Axis Bank Limited Q4 FY'25 Earnings Conference Call

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MANAGEMENT: **MR. AMITABH CHAUDHRY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, AXIS BANK**
MR. RAJIV ANAND - DEPUTY MANAGING DIRECTOR, AXIS BANK
MR. PUNEET SHARMA – CHIEF FINANCIAL OFFICER, AXIS BANK
MR. SUBRAT MOHANTY – EXECUTIVE DIRECTOR, AXIS BANK
MR. MUNISH SHARDA – EXECUTIVE DIRECTOR, AXIS BANK
MR. ARJUN CHOWDHRY – GROUP EXECUTIVE FOR AFFLUENT BANKING, CARDS/PAYMENTS AND RETAIL LENDING, AXIS BANK
MR. NEERAJ GAMBHIR – GROUP EXECUTIVE (TREASURY, MARKETS & WHOLESALE BANKING PRODUCTS), AXIS BANK

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 31st March 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 proceeding of the call is strictly prohibited, and prior explicit permission and written approval of Axis Bank is imperative.

As a reminder, all participant lines will be in listen-only mode, and 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 touch tone 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 over the conference call to Mr. Amitabh Chaudhry – MD and CEO. Thank you and over to you, sir.

Amitabh Chaudhry: We have on the call, Rajiv Anand – Deputy MD, Subrat Mohanty – ED, Munish Sharda – ED and other members of the leadership team.

This quarter, we delivered steady core-operating performance and lifted sequential total deposit growth higher than the industry. Our focus has been on profitable and sustainable growth, we continue to calibrate risk internally across portfolios. Balance sheet is resilient, and capital position continues to get stronger.

Let me summarise the Q4 operating performance:

1. Core-operating profit was up 11% YOY and 5% QOQ. NIM at 3.97%, improved 4 bps QoQ.
2. Period end total deposit growth picked up 7% QOQ. On a YOY basis, deposit growth rates were similar, for both, period end and quarterly average basis at 10% and 9% respectively.
3. On the lending side, focus on businesses with higher RAROC continues. Small business, SME and mid-corporate together, grew at 14% YOY and 3% QOQ and constituted 23% of total bank loans.
4. Fee to average assets improved and continues to be the best amongst peer private banks.
5. Consolidated ROA and RoE stood at 1.88% and 17.11% respectively.
6. The Bank is well capitalized with a CET 1 ratio of 14.67% with net accretion of 6 bps in Q4FY25 and 93 bps in FY25 period.

We review the delivery against our GPS strategy annually. Over the years disciplined execution of our financial metrics, have been complimented with distinctiveness areas to ensure a robust and comprehensive approach to growth and sustainability aspects of the strategy. We stay focussed on three core areas of execution of our GPS strategy namely:

A. Becoming a resilient, all-weather franchise

B. Creating multiplicative forces to build competitive advantage

C. Building for the future

I will now discuss each one of these areas.

A. Becoming a resilient, all-weather franchise

Over the last few years, we have significantly progressed towards building a resilient, all-weather franchise. There are three areas of focus as we navigate the current cycle - deposit quality and growth, retail asset quality and costs - where we need to work on sustainable outcomes. On retail asset quality a normalisation cycle is in progress, and this should stabilize over next few quarters. Our recognition and provisioning policies are perhaps the most prudent among Indian Banks. On the Cost side, our expense growth moderated to 6% YOY in FY25 from 30% in FY24. We have also seen an improvement of 9 bps in our cost to assets FY 25 v/s FY24.

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 22. On the first two parameters we have delivered well.

- We have improved the granularisation in our deposit book, which positively impacts the quality of LCR deposits. Consequently, improving the outflow ratio by 340 bps over the last 3 years and is now similar to larger peer banks.
- We have also demonstrated controlled increase in cost of funds over the last eight quarters, with only 7 bps increase in the last four quarters.
- The quality and strength of our deposit franchise continues to improve. Our acquisition engine, expansion plans, product launches, salary credits, and Burgundy AUMs remain healthy. We are observing initial signs of traction from these efforts on overall deposit growth, as certain portfolios begin to stabilize and the tight liquidity scenario eases.
- We have opened 170 new branches in the last three months, and ~500 in this fiscal.
- YOY MEB | QAB basis, total deposits grew 10% | 9%; term deposits grew 14% | 14%, CA grew 6% | 6%, SA grew 3% | 1%, respectively
- QOQ MEB | QAB basis total deposits grew 7% | 2%; term deposits grew 5% | 2%, CA grew 16% | 3%, SA grew 8% | flat, respectively.
- The New to Bank acquisition engine for the savings account franchise has trended well. In this quarter we saw Savings Account New to Bank deposits up 19% YOY and granular balances per account up 17% YOY.

- The Bank has made focused interventions to ensure better engagements with its salaried customers and continue to see healthy trends with
    - 18% YOY growth in Salary Uploads in the NTB Salary book by Mar’25
    - 38% YOY growth in Premium acquisitions in NTB Salary book by Mar’25
      - ✓ The premiumization of our franchise continues to progress well led by 10% YOY growth in Burgundy assets under management. Axis Bank’s Burgundy Private segment won the award for India's Best for Next Gen at the Euromoney Global Private Banking Awards 2025
- On the wholesale segment refer slide 33 and 35, our industry leading Neo platforms along with customized solutions across liquidity management, payments and collections continue to drive higher transaction banking flows leading to better current account balances.

On the topic of retail asset quality

- We continue to have one of the best asset quality levels across large peer Banks, in terms of net NPAs.
- In retail asset quality for unsecured products across the industry, including MFI, a normalisation cycle is in progress. The primary reasons are credit hungriness and over-leverage.
- MFI does not constitute a significant portion of our portfolio [~2.1% of retail loans], recent regulatory actions have led us to adopt a cautious stance on this sector, both through direct and indirect sourcing.
- We observed increase in risk in certain segments and pilot programs for personal loans and cards in the past. However, proactive interventions, including regular portfolio monitoring and Early Warning Triggers, have allowed us to recalibrate policies to ensure delinquencies remain within acceptable thresholds for the new cohorts based on early data reads. Overall, we see stabilisation in our card’s portfolio. Personal loans may take a few more quarters to show improvement.
- We have also strengthened the collection’s infrastructure including use of tech enablement at front-end to improve collections capabilities.

