

**Axis Bank's Q2 FY26 Media Conference Call
15th October 2025**

MANAGEMENT:

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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 and year ended as on 30th September 2025.

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. 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 an operator by pressing “*” then “0” 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 over to Mr. Amitabh Chaudhry – MD and CEO. Thank you, and over to you, Sir.

Amitabh Chaudhry: Thank you, Dorwin. Apart from Puneet, 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% plus 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 summarize the Q2 performance.

1. On the deposit 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 the peer private banks.
5. The Bank remains well capitalized with a CET1 ratio of 14.43%.

As we have stated in the past, we remain focused on three core areas of execution of our GPA 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.

A. Becoming a resilient, all-weather franchise

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 cost where we continue to work on sustainable outcomes.

- On credit, we delivered better growth outcome in second quarter, driven by wholesale banking, where we prioritize clients and segments which could drive deeper relationship economics. With faster tax, execution 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 us comfort.
- On a H1FY26 basis, the expenses 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 #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 basis points 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.
- The strength of our deposit franchise continues to improve. Our acquisition engine, expansion plans, product launches, salary credits and Burgundy AUMs remain healthy.

- The Bank has made focused interventions to ensure better engagements with the salaried customers and continues 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 High Net Worth Individuals(HNWIs) India at The Asset AAA Private Capital Awards 2025, among several other prestige accolades - an affirmation of our commitment to excellence in client service and wealth management.
- Our industry leading Neo platforms along with customized solutions across liquidity management, payments and collections continues 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

- 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 by digital channels. And second, India's first gold-backed credit line 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 the 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 collection.

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. Additionally, we have revamped the Mutual Funds experience for customers and introduced new features to enhance customer safety.
- Also, we continued to rollout and further enhance the 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.

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

- The rural advances grew 2% YOY, while deposits from a Bharat Banking branches grew 10% YOY. We have expanded our multi-product distribution architecture to 2,740 branches now.
- 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.
- At the recent GFS 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.

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 tailwind 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.

Puneet Sharma: Thank you, Amitabh. Good evening, everybody. The salient features of our financial performance for Q2FY26 are as follows.

1. We gained market share across deposits and advances, both growing at 11% and 12% YOY, respectively.
2. Our H1FY26 core operating profit was Rs. 20,010 crores, up 4% YOY. This was aided by stable NII, fee growth and positive operating jaws.
3. Steady operating performance aided by stable NII and robust fee income. Our NII was up 1% QOQ and 2% YOY.
4. Our net interest margin stood at 3.73% for the quarter, annualized. Fee income grew 5% QOQ and 10% YOY. Granular fee constituted 91% of the overall fee. Retail fees for us grew at 10% YOY.

5. Our H1FY26 cost-to-assets stood at 2.38%. It declined by 14 basis points YOY, aiding us to deliver positive jaws.
6. Our MEB QAB CASA ratio stood at 40% and 38%, respectively. Our average LCR outflow rates stood at 27.2%.
7. Our advances grew 12% YOY and 5% QOQ. Bank's focus segments grew 12% YOY and 5% QOQ.
8. Our small business banking plus SME plus mid-corporate book stood at Rs. 2,658 billion, 24% of total loans. Grew 20% YOY, and is up 738 basis points over the last four years.
9. YOY and QAB balances for SME loans were up by 19% and 9% QOQ. Corporate loans was up 20% and 11%, of which mid-corporate was up 28% and 8%.
10. Retail loans grew 6% YOY, of which small business banking grew 14% YOY and 5% QOQ. Our retail loans grew 2% on a YOY basis.
11. We remain well capitalized with adequate liquidity buffers. Overall capital adequacy ratio stood at 16.55%. Our CET ratio stood at 14.43%, up 31 basis points YOY.
12. Capital cushion of 44 basis points over reported CAR attributable to other provisions of Rs. 5,012 crores and additional one-time standard asset provision of Rs. 1,231 crores.
13. Our excess SLR was Rs. 101,012 crores. Our average LCR during Q2FY26 was 119%.

We continue to maintain a strong position in the payments and digital banking space.

