Operator: Ladies and gentlemen, good evening and welcome to the Axis Bank conference call to discuss the bank's financial results for the quarter ended December 31, 2025. Participation in the conference call is by invitation only. Axis Bank reserves the rights to block access to any person to whom an invitation has not been sent. Unauthorized dissemination of the contents of the proceedings of the call is strictly prohibited and explicit permission and written approval of Axis Bank is imperative. As a reminder, all participants will be in the 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 star then zero 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 the conference over to Mr. Amitabh Chaudhry, MD and CEO. Thank you, and over to you, sir.

Management: Thank you, Vishal. Wishing a very happy Republic Day to everyone on the call. Apart from Puneet, we have on our call our executive directors Subrat Mohanty, Munish Sharda, and Neeraj Gambhir, along with our General Counsel Neeraj Shetty. We continue to deliver strong growth across both deposits and advances. Our core operating performance remains steady supported by resilient net interest income and healthy momentum in fee income. We have continued to expand our distribution footprint and have now crossed the milestone of 6,000 branches. 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 highlights of Q3. Our deposit growth momentum continues with month-end balances growing 5% quarter-on-quarter and 15% year-on-year, and quarterly average balances growing 5% quarter-on-quarter and 12% year-on-year, with CASA delivering a strong growth of 3% quarter-on-quarter and 14% year-on-year. Our total advances grew 4% quarter-on-quarter and 14% year-on-year. Within that, small business SME and mid-corporate together grew 5% quarter-on-quarter and 23% year-on-year and now stand at 35% of the total bank loan book. Core operating revenue was up 7% year-on-year and the core operating profit was also up 7% year-on-year. Our PAT was up 28% quarter-on-quarter. The bank remains well-capitalized with a CET-1 ratio of 14.5%.

We continue to stay focused on the three core areas of execution of our GPS strategy: namely becoming a resilient all-weather franchise, creating multiplicative forces to build competitive advantage, and building for the future. These are metrics we have been stating quarter-on-quarter for quite some time.

Discussing each one of these areas: regarding becoming a resilient all-weather franchise, we have continued on our journey. 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. Starting with credit, we continue to compound on the foundation built for wholesale in the first half with deeper ecosystem penetration and increasing customer ticket size. We have reinforced our calibrated shift towards higher-rated segments with growth anchored around high-quality transaction-led and ecosystem-linked flows while holding a stance on quality intact.

This is evident from the quality of our incremental sanctions, as growth remains concentrated in A-minus and above-rated clients.

In retail banking, we remain selective in scaling segments with a sharp focus on credit-tested customers and growth across our distribution channels. On asset quality, our secured portfolio across segments continues to remain resilient while the early indicators on retail unsecured products are well within guardrails and stabilizing at lower levels. All the key indicators—bounce rates, early delinquency, and collection resolution trends—continue to stabilize, reflecting the ongoing improvements in portfolio behavior. We have positive operating leverage both for the quarter as well as year-to-date, with our cost-to-assets at 2.33%, a 15 basis point year-on-year improvement.

Moving towards results, the deposit density at the bank should be looked at from three aspects: quality, cost, and growth. Please refer to slide 17. We have managed the cost of funds with strong discipline through the rate cycle, keeping the rate impact well-contained over the last year.

Management: We are demonstrating a lot of work being done in improving quality. We continue to actively work to further enhance it. Our momentum is gaining strength supported by strong execution. Since the start of this year, we have approached both the bank and the branch network to focus on quality and engagement. Our strategy has seen new high activity from day one with a more premium strategy and conversion discipline. This has resulted in higher family relationships, with a 52% year-over-year average growth in our premium customers across the network.

Analytics, products, and value addition have grown 18% across the board by supporting customer service, and interactions improved significantly. We are seeing 59% growth in digital users in December. We continue to focus on long-term growth and investing in talent for the future. For the changing landscape in the medium to long term, we aim to sustain growth and continue our journey to be an all-weather franchise.

