to 2,740 branches.
- During the quarter, we launched a focused temple management solutions offering enabling seamless donation collection through payment gateway, customised QRC, BBPS etc which helped us win some prestigious mandates
- Building on the strong Q1 momentum, Sparsh 2.0 continues to drive our enterprise-wide transformation around Customer Obsession. It is changing how we listen, how we act, and how we deliver, turning insights into action and action into impact. Our Retail Bank NPS has improved by 55 points since inception, reflecting steady progress in experience quality and customer trust across key journeys. This shift is being powered by our digital enablers - Adi, our GenAI powered platform now live on 62 customer journeys, with an user base of over 55,000, and Kaleidoscope, our real time CX engine, which now maps 34 live journeys, and has an user base of over 27,000.
- At the recent GFF 2025, Axis Bank demonstrated its commitment to driving digital innovation by actively participating in nearly 15 major product launches. These include notable launches for UPI like UPI Reserve Pay, UPI HELP, UPI for joint and business accounts, UPI Biometric authorization, Retail Fx platform and many others. Furthermore, we are proud to have been part of the pioneering launch of Agentic AI Payments using UPI, reflecting our focus on leveraging cutting-edge technology to shape the future of banking in India. We also launched various CBDC related initiatives

As we look back, the first half of the fiscal year unfolded amidst a dynamic macroeconomic backdrop. While tariff-related developments presented headwinds, the policy rate cuts, a favourable monsoon, GST rate reductions, and improving liquidity conditions are poised to serve as strong tailwinds as we enter the second half. These factors, combined with a series of progressive RBI policy interventions aimed at strengthening the financial ecosystem, set the stage for an acceleration in credit growth. With a resilient balance sheet, a sharp execution focus, and a clear strategic direction, we remain confident and optimistic about the opportunities that lie ahead. We will continue

to invest where necessary to remain differentiated and distinctive in our journey towards building an 'all-weather institution'.

I will now request Puneet to take over.

Thank you, Amitabh.

Good evening and thank you for joining us. The salient features of the financial performance of the Bank for Q2 FY26 and H1FY26, across (i) Operating performance; (ii) Capital and liquidity position and (iii) Asset quality, restructuring and provisioning is as follows:

For H1 FY26, our operating performance was stable across NII, fee and operating expense lines:

1. NII at Rs. 27,304 crs, grew 1% YOY, NIM at 3.77%, declining 25 bps YOY after factoring 100 bps through of the repo rate cut
2. Fee at Rs. 11,783 crs, grew 10% YOY
3. Operating expenses Rs. 19,259 crs, grew 3% YOY, delivered a positive operating jaw on both operating revenue and core operating revenue
4. Cost to assets at 2.38%, declined 14 bps YOY
5. Core Operating profit at Rs. 20,010 crs, grew 4% YOY

The key metrics for **Q2 FY26** are:

- a. YOY Deposits and advances growth of 11% and 12% respectively
- b. QOQ deposits growth of 4% and advances growth of 5%
- c. NII at Rs. 13,745 crs, YOY and QOQ growth of 2% and 1% respectively, NIM at 3.73%,
- d. Fee at Rs. 6,037 crs, YOY growth of 10%, QoQ growth of 5%, granular fee at 91% of total fee
- e. Expenses at Rs 9,957 cr, YOY growth at 5% and QOQ growth of 7%
- f. Cost to assets at 2.38%, declining 3 bps QOQ and 14 bps YOY
- g. Core operating profit at Rs. 9,915 crs, YOY growth of 3%;
- h. Net credit cost at 0.73%, down 65 bps QOQ, up 19 bps YOY
- i. PAT at Rs. 5,090 cr,
- j. GNPA at 1.46%, declined 11 bps QOQ and largely flat YOY
- k. NNPA at 0.44%, declined 1 bps QOQ
- l. PCR% at 70%, Standard asset coverage of 1.13%, All provisions by GNPA ratio is 147%
- m. Consolidated ROA% at 1.30%, Consolidated ROE% at 11.51%. Subsidiaries contributed 7 bps to the consolidated annualized ROA and 45 bps to the consolidated annualized ROE this quarter.
- n. Banks CET-1 including H1 profit stands at 14.43% and in the quarter, we have net accreted 31 bps of capital YOY. In the quarter, we net consumed capital for growth, there has been no material change in RWA intensity in the quarter. The Bank has provisions aggregating to Rs. 6,243 crs which have not been reckoned in the capital computation and translate to a capital cushion of ~44 bps over and above the reported capital adequacy ratio. The Bank assesses its capital position on two pillars i.e. growth and protection. We reiterate that we do not need equity capital for either pillar. We may opportunistically evaluate issuing Tier-2 and AT-1 instruments based on market conditions.

NIM for Q2FY26 was 3.73%, down 7 bps QOQ. Full quarter impact of the 100 bps repo rate cut has played through loan yields in Q2FY26. Yields on interest earning assets declined 30 bps QOQ, this decline was offset by cost of funds reduction of 24 bps QOQ. The Bank maintains its through cycle stance of NIMs at 3.80% (cycle measured in terms of duration, starting from the date of last rate cut).