1. Continue to maintain a market-leading position in the UPI PSP space with a market share of 37%, and maintaining the lowest technical declines amongst the top 50 UPI remitter members.
2. Continue to be amongst the largest players in merchant acquisition with a terminal market share of approximately 20.6%.

3. We acquired 1 million Cards in Q2FY26 and achieved the key milestone of crossing 15 million Cards in force with a market share of 14%.
4. The Axis mobile banking app remains strong amongst the world's top-rated mobile banking app on Google Play Store and iOS App Store with a rating of 4.7 and 4.8, respectively, with 15 million active monthly users.
5. Stable asset quality. Our GNPA at 1.46% was down 11 basis points QOQ and 2 basis points YOY. Our net NPA at 0.44% or 44 basis points was down 1 basis point QOQ.
6. Our provision cover ratio is healthy at 70%.
7. On an aggregated basis, our coverage ratio is 147%. Coverage ratio basically means all provisions by GNPA.
8. Gross slippage ratio at 2.11% is down by 102 basis points QOQ. Our net slippage ratio at 1.05% is down 128 basis points QOQ.

Our retail asset quality is stabilizing.

- Retail business net slippages and net credit costs are lower than what we reported in Q2 FY25.
- Net credit cost is 0.73%, down 65 basis points QOQ.

Our domestic subsidiaries delivered steady performance:

H1FY26 total profit at Rs. 936 crores with a return on investment in domestic subsidiaries of 49%.

- **Axis Finance:**
 - H1 PAT grew 18% YOY to Rs. 385 crores.
 - Asset quality metrics remained stable with net NPA at 0.42%.
- **Axis AMC:**
 - H1FY26 PAT grew 11% YOY to Rs. 271 crores.
- **Axis Securities:**
 - Customer base grew 15% YOY and the H1FY26 PAT stood at Rs. 175 crores.
- **Axis Capital:**
 - H1FY26 PAT stood at Rs. 93 crores.

- We executed 9 ECM deals and 6 non-ECM deals in Q2FY26.

Let me cover a question that I anticipate on the call up front which is the standard asset provision.

1. 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.
2. The customer terms remain unchanged on the underlying loans.
3. This standard asset provision will be written back to P&L when all outstanding loans in the two discontinued variants are recovered or closed in the normal course or by 31st March, subject to us closing all outstanding loans in these product variants, whichever date comes earlier.
4. There is no divergence in asset quality or NPA provisioning that was identified in the said annual inspection. I repeat, no divergence in asset quality or NPA provision was identified in the said annual inspection.
5. The additional one-time standard asset provision exceeds 7.5x FY25 and 13 times the three-year average P&L charge of credit cost for both products.
6. These loans are fully secured.
7. We are not expecting any significant increase in credit cost from previous years in the two discontinued loan variants over the residual closure or recovery period.
8. There is no requirement or obligation to top up this provision in subsequent quarters. Hence, this is a static amount that will finally be written back into the P&L.
9. The impact of the one-time standard asset provision on ROA and ROE is 23 basis points and 196 basis points, respectively.

Thank you for your patience. We would be very happy to take your questions.

Moderator: Thank you very much. We would now begin the question-and-answer session. Our first question comes from the line of Saloni Shukla from The Economic Times. Please go ahead.

Saloni Shukla: Hi. Just one clarification on the one-time standard asset provision. So, this advisory was to the entire banking system or only to Axis Bank?

Puneet Sharma: Saloni, thank you for the question. We would not be able to comment on whether advisories are to the Banking system or otherwise. But to the best of our understanding, because this was consequent to the annual inspection, we treat this as specific to Axis Bank.

Saloni Shukla: Can you give some more color on what was the concern regarding the RBI had that you had to take this standard asset provision? Was the account not performing well or what exactly are these loan variants that we are talking about?

Puneet Sharma: Thank you for the question. Let me try and explain this as lucidly as I possibly can. The Bank had been offering one of these product variants from 2015 and the other from 2021. These were loans given to farmers and classified as priority sector lending loans. The Bank has discontinued these two loan products. For these loans, the Bank had taken a position that customer terms should not be changed to the detriment of the customer having issue on discontinuance of the loan products. Hence, the existing stock of loans depending on the verified end-use of these customers will get classified into agricultural use, consumption use or will be closed on review or renewal date.