Management: Good morning. Gross NPA assets are at 2.33%, declining consistently year-on-year and down 5 basis points quarter-on-quarter. Core operating profit stands at 10,815 crores, representing year-on-year growth of 7%. Net credit cost is at 0.76%, down 4 basis points year-on-year. Net credit cost excluding technical impact is at 0.63%, down 17 basis points year-on-year and 1 basis point quarter-on-quarter. PAT has been 6,490 crores, showing 28% growth quarter-on-quarter and year-on-year growth of 3%. GNPA is at 1.40%, a decline of 6 basis points quarter-on-quarter and year-on-year. Net NPA is at 0.42%, a decline of 2 basis points quarter-on-quarter and an increase of 7 basis points year-on-year. Provision coverage is at 70%, with a standard asset coverage ratio of 1.14%. Total provisions to GNPA stand at 146%.

Consolidated ROA at 1.57% improved 27 basis points quarter-on-quarter. Consolidated ROE at 14.15% improved 264 basis points quarter-on-quarter. Subsidiaries contributed 8 basis points to the consolidated annualized ROA and 47 basis points to the consolidated annualized ROE for the quarter. The bank's CET-1, including nine-month FY26 profits, stands at 14.50%. We generated 367 basis points of CET-1 in the quarter. The bank has provisions aggregating to 6,243 crores which have not been reckoned in the capital computation and are translatable to a capital cushion of 43 basis points over and above the reported capital adequacy ratio.

The bank assesses its capital position on two pillars: growth and protection. We reiterate we do not need any equity capital for either pillar. We may opportunistically evaluate raising Tier 2 and AT1 instruments since our current AT1 outstanding is due for call in June 2026, based on market conditions.

Net interest margin for Q3 was 3.64%, down 9 basis points quarter-on-quarter. The full quarter impact of the 25 basis points repo rate cut in December 2025 will play through loan yields in Q4 FY26, as we transmit repo rate changes at the end of the quarter in which the rate cut was announced. Yields on interest-earning assets declined 7 basis points quarter-on-quarter. This decline was offset by a cost of funds reduction of 8 basis points quarter-on-quarter. The bank maintains its through-cycle stance of net interest margin at 3.8%. A cycle is measured in terms of duration starting from the last rate cut.

Moving on to structural margin drivers: loans and investments comprise 90% of total assets as of December 2025, improving 38 basis points year-on-year and 5 basis points quarter-on-quarter. Retail and CBT advances comprise 68% of total advances. This is an outcome of the bank's conscious strategy to optimize NII in the short term. Retail disbursements have grown 20% year-on-year and 12% quarter-on-quarter, which gives us comfort that we will be able to rebalance the portfolio proportionally over our planning horizons. Low-yielding RIDF balances declined by 6,792 crores year-on-year. RIDF comprised 0.57% of our total assets as of December 2025, compared to 1.10% as of December 2024.

Quality of liabilities measured by outflow rates stood at 28.6%, moving slightly as we gain market share in deposits in FY26. QAB CASA at 37% declined 65 basis points quarter-on-quarter and 116 basis points year-on-year. We have seen an improvement of 37 basis points on CASA pricing for the nine months of FY26 as compared to FY25. This improvement in pricing offset some of the average CASA decline. The cost of deposits declined 36 basis points year-on-year and 6 basis points quarter-on-quarter.

Our fee income grew 12% year-on-year and 1% quarter-on-quarter. Total retail fee grew 12% year-on-year supported by our small business banking and card services. Overall, our wholesale fee grew 11% year-on-year. Our large client fee grew by 19% year-on-year, mid-enterprise group fees grew by 16% year-on-year, and transaction banking fee grew 5% year-on-year. Trading profits and other income at 125 crores declined both quarter-on-quarter and year-on-year.

Operating expenses for the quarter stood at 9,637 crores, growing 7% year-on-year and declining 3% quarter-on-quarter. Since Q3 FY21, the bank has consistently been provisioning for its gratuity liability in anticipation of the implementation of the Code on Social Security 2020. As of December 31, 2025, the bank holds a cumulative provision of 434 crores towards the new labor code. The bank took a minimal charge to its profit and loss account for Q3 FY26 of 25 crores.