B. Creating multiplicative forces to build competitive advantage

We continue to innovate and remain open to new partnerships and collaborations. An example of this was during the quarter Axis Bank became the first Indian Bank to execute an Aircraft Financing deal. It involved a long-term US Dollar Loan for the purchase of 34 training aircrafts. This pioneering aircraft financing deal, structured end-to-end by our GIFT City Team, is a strategic step towards creating a robust aviation finance ecosystem within India.

C. Building for the future

Digital Banking performance continues to remain strong

- In Q4, the bank introduced several new fraud protection related initiatives.
  - The bank introduced an in-app mobile OTP as an alternative to SMS OTP. This industry first feature significantly enhances security against fraud and takes away dependence on telecom networks, thus improving customer experience as well.
  - The bank also introduced a Safety Centre on the Open app by Axis Bank. This provides customers' the ability to control their digital channels usage at a granular level across Internet banking, mobile banking, UPI etc.
- Additionally, the bank continued to make progress in introducing new journeys and optimising existing ones.

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

- The rural advances grew 7% YOY and deposits from Bharat Branches were up 9 %; thereby aiding the PSL metrics. We have expanded our multi-product distribution architecture to 2,736 branches.
- Sparsh 2.0, our enhanced Customer Experience program, simplifies interactions, driving NPS, automation, and digitization, with a focus on customer loyalty and business growth. Our Retail Bank NPS score has matured significantly, rising to 159 from a baseline of 100 in the past 3 years. Softer aspects like our Brand Consideration Score has also improved over the past few years.

In Closing:

Over the past few years, Transformation projects undertaken across the bank, have been pivotal in sharpening our execution capabilities.

We are well placed in the current macro environment. We continue to closely monitor the geopolitical environment and its impact on our businesses.

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 and thank you for joining us. We continue to make good progress towards building a stronger, consistent, and sustainable franchise. The salient features of the financial performance of the Bank for FY 25 and Q4 FY25, across (i) Operating performance; (ii) Capital and liquidity position; (iii) Growth across our deposit franchise and loan book and (iv) Asset quality, restructuring and provisioning is as follows:

In Q4FY25 and FY25, our operating performance was healthy across NIMs, fee and operating expenses lines. The key metrics for **FY 25, on a <u>reported</u> basis:**

a. FY25 NIM at 3.98%, 18 bps cushion over our through cycle NIM call out of 3.80%.
b. Fee stands at Rs 22,504 crs, YOY growth of 11%, granular fee at 93% of total fee
c. Operating expense at Rs 37,500 crs, YOY growth of 6% as compared to a YOY growth of 30% in FY24
d. Core operating profit stands at Rs 39,916 crs, YOY growth of 13%;
e. Cost to assets stands at 2.46%, declining 9 bps YOY
f. PAT stands at Rs 26,373 cr, increasing 6% YOY
g. GNPA at March 25 was 1.28%, declining 15 bps YOY
h. NNPA at March 25 was 0.33%, largely flat YOY
i. Standard asset coverage ratio of 1.2%, All provisions by GNPA ratio of 157%
j. Consolidated ROA% at 1.77%, Consolidated ROE% at 16.89%

The key metrics for **Q4FY25, on a <u>reported</u> basis:**

1. Consolidated ROA% at 1.88%, Consolidated ROE% at 17.11%, Subsidiaries contributed 5 bps to the consolidated annualized ROA and 13 bps to the consolidated annualized ROE this quarter
2. Banks CET-1 including profits stands at 14.67%, after adjusting for proposed dividend of Rs 1/- per share, improving 93 bps YOY and 6 bps QoQ, largely through organic accretion. The Bank holds prudent other provisions aggregating to Rs 5,012 cr which have not been utilized or written back to P&L, this translates to a capital cushion of ~37 bps over and above the reported capital adequacy ratio.
3. The Bank assesses it capital position on two pillars i.e. growth and protection. The Bank does not need equity capital for either pillar. The proposed equity capital resolution is entirely enabling and is being taken as a matter of annual practice.
4. NIM at 3.97%, improved 4 bps QoQ. Yields on interest earning assets have improved 5 bps QoQ. This increase sufficiently addressed increase in cost of funds of 4 bps QoQ.
5. Fee at Rs. 6,338 crs, growing 12% YOY and 16% QoQ, granular fee at 94% of total fee
6. Core operating profit at Rs. 10,575 cr, growing 5% QoQ, 11% YOY
7. Cost to Assets at 2.46%, declining 2 bps QoQ, 9 bps YOY
8. Net credit cost at 0.50%, declining by 30 bps QoQ
9. PAT at Rs. 7,117 cr, increasing 13% QOQ
10. GNPA at 1.28% declining 18 bps QoQ, and 15 bps YOY. NNPA at 0.33% declining 2 bps QoQ and largely flat YOY

The Board of Directors has recommended dividend of Rs. 1 per equity share of face value of Rs. 2 per equity share for the year ended 31st March 2025. This would be subject to approval by the shareholders at the next annual general meeting.

Our progress on structural NIM drivers continues, with improvements across all variables on a YOY basis:

- Improvement in Balance sheet mix: Loans and investments comprised 89% of total assets at March 25, improving 149 bps YOY;

- INR denominated loans comprised 96% of total advances at March 25, stable YOY;

- Retail and CBG advances comprised 71% of total advances at March 25, improving 5 bps YOY

- Low-yielding RIDF bonds declined by Rs. 7,107 cr YOY. RIDF comprised 0.90% of our total assets at March 25 compared to 1.46% at March 24.

- Quality of liabilities measured by outflow rate improved ~ 340 bps over last three years, MEB CASA% at 41% continues to be amongst the highest in the large private sector banks universe, improved 127 bps QOQ.