The Bank has been asked to maintain the standard asset provision on this stock of loans without changing customer terms till they get fully recovered or repaid. These loans have also been declassified entirely from our PSL computation and the Bank has purchased PSLCs in the current quarter to make good the declassification effect.

The provision of Rs. 1,231 crores translates to roughly about 5% of the underlying loan portfolio on a holistic basis. These loans are fully secured. We are not expecting any significant increase in credit costs

from previous years for the two discontinued loan products. And the standard asset provision will get written back upon closure of these loans on 31st March, 2028, whichever date comes earlier.

So, in a sense, this is a stock of loans where we will re-characterize end-use. And once we finish the re-characterization, we will be able to write-back this provision into our P&L.

Amitabh Chaudhry: Saloni, just to add to what Puneet said. If our credit quality on these loans does not deteriorate further, which we do not expect to happen, we are taking a provision in this quarter which will be written back because of the static provision in the March 31st, 2028, quarter. That is the essence of what is happening here. We are providing now, this provision will be reversed in that particular quarter. Obviously, we will monitor it very closely, RBI wants us to monitor it closely. But we have given you data points which very clearly indicate that right now what we are seeing in the portfolio is no deterioration and we do not expect any deterioration or significant deterioration in this portfolio going forward either. I hope it clarifies.

Saloni Shukla: Yes. Sir, Axis Bank was one of the banks which was very conservative on PL and Credit Cards. This quarter has been really strong growth. So, would it be fair to assume that the asset quality worries on these segments have now receded completely?

Puneet Sharma: Thank you for the question. Retail asset quality is stabilizing. For retail businesses, the net slippages and net credit costs were lower than what we reported in Q2FY25, which is four quarters ago. Further, gross slippages for all retail assets excluding technical impact has declined YOY, showing that the portfolio slippages are stabilizing. With the comfort that the portfolio is stabilizing, we increased card issuances to over 1 million Cards in a quarter and grew our retail disbursements by 17% QOQ.

As you would recall, we had said that we were reviewing our scorecards. Early asset quality performance on the products showed decent trends. We had said we will provide an update as of 30th

September. So, the portfolio is stabilized and we are getting some growth back in the two product variants.

Saloni Shukla: Okay, thanks.

Moderator: Thank you. Our next question comes from the line of Ritu Singh from CNBC. Please go ahead.

Ritu Singh: Hi, you have answered a bit on this one-time provision, but to just get back to that technical impact. In the last quarter, Puneet, I remember on record you had said that going ahead the impact is going to be minimal. In this quarter, compared to about Rs. 2,700 crores in the previous quarter, we have again seen a slippage of Rs. 1,500 crores. Could you give us a sense of when you expect this to be fully normalized, the impact to be fully absorbed? One.

The second question was around your NIMs, despite this being a relatively harder quarter for all banks on account of the rate cut. We have seen you have sort of steadied the NIMs, but not much of a decline from the previous quarter. Now, what led to this? And if you could give us an outlook as to whether you will be able to retain this kind of a trajectory? Thank you.

Puneet Sharma: Thank you for the question. Yes, I had indicated that you would see improvement in the technical impact. But just for completeness and recall, I had requested everyone to focus on the net slippages and the net credit cost because it's a running account. So, compared to the net slippage of Rs. 1,861 crores last quarter, we have had a net slippage of only Rs. 280 crores in the current quarter. And compared to a provision of Rs. 821 crores, we have a provision impact of Rs. 256 crores in the current quarter.

The way these accounts behave is Rs. 1,861 crores was collectible stock for me as I started Q2. So, I collected money from that collectible stock that is reflected in the recoveries and upgrades during the quarter. And if you do the math, 1,512 minus 280, that's roughly about Rs. 1,200 crores of recoveries and upgrades that have taken place in the current

quarter. 60% of those have come from the Q1 stock, and the pool has a self-correct ratio of 35%.

So, as this pool moves forward, directionally, you should see value of gross slippage on technical impact continue to tend downwards. And if recovery and upgrade performance holds, the net slippages should perform better as we move forward. That was the trajectory and explanation we provided. Slide 44 of our investor presentation has the details, both at the headline level and at a product segment level. And I think the quarter has played broadly in line with what we had previously indicated.