The year-on-year increase in operating expenses is 596 crores. 79% of this increase is attributed to statutory expenses including PSL cost, CSR, and DICGC premium. The balance is attributable to volume-linked expense growth and technology spends, offset by a reduction in staff cost. Total operating expenses declined 3% quarter-on-quarter. The decline in staff cost is attributable to a decline in headcount by roughly 950 and reversal of accruals no longer required. Technology and digital spends grew 11% year-on-year and constituted roughly 11% of total operating expenses. We opened 134 branches in the quarter and 404 branches in the last 12 months.

Net credit cost for the quarter was 2,307 crores. Annualized net credit cost for Q3 FY26 was 76 basis points, a decline of 4 basis points year-on-year. The cumulative non-NPA provisions as of December 31, 2025, is 13,111 crores.

Our loan book is granular and well-balanced, with retail advances constituting 56%, corporate loans at 32%, and CBT at 12%. 73% of our loan book is at floating rates. In Q3 FY26, retail disbursements grew 20% year-on-year and 12% quarter-on-quarter. Home loan disbursements grew 30% year-on-year, vehicle loans were up 26%, and retail agric-disbursals were up 32% year-on-year.

Moving to subsidiaries, in the nine months of FY26, domestic subsidiaries reported a net profit of 1,490 crores, growing 6% year-on-year. Axis Finance grew 22% year-on-year, with PAT growing 12% to 571 crores. Axis AMC's average AUM grew 11% year-on-year to approximately 3,60,575 crores. Axis Securities' nine-month PAT stood at 270 crores, and Axis Capital's PAT grew 20% to 178 crores.

Regarding asset quality, gross slippage for the quarter was 6,007 crores. Our gross slippage ratio for the quarter excluding technical impact declined 4 basis points quarter-on-quarter and 62 basis points year-on-year. Retail asset quality is stabilizing, particularly in the credit card portfolio. Recoveries from written-off accounts for the quarter were 799 crores, up 25% quarter-on-quarter.

To summarize, Axis Bank is progressing well to be a stronger and sustainable franchise. We continue to monitor the macro environment and its impact on our business. Thank you. We conclude our opening remarks and would be happy to take questions.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Kinton from Autonomous. Please go ahead.

Kinton - Autonomous: Hi, good afternoon. Thank you for taking my questions. Can I please start with the 3.8% NIM guidance? Thank you for reiterating that. Is that something you are fairly confident about, or are there market dynamics that need to play out to reach that?

Our first target, so that is what we must achieve. Secondly, on NIMs, we have seen 27% year-on-year corporate loan growth and 6% year-on-year retail loan growth. Of course, you have mentioned disbursements are improving, but how should we think about this impacting your NIMs and asset mix? It is linked to the 3.8% guidance. If you are going to grow corporate faster, does that mean that 3.8% may be in danger? And a final question, Amitabh, you mentioned that it will take 15 to 18 months to return to deposit growth momentum. Can you please elaborate on that? I'm not quite sure what you were referring to. Thank you.

Management: Thank you for the question. I will respond to it in parts. Regarding the 3.8% NIM, we remain consistent; it is rate cycle agnostic, which is why we say it is a through-cycle guidance. We are not moving away from that even today despite the interest rate levels. So we remain confident that we will get to 3.8% over the duration of repricing our assets and liabilities.

To your second part on portfolio mix, we had clearly called out at the start of Q1 that for the current fiscal we would look to optimize net interest income because that flows through PAT and has a positive impact on ROE. That is exactly what we have seen. We found the right risk-adjusted opportunities to grow in the wholesale business. We haven't sacrificed our yields; we have deepened our relationships with clients, and that is where growth has come through. We do believe that we will rebalance our book to what we previously indicated. An optimal book balance in the current planning horizon would be 58-60% retail, 23-25% wholesale, and the balance being SME. That calibration will take place depending on the cycle.