- Our fee performance was strong, reflected in a fee growth of 16% QOQ.
  - Total retail fee grew 14% YOY and 22% QoQ
  - Fees from TPP grew 32% YOY and 56% QoQ
  - Retail cards and payments fees grew 11% YOY and 20% QoQ

- Trading profit at Rs. 173 cr lower by Rs. 848 cr YOY and Rs. 195 cr QOQ

- Operating expenses for the quarter stood at Rs. 9,838 cr, growing 6% YOY and 9% sequentially. We have opened 170 new branches in the quarter and 500 new branches through the year. We added 2,074 people in the quarter and 121 people YOY mainly to our growth businesses and technology teams.

  - Technology and digital spends grew 7% YOY and constituted ~ 9.3% of total operating expenses.

  - QoQ increase in operating expenses is largely PSLC related costs. The Bank has assessed itself as PSL compliant in FY 25 at headline and each sub segment level. In Q4FY25, the Bank incurred an expense of Rs 591 crore towards purchase of PSLC's to meet organic shortfalls in SMF and NCF categories. Excluding this expense, the QOQ cost growth would be 2% and cost to assets for Q4FY25 (annualised) would be 2.42%. The Bank continued to remain surplus in other categories of PSL and has sold PSLC's and booked income aggregating to Rs 169 cr in Q4FY25. These cannot be netted off in accordance with RBI reporting requirements. The additional PSLC expense was incurred to overcome short term challenges mainly around MFI growth and gold loan PSL classification. We remain confident in our long-term Bharat Bank strategy and our ability to improve organic compliance in across PSL sub-segments. In FY26, we will continue to use a combination of organic PSL book growth, PSLC, IBPC and PTC to meet our PSL obligations.

- Provisions and contingencies for the quarter were Rs. 1,359 cr, lower by 37% QoQ, driven largely by upgrades in the wholesale book, including recoveries aggregating to Rs 801 crore due to government guaranteed Security receipts issued by NARCL. The Bank has not booked interest aggregating to Rs 537 cr on the said SR's, which will be done on a realization basis or upon further clarity emerging on the RBI circular.

- The Bank has reviewed and made more stringent its classification and upgrade criteria for certain types loans. This at the margin may negatively impact credit costs, upgrades and recoveries in FY 26 when compared to FY25.

- The cumulative non NPA provisions at March 31, 2025 is Rs. 11,957 crores, comprising (i) Provision for potential expected credit loss of Rs. 5,012 crores; (ii) Restructuring provisions of Rs. 392 cr, (iii) standard assets provision at higher than regulatory rates of Rs. 1,868 cr and (iv) weak assets & other provisions of Rs. 4,685 crores.

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

Please refer slides 22-23 for details around the quality of our liabilities franchise and slides on our loan franchise.

The Bank continues to remain focused on QAB deposit growth, total deposits on a QAB basis grew 9% YOY and 2% QoQ. Our CASA balances on QAB basis grew 3% YOY and 1% QOQ and CASA ratio on QAB basis stood at 38%. The Bank gained some momentum on MEB total deposits in Q4FY25, they grew 7% QOQ and CASA deposits grew by 10% QOQ.

Loans grew 8% YOY and 3% QoQ. Our loan book is granular and well-balanced with retail advances constituting 60% of the overall advances, corporate loans at 29% and CBG at 11%. ~72% of our loans are floating rate. ~48% of our fixed rate book matures in 12 months.

Break-up of the of the floating rate loan book by benchmark type and MCLR re-pricing frequency is set out on Slide 14 of our investor presentation.

Retail book

- Retail advances grew 7% YOY and 3% sequentially, ~ 72% of the book is secured
- Q4FY25 Retail disbursements (including Bharat Bank) grew 15% QoQ, largely coming from the secured segments.

Wholesale Banking Coverage

Details of rating composition, incremental sanction quality is set out on slide 32.

- Domestic corporate loan book grew 8% YOY and 2% QoQ.
- The offshore wholesale advances are largely trade finance related and primarily driven by our GIFT city branch. 91% of the overseas standard corporate loan book is India linked and 96% is rated A- and above.

Commercial banking

- The commercial banking book grew 14% YOY and 4% QoQ. Details of rating composition, incremental sanction quality is set out on slide 39 or 40. The quality of the CBG franchise we are building and strong relation led approach is reflected through 88% of CBG loan book is PSL compliant.

Coming to the performance of our subsidiaries

- Detailed performance of the subsidiaries is set out on Slides 53 to 60 of the investor presentation. In FY 25, the domestic subsidiaries reported a net profit of Rs. 1,768 crores, growing 11% YOY. The return on investment in domestic subsidiaries was ~ 46%.
  - **Axis Finance**:
    - Overall AUF grew 22% YOY. Retail book constitutes 47% of total loans
    - FY25 PAT grew 11% YOY to Rs. 676 Crores, and healthy CAR at 20.90%.
    - Healthy asset quality with net NPA of 0.37% and negligible restructuring.
  - **Axis AMC:** Overall quarterly average AUM grew 17% YOY to ~ Rs. 3,21,506 crores, FY25 PAT stood at Rs. 501 Crores up 21% YOY
  - **Axis Securities:** Broking revenues for FY25 grew 45% YOY to Rs. 1,656 crores and PAT grew 39% YOY to Rs. 419 Crores
  - **Axis Capital:** Revenues for FY25 grew 33% YOY to Rs. 705 crores and PAT grew 7% YOY to Rs. 161 Crores

Asset quality, provisioning and restructuring

- Asset quality continues to remain stable with Gross in rupee terms and % terms declining sequentially and YOY. Net NPA declines QOQ and was largely flat YOY. The Slippage, GNPA, NNPA and PCR ratios for the Bank, and segmentally for Retail, CBG and Corporate is provided on slide 46 of our investor presentation.
- Gross slippages in the quarter were Rs. 4,805 cr, declining 12% QoQ. Gross Slippages segmentally were Rs. 4507 cr in retail, Rs. 196 cr in SME/CBG and Rs. 102 cr in WBCG
- Gross slippage ratio (annualized) stood at 1.90%, declining 23 bps QoQ
- For the quarter ~ 30% 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. 2,015 cr. Net Slippages segmentally were Rs. 2,804 cr in retail, Rs. 125 cr in CBG and negative Rs. 914 cr in WBCG.
- Recoveries from written off accounts for the quarter was Rs. 935 crores.
- Net slippage in the quarter adjusted for recoveries from written off pool was Rs. 1,080 cr declined 51% QoQ. Segmentally retail was Rs. 2,298 cr, CBG was Rs. 5 cr and WBCG was **negative** Rs.1,223 cr.

