

Q2 2025

1. Loan portfolio expansion

- **Narrative:** Management has outlined a strategic focus on expanding the loan portfolio with an aim to outperform industry growth rates. The emphasis is placed on calibrating loan growth composition, especially in the retail segment, to optimize returns while managing credit risks effectively.

- **Management's Guidance:**

- Management anticipates that advances can grow 300 to 400 basis points faster than the industry in the medium to long term. Additionally, there is an expectation of a pickup in loan growth in the current and next quarter, with a focus on optimizing return and managing credit losses.

- **Actual Results:**

['Q2', '2025']:

- Loan growth in Q2 FY25 was reported at about 11%, which is approximately 2 to 3 percentage points below the system growth.

- **Evaluation:**

- **Expectations Not Met:** Management expected loan growth to exceed industry growth by 300 to 400 basis points, but actual loan growth was 2 to 3 percentage points below the industry growth, indicating expectations were not met.

2. Interest income trends

- **Narrative:** The management at Axis Bank has articulated a strategy focused on managing the balance sheet with a keen interest rate perspective, emphasizing the importance of evaluating interest income trends in conjunction with overnight placements and statutory liquidity ratio (SLR) holdings.

- **Management's Guidance:**

- Management anticipates a sequential growth of 10% to 12% in interest income, while urging stakeholders to consider this figure in the broader context of their comprehensive balance sheet management strategy, rather than in isolation.

- **Actual Results:**

['Q2', '2025']:

- The actual Net Interest Income for Q2 FY25 was reported as Rs. 13,483 crores, showing a year-over-year growth of 9%, which falls short of the management's guidance of 10% to 12% sequential growth. The Net Interest Margin (NIM) was reported at 3.99%. This suggests a gap between the anticipated growth and the actual performance.

- **Evaluation:**

- **Expectations Not Met:** The actual Net Interest Income for Q2 FY25 showed a year-over-year growth of 9%, which did not meet the management's guidance of 10% to 12% sequential growth, indicating a shortfall in expectations.

3. Geographic market penetration

- **Narrative:** Management has outlined a robust strategy for expanding the company's geographic footprint by significantly increasing its branch network. This expansion is aimed at enhancing market presence and accessibility.

- **Management's Guidance:**

- Management announced plans to open 500 more branches this year to bolster market penetration.

- **Actual Results:**

['Q2', '2025']:

- We have opened 150 new branches in the last three months, and 200 in the first half of this fiscal.

- **Evaluation:**

- **Expectations Met:** Management planned to open 500 branches within the year, and with 350 branches opened by the first half of the fiscal year, the company is on track to meet its geographic expansion goals.

4. Liquidity management plans

- **Narrative:** Management has reiterated their position regarding capital needs, emphasizing a strong stance on not requiring equity capital for current operational pillars. The strategy includes a potential evaluation of issuing Tier-2 and AT-1 instruments, contingent upon favorable market conditions, to bolster their liquidity position.

- **Management's Guidance:**

- Management indicates that they do not foresee the need for additional equity capital in the near future but may consider issuing Tier-2 and AT-1 instruments opportunistically, depending on market dynamics.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. CET-1 ratio dynamics

- **Narrative:** Management emphasized the bank's strong capitalization, with a CET 1 ratio currently at 14.12%. The bank has demonstrated consistent improvement, with a net accretion of 6 basis points in the second quarter of FY25 and a cumulative increase of 38 basis points over the first half of FY25.

- **Management's Guidance:**

- There is no explicit forward-looking guidance or expected impact mentioned for future quarters regarding CET-1 ratio dynamics in this period.

- **Actual Results:**

['Q2', '2025']:

- Banks CET-1 including H1 profit stands at 14.12%, thereby accreting net of consumption, 6 bps of CET-1 capital in Q2FY25 and 38 bps in H1FY25.

- **Evaluation:**

- **Expectations Met:** The actual results aligned with the management's narrative, as the CET-1 ratio experienced a net accretion of 6 basis points in Q2 FY25 and a cumulative increase of 38 basis points in H1 FY25, consistent with the management's emphasis on strong capitalization.

6. Liquidity coverage ratio optimization

- **Narrative:** Management highlighted the company's preparedness for the final adoption of the liquidity coverage ratio (LCR) regulations set to be implemented in

April. The strategic focus is on aligning the company's liquidity practices with the anticipated regulatory requirements to ensure compliance and optimal liquidity positioning.

- Management's Guidance:

- Management indicated that the company is well-positioned for the implementation of the LCR in its final form, scheduled for April, suggesting readiness and adaptability to upcoming regulatory changes.

- Actual Results:

['Q2', '2025']:

- The average Liquidity Coverage Ratio (LCR) during Q2 FY25 was approximately 115%, indicating that the company maintained ample and sufficient liquidity.

- Evaluation:

- **Expectations Met:** The company's Liquidity Coverage Ratio (LCR) during Q2 FY25 was approximately 115%, demonstrating that it maintained ample and sufficient liquidity as anticipated, aligning with management's guidance of being well-positioned for LCR implementation.

7. Sustainability goals

- **Narrative:** Management discussed their commitment to achieving sustainability goals as part of their strategic initiatives, emphasizing a medium-term outlook rather than short-term quarterly targets.

- Management's Guidance:

- Management highlighted that the 3% outperformance is part of a medium-term strategy rather than a quarter-on-quarter expectation.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Regulatory changes impact

- **Narrative:** Management elaborated on the implications of upcoming RBI guidelines concerning investment accounting and recognition norms, which will be effective from April 2024. The new guidelines will affect how mark-to-market (MTM) gains and losses are recognized in the financial statements, marking a shift from previous practices.

- Management's Guidance:

- Under the new RBI guidelines applicable from April 2024, MTM gains will be recognized through the P&L statement, unlike past practices where only MTM losses were recognized and gains were ignored.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.