Coming to margin performance, yes, we have delivered a strong defense to margin decline. We had indicated last quarter that we had to still transmit close to 75 basis points on a full quarter basis of yield compression. Our advances yield has compressed about 35 basis points in the current quarter on the full book, but that was offset by strong deposit repricing. So, we got 824 basis points benefit on COF. So, that delta differential has helped us protect margins. So, the margins have purely come from operating reasons. There is no one-off or exceptional item in the margins.

Ritu Singh: The future trajectory of these margins, if this will continue, you will continue to have these levels?

Puneet Sharma: Thank you for that. We do not guide. But I think what we have previously indicated is, if there is no further rate cut that takes place, we have consistently been saying from the time rate cut started, for our franchise, we should see margins bottom up out in Q3. But please do note that this is subject to no incremental rate cuts. If rate cuts happen, then we have a reset to the quantity of rate cut from a margin pressure perspective.

Ritu Singh: Just a quick one, if I may add in. From the series of regulatory reforms that the RBI has announced, whether that is easier capital market financing or acquisition financing, what are the areas in which you think

Axis Bank would benefit most and where you could get some more market share?

Puneet Sharma: I will request Amitabh to comment on where we benefit as a franchise. But broadly, our comment on the policy changes announced by RBI, as we have reviewed them, are holistically possible, positive for the banking system and for us. We are currently assessing the impact or reviewing the draft guidelines. It's too early for us to offer an impact analysis on the changes announced because the changes are far-reaching. But generally, the headline message would be positive for industry, positive for us.

Amitabh Chaudhry: So, Puneet has covered it quite well. I mean, right now we are still awaiting, in many cases, draft circulars themselves to fully understand and appreciate what the operating model and the guidelines would be for each of those large-scale reforms which RBI Governor has talked about. But as Puneet rightly pointed out, I mean, the thrust of all of them seems to be to kind of continue to allow banks to do more than what they are doing today. And we are very hopeful that we have a platform which can capitalize on those opportunities.

I think I recently mentioned that acquisition finance is one such area. But again, we have to wait for the operating guidelines before we react. So, as and when they are issued and as and when they formally become new guidelines, hopefully, we will be ready to capitalize on all those opportunities over a period of time. So, we are looking forward to further clarifications. Thank you.

Ritu Singh: Thank you.

Moderator: Thank you. Our next question comes from the line of Subrata Panda from Business Standard. Please go ahead.

Subrata Panda: Hi. My question was, again, what Ritu asked based on the guidelines that RBI has come up with, on the proposed norms RBI has come up with on acquisition financing and how do you want to go about that? And also, what is the status on stake sale for Axis Finance? And in light

of what the Governor had said in the Monetary Policy statement. Also, I want to add one thing. I mean, you, I think Amitabh mentioned that although rate cuts, GST rate reductions and improving liquidity conditions will help in credit growth, I just want to get a sense as to what kind of credit demand you are seeing in the festive season and what has been the positive impact of GST. If you can throw some light on that as well.

Amitabh Chaudhry: So, let me answer the latter half of the question first. As I said in my opening remarks, we firstly are very positive looking to not only the GST rate cut announcement but also the CRR cut which will flow through the banking system over the next couple of quarters. It is too early to comment in the sense that some of these cuts have become applicable only recently. But yes, we are seeing some positive signs. Again, as I said, the cuts have happened only 20, 25 days back and it will be foolish on our part to jump to conclusions straight away. But at least on the retail disbursement side, we are seeing some positive uptick. On the wholesale side, we have demonstrated pretty good growth anyway.

Has the industry started suddenly borrowing more? No. I think they will do it in a measured and calibrated way. So, we have to wait for a little bit more time before we can firmly conclude that this is having a positive impact on the overall growth in banks, advances and deposits.

On Axis Finance, we are going through a process. Yes, one of the things which have been talked about by the RBI Governor is that they are going to give some leeway to banks in terms of forms of business, a draft circular which was issued earlier. Again, we are awaiting the details of what RBI has in mind. But at the same time, please be aware of the fact that Axis Finance is growing quite well. It has its capital requirements and we do need to ensure as the owner of Axis Finance that they get capital at the right time.