To summarise, Axis Bank is progressing well to be a stronger, consistent and sustainable franchise:

- Consolidated ROA and ROE for FY25 1.77% and 16.89% respectively, an outcome of disciplined execution.
- The Bank has ample and sufficient liquidity, visible in the average LCR ratio of 118%.
- We are well placed in the current macro environment, we continue to closely monitor the global geopolitical environment, inflation, system liquidity, cost of funds and its impact on our business.

We conclude our opening remarks and would be happy to take your questions.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Chintan Joshi from Autonomous Research. Please go ahead.

Chintan Joshi: Hi, good evening. Thank you for taking my questions. Can I start with some commentary around how to think about the rate cut cycle and the translation of that into your NIMs. Specifically, I am interested in how we should think about transmission on your borrowings and on your SLR investment portfolios, if you can help us think about those two, loans and deposits is kind of well understood, so I am curious about borrowings and investments here.

And then the second question would be, on your growth, you flagged a 7% month-end balance growth, how much of that month-end balance has been retained to date, they tend to kind of flow away post quarter end, but sounds like things might have been a little bit more stickier, given that you're flagging that. Those two would be my questions, thank you.

Puneet Sharma: Chintan, thank you for your question. Let me first start with your question on retention of the MEB growth into the subsequent quarter.

I said this earlier as part of my opening comments and I will reiterate, we manage and track our performance on a quarterly average balance basis. Right through FY '25, our quarterly average balance numbers on a year-on-year basis has tracked our MEB balance growth.

We have sequentially been a business that has had sequentially strong inflows in quarter 4, that trend has played through in the current quarter. We do not offer comment on how much of that money stays retained, you will see that visible in our quarter one reporting number as we stand, but I think two points for your consideration, we are very focused on QAB, that's how we manage our balance sheet. We are looking to drive up growth in deposits, that's visible through the deposit growth we are seeing in quarter four. You will have to wait for us to report Q1 for you to get a colour of what was retained and what was not retained in quarter one of the current period.

To your other question on rate transmission across our products, the way I would look to respond to that question to you would be - we manage our balance sheet on a duration basis, so please think of duration of our balance sheet as the key driver of rate transmission and rate impact. We have a tightly matched duration on assets and liabilities, and therefore, if you look at how the Bank performed through FY '23 and FY '24, we managed the up cycles and down cycles relatively well.

On rate transmission across assets, we as a bank are policy led. We transmit rate increases or decreases in the quarter in which the policy rate changes and that policy will be effective both ways, on up cycle and down cycle.

On liability repricing, you've seen some action across market participants including us. We've all done a savings account rate cut. There has also been a moderation on retail term deposit rates and those should be an offset to asset repricing as we see the repo cuts being passed through to customers.

Chintan Joshi: Borrowings and investments or should we take that within your broader comments?

Puneet Sharma: So investments on our bank balance sheet are largely fixed rate. So effectively, if you look at the largest component of investments on a bank's balance sheet, they will be government securities, they are fixed rate instruments, and obviously, when rates tend to decline, you will have MTM gains like you had MTM losses, but they don't flow through the margin line as such.

If you want a break up of our portfolio, roughly a dominant part of our portfolio which is 66% of our portfolio is held to maturity, and that should give you a colour on how the fixed rate book will behave. Borrowing should typically follow the same route as….

Chintan Joshi: So presumably they kind of rebalance every 3-4 years or something, that duration might be helpful.

Puneet Sharma: So, Chintan, we do not publicly call out durations. You will see some duration disclosures in our annual report, but we do not provide you asset specific duration outcomes. Please rest assured or rely on the original comment I made. We run a tightly managed duration on a full balance sheet basis.

Chintan Joshi: Thank you.

Moderator: Thank you. Ladies and gentlemen, in order to ensure that the Management will be able to address questions from all the participants in the conference, kindly limit your questions to two per participant. Should you have a follow-up question, please rejoin the queue. Thank you.

We will take the next question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: Hi, so my first question is on asset quality. You said that you have tightened provisioning policy and that could impact FY '26. So could you just quantify whether it will be like an immaterial impact or a material impact and what has tightened, because you are already following a much tighter provisioning policy on unsecured, so what would have changed?

And also, in terms of the security receipts, the write-back of provisions that you see on NARCL SR, so would you have reversed the complete provision that you had or you would have left something as buffer? So that's my question on asset quality.

And my second is on deposit growth. So, if you see the period end year-on-year growth, then it's a bit below the sectors. Now that liquidity has improved and RBI has clarified even on its LCR stance, do you see deposit growth coming in line with the sectors in FY '26? So these are my two questions.

Puneet Sharma: Mahrukh, thank you for your question. There are multiple questions in your 2 questions, so let me try and answer them in parts.

I think if I start with your first comment on security receipts. We basically called out two things. We have written back provisions of INR 801 crores on security receipts. We have INR 537 crores of interest which we have not written back and shall book on a when realised basis, or when clarification emerges in the regulations. So broadly, if you were to do it on a percentage basis, it's 60-40, give or take. So, INR 801 crores booked in the P&L, INR 537 crores potentially to be booked at a future date on a realisation basis.

The second part of your question was what has changed? We have said that our provisioning policies remain the tightest in the industry. We've tweaked how we classify assets at the margin, and that tweak is incremental, and this relates to some very specific asset outcomes like one-time settlements, et cetera. So, we have tweaked those at the margin to make them more stringent. And we are transparently calling out that, that change is incremental to the change that we had in FY '25. So that's the second part of your question.