Management: Regarding the deposit growth question, I was asked when we expect deposit growth to come back. I responded that credit and deposit growth have to converge. Credit growth cannot get ahead of deposit growth on a sustained basis. If the economy has to grow at a certain rate, we must ensure credit growth happens while creating deposit growth. I am hoping that in the next 15-18 months, deposit growth will stabilize at similar levels to credit growth. RBI is fully conscious of this. We have seen periods of low liquidity over the last couple of quarters, and only now has the RBI started infusing liquidity. I believe as the regulator continues this, both credit growth and sustained liquidity will lead to deposit growth.

Kinton - Autonomous: What was surprising was the length of time you think the convergence will take. That was my surprise.

Management: The reason I said that is because, given the geopolitical situación, it is very difficult to say things can stabilize that quickly. Look at what is going on around us; every day there is news. In that sense, regarding the Rupee intervention and when things will stabilize, I just thought it might take a little more time than we want to anticipate.

Operator: Thank you. The next question is from the line of Maruk Adani from Noama. Please go ahead.

Maruk Adani - Noama: Hi, congratulations. I have a couple of questions. Firstly, on LCR, your LCR has dropped. Could you explain the average LCR outflow? Secondly, on deposit growth, we have beaten the sector over the last few quarters. Will we be able to continue this pace? Does that momentum look sustainable to you? Finally, on opex, is there a reversal on employee expenses, or should this be the new base?

Management: Hi, our LCR has been broadly 115-120% over the last several quarters. We continue to operate in that range. Quarter-to-quarter there is some variability because of the large balance sheet, but the broad idea is to stay within 115-120%.

Management: Regarding your question on deposits, we have been undergoing branch expansions and focusing on quality and engagement. We are very confident that this momentum will continue, supported by our customer service and a growing number of digital users. Last year we added about 500 branches, and this year we will add about 400.

Management: On the final question regarding cost, the reduction in staff cost has two variables: an absolute reduction in headcount quarter-on-quarter and the reversal of accruals no longer required. I would note that the reversal of accruals would not have a permanent impact on the direction of cost.

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

Nikhil Shah – IIFL Capital: Hi, good evening. First, on current accounts, we have seen a decent acceleration. What is driving that and is it sustainable? Second, on borrowings, they are now 15% of total; how should we think about that? Third, regarding the improvement in deposit costs, it was slower than some peers. Finally, on asset quality, standard asset provisions were negative this quarter; how should we think about that directionally?

Management: For current accounts, it is a combination of things. We are seeing success driven by deeper engagement on the transaction banking side through our Neo platform. We are seeing good traction with government and corporate customers. On borrowings, the number is actually down as we prioritize productivity.

Regarding deposit costs, the repricing benefit to the full extent may not come through if the environment remains competitive through Q4. We will wait and watch, but ideally, you should see deposit costs declining in Q4 to offset some margin pressure from the repo rate cut.

Nikhil Shah – IIFL Capital: And a comment on the standard loan negative provisions and credit cost.

Management: The negative standard asset provision this quarter is driven by sectors that we had previously marked as stressed but have now stabilized. The impact is relatively inconsequential at about 138 crores. Directionally, the retail book is stabilizing, and you are seeing that reflected in the numbers.

Operator: Thank you. The next question is from the line of Jay Mundra from ICICI Securities. Please go ahead.

Jay Mundra – ICICI Securities: Hi, good evening. Two questions. One, on PSL compliance, your RIDF outstanding has coming down to 100 billion. Does this suggest you are moving towards self-sufficiency or using PSLC certificates? Second, regarding LCR, the new guidelines coming in April require additional 25% runoff on retail and small business deposits with internet banking. Do you sense you can maintain current deposit strategies with these new rules?

Management: On the PSL strategy, we have not received any RIDF allocations over the last 4 years because we have managed the book through organic growth. Bharat Banking, started in 2021, has played out in the strength of our agri portfolio. The RIDF numbers you see are old balances running off. Going forward, we feel confident that through organic growth and PSLC purchases, we can manage the requirements.