So, we will continue to evaluate our options and do the right thing for Axis Finance. Hopefully, forms of business sector is not very far away and that will give us a clear direction in terms of what leeway and flexibility we have. Also, Axis Finance will become an upper layer NBFC

very soon, given the size of the AUMs they already have. And that will also mean that we get onto this path of ultimately having to list it at some stage in the future. So, there are quite a few factors at play and obviously we are taking all of them into account as we evaluate raising money in Axis Finance. The process is still on. Have we completed all your questions?

Subrata Panda: On the acquisition financing part, are there areas that you are particularly looking at?

Amitabh Chaudhry: Our genesis of that saying that it is positive for us is that we have been the leading player in the syndication, both debt and loan side for the longest period of time. Now, as Indian banks are allowed to do acquisition financing, it plays to our strength in terms of our relationships with various corporates and business houses, our ability to syndicate, our ability to raise equity also at the same time. Obviously, it depends on the opening guidelines which come into play, but obviously it will be something which we will be looking at quite actively as we move forward. That is where our optimism is coming from. Though it all depends on what the final set of guidelines will look like.

Subrata Panda: Thank you so much, Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe: Thank you so much, Sir. I hope I am audible. You mentioned about the Rs. 1,231 crores provision, you said that it is 5% of the entire exposure of the two discontinued products. Sir, just a small question, where does the 5% decision come from? Was that also part of the advisory that provides so much? Or was it a call taken by the Bank, because this is standard assets ultimately?

Puneet Sharma: Thank you for the question. The 5% is a translation of the amount on the denominator. The advisory was for an absolute amount. So, we got an advisory of Rs. 1,231 crores. So, the advisory is for the absolute amount. When I translate Rs. 1,231 crores by the outstanding portfolio

as of 30th September, that translates to approximately 5% of portfolio value.

Ashish Agashe: Okay, Sir. And one more thing, Sir, what is leading to the degrowth on the home loans front, like a 1% decline? Is it some bit of caution from the Bank on that, Sir?

Munish Sharda: So, our home loan book is made up of three components. One is the prime home loan book, one is the affordable housing book, and third is part of the mortgage book is the LAP book. If you look at our LAP book, it is growing at 22%. Essentially, as we have been saying that in the past few quarters we were seeing either stabilization of disbursements in this book, as a result of which the runoffs were faster than the additional disbursements in the book and that is why the book growth was muted. In the last quarter, as Amitabh and Puneet just mentioned, we started seeing the growth coming back in the home loan segment. And also, we are looking to grow our affordable housing book profitably and at a higher rate. As the disbursements catch up in the next couple of quarters, the book growth will start to set in.

Ashish Agashe: So, you are basically saying that this is sort of past payments really happening and fresh disbursements not keeping pace, basically?

Munish Sharda: In the past. And the fresh disbursements have now started to pick up. If we take you back a couple of quarters, we have been saying that even in this tight liquidity environment we have been actually calibrating our disbursements depending on the type of the asset which is giving us the right level of ROC. And home loan at that point in time looked a bit lower in the ROC hierarchy. Disbursements were a bit muted. We are seeing the disbursements come back. The competition has become a bit more rational in this space. And as the disbursements start growing over the next few quarters, the growth will start coming back in that book.

Ashish Agashe: Thank you so much.

Moderator: Thank you. Our next question comes from the line of Piyush Shukla from The Hindu Business Line. Please go ahead.

Piyush Shukla: Hi. I wanted to ask, firstly, these two crop loan variants you are talking about, what type of loans were these, like KCC or tractor finance? Exactly what kind of these variants were? This is one clarification I wanted. And my questions are, one is on the other operating expenses which have risen to Rs. 6,839 crores from Rs. 6,040 crores last quarter, so why this jump? And on ECL, have you estimated the amount of provision you will have to make basis the draft guideline or you are yet to do so? Thanks.