On the third part of your question, which is around deposit growth, we don't offer guidance on how we will grow. Please appreciate we have worked very hard to strengthen the three legs of our deposit franchise, which is cost, quality and growth. Cost and quality we have delivered. Early signs of growth you've seen through, come through in Q4 of the current fiscal. We will continue to work hard on making sure that we grow our liabilities franchise with the right quality and quantity of liabilities.

Mahrukh Adajania: Thank you.

Moderator: Thank you. The next question is from the line of Anand Swaminathan from Bank of America. Please go ahead.

Anand Swaminathan: Thank you. I had a couple of questions. First is on the Citi integration. It's been almost 2 years since the merger. Can you provide us some color or some quantification in terms of where all you have seen these benefits and where have been the most positive outcomes in terms of synergies? That is one.

And second, just as a clarification on the write-back on SRs, the loan loss provisions, the 1,316 number would have been 2,100? Is that the right interpretation without this write-back this quarter? Those are my 2 questions. Thank you.

Subrat Mohanty: Yes. Hi. This is Subrat. On your first question on Citi integration, see last year, in July, we completed what we termed LD2, which is when Citi customers moved on to the Axis Bank platforms, and we started managing the customers both from a relationship as well as in terms of owning them on our system.

We had a very specific plan over six quarters in terms of the synergy benefits that we internally presented to the Board. At the end of six quarters, we came a bit ahead of the plan in terms of the synergy benefits. So, from a planned synergy perspective, it ticked all the boxes.

Two additional benefits of the acquisition was improving the premium base of our franchise and having a good set of seasoned credit card customers coming in. Those customers have come in. We continue to now offer to them the whole bouquet of Axis Bank services, which is much wider and cuts across multiple products and services, and also is present in multiple cities. So that also is something that is happening.

In terms of the people that we got in as part of the acquisition, we had almost 3,500 people come in, about 178 people were identified as key resources who came on board. And after about 2.5 years of people coming on board, we have had very limited attrition of these senior resources, these critical resources. In fact, a lot of them today hold bank-wide responsibilities, based on their past experience.

So on an overall basis, that's the summary of the things. Since almost the year has passed after LD2, we no longer separate the Citi and the Axis book and monitor their progress, because all of these customers now have been re-carded, they own Axis Bank accounts. So we continue to now look at them as part of the Axis base, and provide them both services and upselling opportunities as and when they come.

Puneet Sharma: Thanks, Subrat. Anand to the second part of your question. Yes, I think you're reading the INR 1,369 crores number on Slide 48 of our presentation. If you add INR 801 crores, it's going to be INR 2170 crores. So that would have been the number.

I would just request you to please also while noting that number, note the fact that the INR 801 crores was routed through the P&L in the first place. So we debited the P&L when the provision was made. We are crediting the P&L and the provision is being reversed. So it's just a function of timing. Overall, on a time agnostic basis, this is a P&L neutral entry.

Anand Swaminathan: Sure. Thank you.

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

Kunal Shah: Yes. Thanks for taking the question. So firstly, your comment on personal loans and credit cards. If I heard it correctly, you mentioned that there is stabilization in the credit card portfolio, while personal loan might take slightly longer to stabilize? Was that the right comment? Did I hear it right?

Puneet Sharma: Thank you, Kunal. Yes, you heard the comment correctly. We are seeing the credit cards… Yes, sorry, please continue.

Kunal Shah: No, no, you can continue.

Puneet Sharma: No. So I think you heard us correctly. We said that the card portfolio is stabilizing and the PL portfolio will take a few more quarters to show improvement.

I think we need to give you full color. The reason we make that comment is we took underwriting actions on the portfolio. The early reads on those underwriting actions are positive, but the vintages have not matured enough for us to provide a constructive or concrete outlook on the personal loan portfolio. So, basis where we see the initial reads on a non-vintage portfolio, we have made a call out saying that it would take us a few more quarters for this book to stabilize.

Kunal Shah: Earlier that comment used to be like PL generally stabilizes and peaks out in 9 months, and credit card generally takes 15 months. So I think maybe that seems to be like slightly reversed, okay? So it's like credit card seems to be stabilizing earlier than the PL. So any particular reason for that, any particular cohort being that kind of a problem, yes?

Puneet Sharma: So Kunal, thank you for that question. I think the way we would request you to think about it is underwriting is not an exact science. We make corrections and then we observe portfolios post that correction.

I think the way to read our comment is the cards corrections have started playing through. We have consistently and continued to make corrections. As we see this corrections vintage, we will be able to provide an outlook. I don't think there is further color that we have at the moment to offer on the PL portfolio.

Kunal Shah: Sure. And second question is on overall growth side. So again, let's say deposit growth, no doubt the sequential improvement has been there, but still below the industry average. And similarly, on the loan growth side, in fact, home loan, auto loan, that's just stayed flat on a year-on-year basis. No doubt our focus is on SBB, SME and mid-corporate, but some of these segments are not contributing to the growth.

So what would actually trigger maybe the overall loan growth as well? Will it be only led by deposit growth or maybe the stabilization of asset quality, or maybe some comfort on margins? When should we start even like loan growth, maybe following the industry, as it is still lagging like 4-odd percentage points to industry average.

Amitabh Chaudhry: So, obviously, last year has been characterized by scenario where deposit growth has been a constraint. And so that has driven us to prioritize growth in certain asset classes and obviously control and constraint the growth in some of the asset classes. As we said earlier that we do believe that we have reached now a stage where if things play out the way we expect and given the externalities into account, one can't kind of give us everything that we know everything that is going to happen.

But we do believe that now both growth and profitability should start moving in the right direction, subject to this increased liquidity and continuous increased liquidity playing through for this particular financial year. So assuming liquidity remains, flows into the deposit side, we do believe that the platform is there for both growth and profitability. And as that deposit growth opens up, you will see growth start coming back across various asset classes.

Kunal Shah: So assume by FY '27, it will be industry average, FY '26 or no? Not very confident about FY '26.

Puneet Sharma: Kunal, we don't offer guidance. I think whichever way you ask us the question, we are not going to give you the outlook or guidance on what our FY '26 number would be. So I think Amitabh has said, how we see our business shape up and the confidence that we have in the franchise, we do not have guidance to offer for FY '26.