Management: Regarding the LCR guidelines for April 1, our current estimate is that the impact is broadly neutral based on our deposit composition. We will continue to focus on growing our granular retail deposit base, though the system-wide growth for retail has been slower than corporate deposits recently. The outflow rate going forward will depend on the growth rates of those two constituencies.

Operator: Thank you. The next question is from the line of Abhishek M from HSBC. Please go ahead.

Abhishek M – HSBC: Hi, good evening. On inorganic opportunities, is there anything that could push your NIM or ROA, and would you need additional capital? Second, how do you think about LDRs; is the regulator looking at both LDR and LCR?

Management: On inorganic opportunities, we continue to look at the market, but there is nothing of a size currently that would require us to raise fresh capital. On LDR, over the last 7 quarters, we have been between 90% and 93%. We have elbow room currently and believe we can maintain that range while showing industry-leading growth.

Operator: Thank you. The next question is from the line of Piral Engineer from CLSA. Please go ahead.

Piral Engineer – CLSA: Hi team, congrats on the quarter. Regarding corporate growth, is it volume or value-driven? Secondly, on credit cards, spends declined quarter-on-quarter; should we be concerned? Finally, why prioritize NII only for FY26 and not beyond?

Management: On corporate growth, we are being very selective. It is powered by strong client engagement and focused on sectors like power, corporate real estate, and diversified conglomerates. We are embedding the bank in these corporates for transactional flows.

Management: On the card side, it is a sector-wide phenomenon post the festive season. Our share of revolvers and spent share remains stable. Regarding NII optimization, the Q3 comment was based on our current planning cycle. We review these decisions annually.

Operator: Thank you. The next question is from the line of Adarsh Paras Rampuria from Inam. Please go ahead.

Adarsh Paras Rampuria – Inam: Hi team. With things cooling down on unsecured retail, what is the direction for credit cost? Most large players are operating under 50 basis points.

Management: We do not guide on credit cost, but retail asset quality is stabilizing. Q4 for cards and Q2 for PL were the turning points. You can see the stability in the slippage numbers on slides 44 and 45.

Operator: Thank you. The next question is from the line of Kunal Shah from City Group. Please go ahead.

Kunal Shah – City Group: Hi. On recoveries, they seem to be flat quarter-on-quarter. Do we expect an improvement from technical slippages? Also, on investment income, yields have been volatile; how should we read that?

Management: Regarding technical slippages, we reiterate that this pool will not result in economic loss; we expect full recovery over time. On treasury income, please look at it on a full-year basis. For the nine months of FY26, we delivered about 1,978 crores, similar to last year. The marginal decline in yields this quarter is driven by specific treasury strategies on duration, not a long-term trend.

Operator: Thank you. The next question is from the line of Rahul Jain from MFF Investment. Please go ahead.

Rahul Jain – MFF Investment: Hi, good evening. Regarding the retail asset book, what strategy are you adopting to gain market share? Also, on operating leverage, what is the direction of travel for the next couple of years?

Management: We aim to grow our asset book at about 300 basis points above the industry average through the cycle. We are dialing our segments up or down based on RAROC principles. We have remodeled our acquisition engines for unsecured loans, and we are seeing growth returning in mortgages and auto loans. As retail disbursements improve, you will see a corresponding increase in fee income to offset costs. Transactionally, you should see cost-to-assets improve as we gain efficiency.

Operator: Thank you. The next question is from the line of Param Subramaniam from Invesco. Please go ahead.

Param Subramaniam – Invesco: Hi, good evening. NIM was down 9 basis points, but NII growth was in line with loan growth. Was the growth back-ended, or were there other factors?

Management: There was one basis point from interest reversal and 8 basis points from credit compression. That compression is primarily due to the mix shift, as corporate growth outpaced retail, and a liability mix shift as incremental CASA is lower than the book CASA. In Q4, we will also see the pass-through of the repo rate cut.

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

Management: Thank you, Vishal. Thank you everyone for taking the time to speak with us this evening. For any unanswered questions, the IR team and I will be available, so please feel free to reach out. Thank you and have a good evening.

Operator: 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.