Puneet Sharma: Thank you. Let me start with the last question first. The ECL guidelines are draft, and like I said earlier, we are in the process of assessing the draft guidelines. We do do pro forma submissions to the regulators given where our provisioning policies are. We do believe that we are adequately provided for transition. There will be a marginal impact of additional provision asks given that ECL is on an exposure basis and IRAC provisions are on an outstanding basis. So, you need to provide for exposure under ECL, under IRAC you provide for outstanding. So, our current best assessment is, there will be a marginal impact that we will have to undertake if the transition date was as at the end of last quarter.

I think the second part of your question, if I recollect correctly is, it is basically- it is farmer lending is how I would classify the two product variants at. And the farmer lending could be, the farmer could have used it for any end use as we see it. Sorry, I missed your second question if you could help me with that, please.

Piyush Shukla: The part on higher other OpEx, Rs. 6,839 crores versus Rs. 6,040 last quarter, why was this bump?

Puneet Sharma: So broadly, if you look at QOQ OpEx, let us break the QOQ OpEx down into two parts. As I had indicated earlier that we have declassified the two product variants from priority sector loans. And consequently, we went out and purchased priority sector lending certificates in the quarter. The cost of the priority sector lending certificates in the quarter for a half year basis, because the PSL is an average requirement since this purchase happened in the second quarter, we have charged half

year cost in the current quarter. So that is the principle and only reason for cost increase on a QOQ basis. If I exclude the PSLC cost, our QOQ cost increase is 2%. So, costs are well contained with the exception of the PSLC cost incurred on declassification and PSLC purchase.

Piyush Shukla: Okay, thank you. Just marginal impact, will you be able to say, what would that be? I mean, you are mentioning margin, is there any figure to that on ECL?

Puneet Sharma: So, we do not publicly quantify what that impact would be. Please read marginal in the context of net worth, because the opening adjustment would happen on net worth. I just want to be abundantly clear. Second, we would like to await the final guidelines because we still want to assess concepts like minimum provision thresholds, etc. Further, the color of the portfolio will change by the time implementation happens, so it will be a dynamic number. So, we have not put out a number in public domain. But, if I was to give you a directional input, marginal in the context of our net worth.

Piyush Shukla: Thank you. Thank you, Sir.

Moderator: Thank you. Our next question comes from the line of Siddhi Nayak from Bloomberg. Please go ahead.

Siddhi Nayak: Okay. Sir, I wanted to take the acquisition financing question a bit further. I understand we do not have the guidelines as such, but I wanted to understand how are large banks like yours, large local banks like yours, kind of pitting yourself against the already established foreign lenders in the acquisition financing space? Like, what is the broad sense in terms of how would you want to compete with the large foreign players in this space in terms of both underwriting spreads? If you could answer that, and then I will take forward my other question.

Neeraj Gambhir: So, this is Neeraj here. As far as acquisition financing is concerned, domestic banks are already permitted to participate in offshore acquisition financing. What they were precluded from was the domestic mergers and acquisitions. Now, again, this is subject to the final

guidelines. Now once they are permitted in domestic M&A market, fundamentally for a rupee transaction, raising rupee funding is the best way, because in that process you do not end up taking any currency risk, right? And as far as rupee financing market is concerned, whether it is loans or whether it is bonds, Axis Bank has a leading position, we are the number one bank as far as the lead tables are concerned. So, it quite naturally fits into what we have been anyways doing. So, I hope that answers your question.

Siddhi Nayak: So, is it safe to say that domestically banks, especially given their risk thresholds, etc., would be targeting just AAA and AA corporates in the domestic M&A space?

Neeraj Gambhir: Well, large corporates, I would not go into what specific ratings. And yes, I mean, as far as the domestic rupee financing market is concerned, domestic banks have the largest share, foreign banks have much smaller share.

Siddhi Nayak: Okay. My second question is on the impact of tariffs. Amitabh Sir said that in the beginning of his remarks that tariff impact has started to play out, but that's kind of offset. What's the kind of impact you saw on the corporate loan front, on the small loans as well? Has it started feeding into the credit growth?