Kunal Shah: Okay. Thanks and all the best.

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

Abhishek Murarka: Hi. Good evening. And thanks for taking my question. So my question one is, just a sort of data keeping, if you could share how much of cards deposits could you see the benefit of lower outflow rates on? So from next year when the LCR regulations come in?

And the second part is on growth. So you will have a little bit of release of LCR. You will have excess SLR, which you called out. Your LDR is lower now. And there are 3-4 segments where consolidation has happened over the last 3-4 quarters already. So do you think your loan growth should now pick up ahead of deposit growth in the, let's say, foreseeable future? I don't want a number or a guidance, but just logically thinking through this.

And also, particularly in your loan book, just wanted to know, LAP stands out as a segment where there's quite a bit of growth. So anything particular that's happening there? Or is it some reclassification benefit or you're seeing pockets where better pricing is there? So some insight on that would also help. So, thanks. Those were my questions.

Amitabh Chaudhry: So firstly, since you talked about LCR, the LCR will kick in only effective April 1, 2026. And yes, obviously, all of us are facing the impact of the new circular. Obviously, we have to do more analysis. Right now, we believe that the impact will be neutral. What the construct of deposits will look like as of April 2026, difficult to predict at this stage. But if we were to look at the stock today, it definitely does not have a negative impact on us. And I kind of leave it there.

I just mentioned in the answer to the previous question that if the liquidity in the system continues to be there for this particular financial year, and if it is there, it will hopefully flow through the growth in deposits. We do believe we have the franchise, we'll be able to grow the retail asset classes.

And as I said, in a constrained deposit environment, we try to give the limited amount of money which we have to asset classes, which give us the highest RAROC. That's a strategy which we have followed. So between the mortgage and LAP, if LAP can give us a higher RAROC, we will obviously try to grow that faster in comparison to the others. We obviously have other risk guardrails also. It's not just one particular guardrail.

So with all the way the guardrails operate with each other, there is a certain waterfall, which is created, and those targets are given to various businesses to run with. Hopefully, you get a sense for what this could mean for us if the deposit growth was to come back. If our deposit franchise on the NTB side is kicking quite well. We continue to maintain the momentum in the next couple of quarters, and how it will can flow through on the asset side of the balance sheet also.

Abhishek Murarka: So exactly on your point, Amitabh, if liquidity remains the way it is or improves, irrespective of that, you have other levers to grow your loan book a little faster than deposits. So that is what I was trying to figure, then will you be utilizing those levers, let's say, in the next two years or liquidity is the primary lever that you are looking at?

Neeraj Gambhir: So as the liquidity in the system improves, we should see better environment for us to raise borrowings through, for example, bonds. CD market rates have already come down. So these are all avenues which are available to a bank to actually grow its liability franchise.

We continuously evaluate our options to raise funding from all of these markets and the relative pricing to the deposit market. And depending upon what looks attractive and what looks suitable at a given point in time, we access that market. And we try and ensure that all this is basically accretive from an LCR perspective and NSFR perspective. So I think it's a constant exercise that we do all the time.

Abhishek Murarka: Understood. And on the LAP part, basically, you're saying it's higher RAROC than home loans. So that's why you're doing it. There's no reclassification or any other benefit in that book? It's just pure RAROC-based growth?

Puneet Sharma: Abhishek, there is no reclassification in the numbers across home loan and LAP.

Abhishek Murarka: Okay. Got it thanks.

Moderator: Thank you. The next question is from the line of Harsh Wardhan Modi from JPMorgan. Please go ahead.

Harsh Modi: Hi. Thanks for taking my questions. Two questions. Foreign loans are small, about 4%. But any second order impact from trade and tariff on asset quality, not right away early days, but let's say, 3, 6, 12 months down the line.

And second, the risk weighting is up from 70 to 72 in the course of the year. What drove that? And how do we think about that number over the next 12 months? Thank you.

Rajiv Anand: This is Rajiv. Not just on the offshore book, but we have done a fairly elaborate bottom-up work on impact on tariffs across industry. And within those industries, companies where we have exposures. At this point in time, on everything that we know around tariffs, the impact on the portfolio is negligible. But there are so many moving parts, both positive and negative. We continue to watch the space and evaluate the impact on the portfolio.

Puneet Sharma: Thanks, Rajiv. Thanks, Harsh for the question. On risk weights, two simple responses. Advances, risk weights are equal or lower than the previous year. The change in risk weight is a function of balance sheet composition change and growth in our off-balance sheet liabilities. That's the principal reason why RWA intensity has moved up. It isn't because we are putting on riskier assets. And if you look at…

Harsh Modi: So is that the reason why fee income is better?

Puneet Sharma: Look, I think you've got to read that comment across multiple slides. So Q-O-Q RWA intensity has dropped, but Q-O-Q fee income has increased. So there's no direct correlation between fee income and risk-weighted intensity. But yes, our non-fund-based business does contribute to our fee. We give you a breakup of our credit linked fee on our corporate fee breakup, and that has remained steady at about 20% of our total corporate fees. So that's the color on fee and RWA intensity.

Harsh Modi: Thank you.

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

Rikin Shah: Yes. Thank you for the opportunity. Two questions. The first one, Puneet, could you clarify what are the tweaks that we are making in certain accounts, which would impact the asset quality next year? And did I hear correctly that the implications of this would be visible in upgrades and recoveries in FY '26? So that's first one.

And second one, for your repo linked loans, the repricing happens once in the quarter, or that was a generic comment for the overall loans, right? So do you have a pattern of towards the end of the quarter, in 1 month, 2 months? If you could clarify that? Those are my questions.

Puneet Sharma: Thank you, Rikin, for the question. On repo linked loans, we are policy led on repricing, both on the upside and downside. We repriced at the end of the quarter in which the rate cut has been announced, both on upside and downside. So that's the response to your repricing question.

I think your first part of your question is tweaks to accounts. I don't think we intended to say tweaks to accounts. If we have conveyed that impression, I would like to correct that. We have said the way we are getting more stringent on how we classify accounts, not upgrade accounts. So how we are pushing down exposures rather than pushing up exposures. And an example of where we have gotten more stringent is how we deal with one-time settlements for, let's say, accounts that have been settled for a period less than 3 months.