Our progress on structural NIM drivers continues:

- Improvement in Balance sheet mix: Loans and investments comprised 90% of total assets at September 25, improving 40 bps YOY;
- Retail and CBG advances comprised 69% of total advances at September 25, largely stable YOY
- Low-yielding RIDF bonds declined by Rs. 5,586 cr YOY. RIDF comprised 0.75% of our total assets at September 25 compared to 1.21% at September 24.
- Quality of liabilities at September 25 measured by outflow rate stood at 27.2%, moved adversely as gained market share in deposits in Q2FY26. We continue to remain focused on this variable
- Our fee to assets improved 1 bps QOQ.
 - Total retail fee grew 5% QOQ, supported by our SBB and SEG fees, Liabilities fees and TPP business
 - Total wholesale fee grew 4% QOQ. WBCG fees grew 14% QOQ better than the growth in advances
- Trading profit and other income at Rs. 587 crs declined QOQ and YOY. trading profit for the current quarter is largely MTM gains.
- Operating expenses for the quarter stood at Rs. 9,957 cr, growing 5% YOY and 7% sequentially. We have opened 97 new branches in the quarter and 100 new branches in the H1FY26.
 - The YOY increase in rupee crore expenses can be attributed to increase in statutory expenses offset by nil TSA expenses in the current quarter. Staff cost and other operating expenses were flat YOY The statutory expenses comprise incremental PSLC purchase during the quarter aggregating to Rs. 948 cr. As per bank's policy, half the said cost has been debited in the current quarter.
 - Technology and digital spends grew 4% YOY and constituted ~ 10% of total operating expenses.
- QOQ increase in operating expenses excluding PSLC cost is well contained at 2%, with staff cost showing negative growth due to gratuity expenses reversal and lower head count by ~1,000 as compared to Q1FY26. The rest of the QOQ increase is entirely attributable to PSLC cost.
- Net credit costs was Rs. 2,133 cr, declining 45% QOQ.
- Following an RBI advisory, post its FY25 annual inspection, the Bank in Q2FY26 made an additional one-time standard asset provision of Rs. 1,231 crores for two discontinued crop loan variants. The customer terms remain unchanged. This standard asset provision will be written back to the P&L when all the outstanding loans in the two discontinued product variants are recovered or closed in normal course or by March 31, 2028 (subject to any residual outstanding

loan accounts on that date being closed), whichever is earlier. No divergence in asset quality or NPA provisioning was identified in the said annual inspection.

- The additional one-time standard asset provision exceeds ~7.5 times FY25 and ~13 times the three-year average P&L charge for credit costs of both products. These loans are fully secured. We are not expecting any significant increase in credit costs from previous years in the two discontinued product variants over the residual closure / recovery period. There is no requirement or obligation to top-up this provision in subsequent quarters. Hence, this is a static amount till written back to P&L. The impact on ROA% and ROE% of this additional one-time standard asset provision is 0.23% and 1.96% respectively.
- The cumulative non NPA provisions at September 30, 2025 is Rs. 13,262 crores, comprising (i) Provision for potential expected credit loss of Rs. 5,012 crores; (ii) Restructuring provisions of Rs. 228 cr, (iii) standard assets provision at higher than regulatory rates of Rs. 2,227 cr, (iv) additional one-time standard asset provision of Rs. 1,231 crores and (v) weak assets & other provisions of Rs. 4,564 crores.

Coming to the performance of our subsidiaries

- Detailed performance of the subsidiaries is set out on Slides 50 to 57 of the investor presentation. In H1 FY26, the domestic subsidiaries reported a net profit of Rs. 936 cr, growing 1% YOY. The return on investment in domestic subsidiaries was ~ 49%.
- **Axis Finance:**
 - Overall assets under finance grew 23% YOY of which Retail book grew 24% YOY and share of Retail + MSME at 55% of total book v/s 53% last year.
 - H1FY26 PAT grew 18% YOY to Rs. 385 crores.
 - Strong asset quality with net NPA of 0.42% and negligible restructuring.
- **Axis AMC:** Overall quarterly average AUM grew 12% YOY to ~ Rs. 351,238 crores, H1FY26 PAT stood at Rs. 271 crores, growing 11% YOY
- **Axis Securities:** H1FY26 PAT stood at Rs. 175 crores
- **Axis Capital:** H1FY26 PAT grew 6% YOY to Rs. 93 crores

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 42 of our investor presentation.
- Gross slippages in the quarter were Rs. 5,696 cr declined sequentially. Our gross slippage ratio also declined by 102 bps sequentially. Gross Slippages segmentally were Rs. 5,222 cr in Retail, Rs. 265 cr in CBG and Rs. 209 cr in WBCG.
- Retail asset quality is stabilising, retail business net slippages and net credit costs were lower than Q2FY25. Further, gross slippages for retail assets excluding technical impact has declined YOY, showing that the portfolio slippages are stabilizing.

- With the signs that portfolio is stabilizing, we increased the card issuances to over 1 mn cards in a quarter and grew retail disbursements by 17% QOQ.
- For the quarter ~ 50% 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 Rs. 2,808 cr declining 54% QOQ. Net Slippages segmentally were Rs. 2,590 cr in Retail, Rs. 112 cr in CBG and Rs. 106 cr in WBCG.
- Recoveries from written off accounts for the quarter was Rs. 641 crores.
- Net slippage in the quarter adjusted for recoveries from written off pool was Rs. 2,167 cr, declining 58% QOQ. Segmentally Retail was Rs. 2,095 cr, CBG was Rs. 41 cr and WBCG was Rs. 31 cr.

Net Slippages due to Technical Impact were Rs. 280 cr, declining 85% QOQ. Provisioning for Technical Impact is Rs. 256 cr in Q2FY26, declining 69% QOQ. Please see Slide 44 for quantification of Technical Impact across segments

We believe that policy changes announced by RBI when reviewed holistically are positive for the banking system and us. We are in the process of assessing impact or reviewing draft guidelines. It is too early to offer an impact analysis on the changes announced.

To summarise, Axis Bank is progressing well to be a stronger and sustainable franchise. In the medium term (defined as a period of 3-5 years with FY 26 as base year), we believe our advances can grow 300 bps faster than industry. We continue to closely monitor the current macro and geopolitical environment, inflation, liquidity, cost of funds and its impact on our business.

We would be happy to take your questions.