Neeraj Gambhir: Yes. As far as tariffs is concerned, I think three or four sectors are the largest impacted sectors. They are very well known; textiles, gems and jewellery, electrical parts, and pharma. We are watching for the impact. So far, not much impact is visible in our portfolio. In some of these sectors, for example, gems and jewellery, our exposure is virtually very, very small. But the full effect is yet to play out. And obviously, the market is hopeful of a trade deal at some point in time in the near future. So, it's an evolving situation, we will see how this plays out. But, at this point in time, not much real impact as far as asset quality is concerned.

Siddhi Nayak: Okay, Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Vishwanath Nair from NDTV Profit. Please go ahead.

Vishwanath Nair: Hi, a couple of questions, the first one being on the loan growth side of the story. So, this quarter, clearly, the 20% growth on the corporate loan book has been one of the boosters. I am trying to understand from you, because in the past there have been comments about the rationality of pricing on this book. Are you comfortable with the way the pricing is happening in the market? And is this going to be a big boost? That's the first one.

The second one, again, on the technical impact one. Puneet, I get your point about looking at the net credit cost point of view. But having said that, the fact that it's still very close to the technical impact on the gross capital is still close to the Q1 number, that's a bit worrying. So, if you can give me some understanding on that. Thank you.

Subrat Mohanty: Hi, this is Subrat. On the corporate loan growth, and whether we have been able to maintain pricing discipline, I think this is something that we have continued to focus on. We have always maintained that we will grow when we find the pricing to be to our liking. So, there have been opportunities in the quarter, and we continue to see those opportunities going forward as well, where we are able to leverage the relationship that we have and be able to satisfy our internal pricing grid in order to be able to grow.

In Q2, there were a few good opportunities that came our way, something that we had not seen in the past. So, therefore, that particular number looks a bit inflated. But in general, we find that there is opportunity in the wholesale segment for us based on strong relationships that we have got and some of the trends we are seeing in certain sectors where there is movement from client in terms of making new investments. So, that's really what happened on the corporate book, it's come with the kind of pricing discipline that we have always maintained.

Puneet Sharma: Vishwa, thank you for the question. To aid my response to your question, I would request you to look at Slide 44 of our investor presentation. Broadly, let's start with the quantum underlying question that you raised. So, the technical impact was 1.03% contributed to gross slippages last quarter, it has actually halved to 0.56%. So, there has been a meaningful reduction in the gross slippage number itself.

Second, the reason I request that we look at net slippages is the Bank's reporting practice. So, let me explain this with an example. Since we are discussing Q2, this is the July to September quarter. So, if at the end of the July month, I was to slip because of the technical impact, I would get recorded as gross slippage. Consequently, the customer upgraded themselves on July. So, on August 1 if the customer upgraded, the customer would be recorded as recoveries and upgrades. So, we are not netting off same quarter recoveries from the gross slippage number.

So, there could be customers that would have purely because of interest application at month end slipped for the night and gotten upgraded because they serviced the very next day. Hence, my request that we should remain focused on the net slippage because that is a reflection of the performance for the quarter and net slippages is what drives the provisioning cost. So, I hope that clarifies for you.

One, on an absolute basis, customer behavior has improved, which is showing in a reduction in the gross slippage number. And the net slippage number, the impact is even larger. And the reason it flows that way is because of the month-end reporting problem. I hope that gives you clarity on why the gross and the net differ in reporting patterns.

Vishwanath Nair: Sure. Thanks.

Moderator: Thank you. Our next question comes from the line of Malvika from Moneycontrol. Please go ahead.

Malvika Sundaresan: So, a week ago, I think around October 10th, the RBI's high-level committee issued a letter of caution to Axis Bank citing lapses in

KYC norms related to an old account. Last quarter, the Bank also undertook a cyclical write-off. So, we are seeing two back-to-back regulatory and operational issues.

So, a few parts to the question, how should investors sort of interpret this? And there is still no clarity on whether these actions were a result of direct regulatory intervention or did Axis Bank initiate it as a part of their own compliance measure? And lastly, what concrete steps are you taking to strengthen compliance framework going forward?

Amitabh Chaudhry: Thank you for the question. I mean, obviously, compliance is right in front and center for all of us at Axis Bank, is something which we not only have to deliver in every transaction, but in how we behave, how we think, etc. The specific case which you mentioned, where we received an advisory relates to an account which was opened in East India in 2010 - 11. Let me repeat, 2010-11, and whether the right documentation was taken at the time of the opening of the account.