So on OTS accounts, we have gotten more stringent on recognition. The provisioning policies continue to remain conservative, which is 100% provision on unsecured loans once classified. And that's the color or the genesis behind the qualitative comment we offered, which is to say that this change in classification at the margin could impact FY '26 slippages over FY '25.

I also take this opportunity to clarify, one of my colleagues pointed out that when I was making my opening remarks, I said FY '27. Please read this comment in the context of FY '26 being marginally higher than FY '25.

Rikin Shah: Got it. Thank you, Puneet.

Moderator: Thank you. We will take the next question from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes. Hi team. Thanks for taking my question, and congrats on the quarter in this tough environment. Just getting back to the question on deposits. Now on Slide 22, you've explained it well as to how we should look at this deposit journey. My question really is what will change your stance on growth? Will you compromise on, say, the cost differential versus peer 2? Or will you compromise on outflow rates to get growth? Or is the quality and cost of deposits sort of sacrosanct?

Subrat Mohanty: Yes. Hi. This is Subrat. Like we have always said, quality cost and growth, all 3 vectors that we manage. If you've seen in Q4, we have done some amount of catching up and possibly done better on a Q-O-Q basis vis-a-vis the industry.

Large part of it has not come because of either any change on cost or any letting go of quality metrics that we track on deposits. It's largely come because of the work that we continue to do, in terms, of being in front of customers, deepening the relationship with the customers.

So those fundamentals which we had been running over the last 1.5 years as part of internal project called Triumph, they continue to guide our actions in terms of the work that we are doing in the field. So we will continue to be on that path. We have done a good job in the last 2 years in terms of both the quality and the cost of deposits. We don't want to be going back on that kind of work that has happened.

Piran Engineer: Okay. Okay. Fair enough. And just secondly, on your personal loans versus credit card comments on asset quality. So I get that you've improved incremental sort of sourcing, but it's still a small part of the book. But then why is that not true also for credit cards?

And another sort of question to this is your personal loan customers would be a subset of your credit card customers, right, and a much more sort of stringent subset. So ideally, shouldn't personal loans recover first and credit cards recover later? What's the disconnect here? Thanks.

Arjun Chowdhry: Okay. So, hi this is Arjun here. I will try and address both questions.

So firstly, on credit cards, the asset buildup is actually much slower than on a personal loan, because in a loan, you do a disbursal; on a card, you do an issuance and then the guy spends and then revolves and then pays back some. And therefore, there's a few months before the asset builds up. So obviously, those actions play out differently from a traditional term loan.

We are actually seeing, as we mentioned earlier, we are seeing signs of stabilization and improvement in the new sourcing on both our portfolios, and that's an encouraging sign. But obviously, the proportion that the new portfolio represents of the total book tends to be different in both the businesses, because of the factor that I just mentioned.

The second is I do want to clarify, it's not as if we have that the personal loan customers are all credit card holding customers. These are 2 separate groups of customers, and we also offer personal loans to our existing bank account customers. So yes, we do offer loans on cards to cards customers. That's a part of the buildup there, and that's a part of the outstanding there. But it's also a stand-alone offering, which is offered both to new customers and those who don't have a credit card with us, may have a bank account or some other product.

Piran Engineer: Got it. Okay. That answers my questions. Thank you and wish you all the best.

Arjun Chowdhry: Thank you.

Moderator: The next question is from the line of Akshat Agrawal from SMIFS Institutional Research. Please go ahead.

Akshat Agrawal: Good evening, sir. Thanks for the opportunity. So my first question is on credit to deposit ratio. It has improved to below 90% at 88.7% versus 90% to 90% seen since 1Q '24. And this is all because of the deposit growth improvement. Should we see late 80s as your new operating level for the bank going forward? And was this just because of the deposit growth? Or was this because of any regulator nudge? Thank you.

Puneet Sharma: Akshat, thanks for the question. No, there was no regulatory nudge. We have consistently maintained that there isn't a regulatory push on us managing the CD ratio at a certain level. The decline in CD ratio is a function of the deposit growth we have been able to deliver in the quarter. And we continue to manage the balance sheet on multiple variables. CD ratio is only one amongst the many variables that we will manage our balance sheet by. So it's not a constraining factor currently.

Akshat Agrawal: Right. Thanks for answering that. My second question is kind of answered, but while Y-O-Y loan growth at 8% remains below system, Q-O-Q momentum has actually improved to 2.6%, which is better than what we saw last few quarters. Is it just seasonal? Or should we see this momentum as a reinstatement of the bank's growth trajectory going forward?

Puneet Sharma: I think the way you should look at our numbers is, look, we have always said that we will dial up growth when we are comfortable with getting growth back. I think the quarter is a function of that strategy or outlook that we have previously presented.

Akshat Agrawal: Right sir. Thank you.

Puneet Sharma: Thank you.

Moderator: Thank you. The next question is from the line of M.B. Mahesh from Kotak. Please go ahead.

M. B. Mahesh: Puneet, again, just coming back on that, it's provisioning that we are discussing for FY '26. Is it possible to quantify if you were to look at FY '25 as an example, what would that quantum look like? Just trying to understand the materiality of what is being discussed here?

Puneet Sharma: Mahesh, it will be marginal. It won't be the exponential. But it was our duty to flag it off, so we flagged it off.

M. B. Mahesh: Okay. Second question is that given that you will have a few rate cuts during the course of this year as well, how are you looking at the margins that you have guided on a through-the-cycle basis. Any color on that?

Puneet Sharma: Mahesh, thanks for the question. I think we are roughly about 18 basis points above our through-cycle margin on a full-year basis, 17 basis points for the last quarter. I think we will try and retain as much of the cushion as we can. We will look to manage margins on a dual principle basis. We look to manage margins by managing our balance sheet on the asset side better. So you could possibly see some legs on mix change left.

While assets will reprice faster than liabilities, if you take the duration view of the balance sheet, we have a very tight duration between assets and liabilities. So consequently, if you're willing to take a full year or a slightly longer view, we think we are well placed to manage the repo rate down cycle. We will continue to… Sorry, please go ahead.

M. B. Mahesh: Puneet, just when you say this matched on duration, you match the duration on cash flows? Or is it matched on the interest rate side?

Puneet Sharma: Matched duration on interest rates, so repricing duration.

M. B. Mahesh: Okay.

Puneet Sharma: So liquidity may not be matched. The comment I am making is it's on interest rate reset duration. And I am not saying it is fully matched, I just want to be cautious. The term I used was tightly matched. So there will be some gap, but it's a manageable gap.

The other variables that we have is you've seen the industry including us taking a savings rate cut. We've also repriced our deposits lower, so that's early action to offset some of the margin pressure that we discussed. So I think there's a mix and match on the asset side as well as the liability side for us to play with. The key message I would request you to please take away from the response is, there is a cushion over through cycle. We will try and retain as much of the cushion as we possibly can.

M. B. Mahesh: Thank you.

Moderator: The next question is from the line of Krishnan ASV from HDFC Securities. Please go ahead.

Krishnan ASV: Yes. Hi, very good evening. I just wanted to say on the savings rate cut that's happened across the system, and this is not just proactive plan. But just trying to understand, in a sense, once you have taken a price cut on the deposit side, is it not logical to assume that you'll also have to pass this benefit on to consumers? Wouldn't there be a regulatory expectation that this has passed through the MCLR line to the consumers? Why should a bank be able to retain the gains from the savings rate cut?

Neeraj Gambhir: Yes, hi. This is Neeraj here. If you look at the structure of Indian banks, most of them have a very large component of the assets in the form of repo-linked loans now, and this has happened over the last 4, 5 years. So the moment a rate cut is done, and because these are repo-linked loans, within a quarter, these loans repriced down. So effectively, the benefit is passed to these customers within a quarter.

But if you look at liabilities, since the liabilities are fixed rate liabilities mostly, which is deposits, they take time to reprice. So there is a repricing lag between the assets and liabilities in a downward moving cycle.

When you reprice your savings bank book, you are actually doing a stock reprice of the entire book, unlike in the case of deposits, where the reprice will flow in over a period of time. So effectively, what you're doing is the asset price benefit has already passed largely through the EBLR or repo-linked book. Now you're basically repricing on the liability side. So effectively, it matches more closely than it would have been if we have not done the savings rate cut. I think that's the key logic for most of the banks to first start with a savings rate cut.

But that doesn't mean that's the end of the story. You are continuing to see reprice on the deposit side as well. Most of the banks have actually reduced their retail deposit rates by roughly 15 to 20 basis points.

We have seen a much bigger reprice on the bulk deposit side where the rates have actually come down roughly 60 to 70 basis points. So as the interest rate cycle plays out, as the policy rates are being cut, we will continue to see this dynamic play out.

As far as MCLR is concerned, MCLR is a calculated benchmark. This is a fixed formula in which the calculation happens. As the various components of the liabilities reprice, the MCLR reprice will also happen and it will be passed on to the customers.

Krishnan ASV: Understood. I could understand the fact that the term deposits repricing does take through incrementally versus the savings went through the stock. But I was just trying to understand, doesn't the savings rate cut feed into MCLR, even if it's just 20%, 30% of your portfolio. I understand the bulk of your portfolio and for the banking system at large is now 50% plus with the repo-linked. But there's still an MCLR linked book. That will have to see transmission at some stage, right? It's not a free lunch for banks. Is that a fair assumption?

Neeraj Gambhir: We recalculate MCLR every month. For example, this month, when we recalculated the MCLR, the calculated MCLR was about 10 basis points lower, and we have repriced it. This is due to the fact that part of our savings book has repriced, and partly our deposit book has repriced. So this is going to be a continuous affair as we go forward.

As I mentioned, as MCLR is a calculated way of doing benchmark, it is a preset calculation, so as the various components reprice, MCLR will also reprice.

Krishnan ASV: Got it. Understood. Thanks. My second question was to do with continued changes in terms of recalibrating and tightening our provisioning norms. I've been covering the bank for a while, and I understand that Axis Bank has been trying to stay ahead of the curve for about 5, 6 years now at the very least.

I just want to know how long can this journey continue? It seems you set out on this journey to catch up with your peers in terms of provisioning practices, impairment recognition practices and so on. But it doesn't seem to end. At what point do you call out that we are now in line with the best practices across the system?

Puneet Sharma: Thanks for the question and the observation. I would like to clarify your observation. I don't think we have chased peers on these practices. Our belief clearly and will be established with data. We've led market practice of the best asset quality, provisioning policies that the bank runs. We had others follow us, rather than we follow others. I think with this change to answer your question directly, I think this is the last set of changes that we are likely to see post this, we are largely done.

Yes, just to add one more color. I do think the changes we are making basis our market study, some of the peer banks do not follow this practice.

Krishnan ASV: That's helpful. Thanks Puneet. Thanks for the clarification.

Moderator: Thank you. Ladies and gentlemen, we will take the last question for today, which is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani: Yes. Hi. Thank you for the opportunity. I just wanted to ask when the NIMs have improved 4 bps Q-O-Q and you highlighted the factors in your slides that have contributed to the improvement. I just wanted to know if there is any impact of the lower number of days in the quarter towards the reported NIMs. That's my question. Thank you.

Puneet Sharma: Thank you for the question. Look, I think the day impact is negligible to non-existent in our book. The 4 basis points improvement is improvement in asset quality, 2 basis points; improvement in spreads 2 basis points. Of the spread improvement to 2 basis points, roughly 1 plus is coming from interest on income tax refund. That's the bridge to the margin improvement sequentially. We do not see a meaningful takeout impact for us to call out.

Ankit Bihani: Okay. Thank you.

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

Puneet Sharma: Thank you, Michelle. Thank you, everyone, for taking the time to speak with us this evening. If there are any questions that remain unanswered or any clarifications we can offer, please feel free to reach out to Abhijit and our IR team. We'd be very happy to engage and clarify.

Thank you once again for your time. Have a good evening.

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