It has taken this much time because RBI at that time had looked at that particular account and given us some instructions. This latest advisory has come about because one of the constituents has been fighting in the courts and based on certain court direction, RBI has had to re-look at the whole process all over again. So, please understand that this is something which happened 14 years back. But I do not want to discount it by just saying it happened 14 years back. We have to keep looking at what do we need to do as an institution to not have any of these issues ever recur or happen in the future. And we are working very hard as an organization and so is the board to ensure that it does not happen.

In this particular case which you are referring to, the technical write-off and some of the other stuff, it happened because of self-detection and we detected it ourselves. We obviously took corrective action. It led to a certain amount of provision. As we have already shown in our numbers, the impact of that in the second quarter has come off quite sharply and hopefully it will continue to trend down as we move forward. But I completely agree with you that we have to continue to move forward. As far as investors are concerned, obviously, we will have a

conversation with them to convince them that some of these items are one-off and not repeated.

Malvika Sundaresan: Thank you.

Moderator: Thank you. Our next question comes from the line of Gopika from Reuters. Please go ahead.

Gopika Gopakumar: Hi. I just wanted to understand what is your credit growth guidance for this year? I mean, you are saying the new guidelines set the stage for higher credit growth, so how much of a difference or incremental change are you expecting? That is one.

And second, you said Axis Finance could soon become an upper layer. Are you expecting that to happen this financial year?

Subrat Mohanty: Thank you. This is Subrata. On credit growth, we do not offer guidance on credit growth. In Q1, we had mentioned and reiterated our aspiration in the medium term to grow about 300 basis points above market. That is the journey that we are on. So, we continue to try and build the book in a manner where we are growing a bit faster than the market. That trend has started from this quarter onwards. So, we will continue to work very hard to do that. But no short-term guidance on where credit growth will be during the course of this year.

On Axis Finance, I mean, that is again a future or a forward kind of view on when can we be upper layer NBFC. Right now the team is focused on making sure that they continue to grow the way they are growing and we will continue to find ways to support them in terms of capital, and that is the priority. As and when they cross a certain threshold, they will become an upper layer NBFC, it is just a matter of building the book and reaching a certain number. But we do not have a clear view on when that particular timeline will be achieved. So, that is really the comment on Axis Finance.

Gopika Gopakumar: One last question, if I could slip in. You said the stress has stabilized in the retail loan segment, but when do you see that coming off? I mean,

it is still around those levels that we have seen in the last quarter. But when do you see it substantially coming off? When do you see the turnaround coming?

Subrat Mohanty: I think we have kind of shown the trend and the trajectory there. In terms of the numbers, we have mentioned that it is the lowest in the last five quarters. From our perspective, the two areas that were areas of focus was unsecured and Cards. We have continued to maintain that in Cards, from Q4 onwards, we have seen the stabilizing trend. On unsecured, we are starting to see the stabilization happen, which we had in some sense anticipated and we had come back saying we will give you a constructive commentary as part of this quarter comment, which we are offering.

You will also have noticed that disbursement growth has started happening. The card numbers are up. On the unsecured side also there has been disbursement growth, which suggests that there is confidence that we are able to open some of the gates. So that's really where we will leave this at this point in time. And you will see QOQ how the numbers trend. From our perspective, the way we had anticipated, the book is behaving exactly that way.

Gopika Gopakumar: So, the retail loan NPAs are coming, as of now, it is only from credit Cards and Personal Loans, no other segments?

Subrat Mohanty: They come from all segments. But, in terms of what we predict or what our forecast says, everything else is well within our internal estimate.

Gopika Gopakumar: Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Puneet Sharma for closing comments. Over to you, Sir.

Puneet Sharma: Thank you, Dorwin. Thank you, ladies and gentlemen, for your time this evening. If there are any questions that remain unanswered, please do reach out to our Corporate Communications team, we would be very happy to pick them up and respond to you in due course. Thank you for



your patience and have a good evening. Wishing you and your families a very Happy Diwali and a prosperous new year. Thank you.

Moderator: Thank you. On behalf of Axis Bank, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.