

## Q4 2024

### 1. Loan portfolio expansion

- **Narrative:** Management has expressed confidence in the bank's ability to expand its loan portfolio by outpacing industry growth rates. The strategic focus is on leveraging the bank's franchise strength to achieve this growth, indicating a proactive approach to capturing more market share.

- **Management's Guidance:**

- Management has provided forward-looking statements indicating that they expect the bank's advances to grow 300 to 400 basis points faster than the industry over the medium to long term.

- **Actual Results:**

**['Q2', '2025']:**

- Loan growth this quarter at about 11% to almost good 2 to 3 percentage points below the system growth.

**['Q1', '2025']:**

- Advances grew 14% YOY and 2% QOQ; Bank's focus segments grew by 24% YOY and 1% QOQ. Retail loans grew 18% YOY of which Rural loans grew 24% YOY, SBB book grew 26% YOY and 2% QOQ.

**['Q4', '2024']:**

- Advances (gross of loans sold under IBPC) grew by 15% YOY and 4% QOQ, indicating healthy loan growth in line with strategic focus. Retail loans grew 20% YOY and 7% QOQ, with rural loans showing a significant 30% YOY increase.

- **Evaluation:**

- **Expectations Not Met:** The management expected the bank's advances to grow 300 to 400 basis points faster than the industry, but actual results in Q2 2025 showed loan growth 2 to 3 percentage points below system growth, indicating a shortfall in meeting expectations.

### 2. Interest income trends

- **Narrative:** The management of Axis Bank highlighted their outlook on interest income trends, emphasizing the expectation of a steady interest rate environment. They noted the alignment of system credit growth with deposit growth, aiming for a convergence around 13% for the fiscal year. Additionally, they discussed the impact of their strategic cost management on the yield of interest-earning assets, indicating a balance between cost of funds and asset yield.

- **Management's Guidance:**

- Management anticipates that policy rates will remain elevated for an extended period, driving system credit growth to align with deposit growth approximately at 13% for the fiscal year. - The back book repricing is expected to be completed by the second quarter of the current financial year, assuming the marginal cost of funds remains stable. - There was a noted full year increase of 95 to 97 basis points in the cost of funds, matched by a 97 basis points increase in the yield on interest-earning assets, reflecting their effective financial strategy.

- **Actual Results:**

**['Q1', '2025']:**

- Interest income for Q1FY25 was reported at 25,557 crores, reflecting an 18% growth. The yield on interest-earning assets improved by 29 basis points year-over-year. Net Interest Income (NII) grew by 12% year-over-year, with a net interest margin (NIM) maintained at 4.05%.

**['Q2', '2025']:**

- Data Not Available

**['Q4', '2024']:**

- Data Not Available

- **Evaluation:**

- **Expectations Met:** Axis Bank's interest income growth of 18% and improvement in asset yield align with management's guidance of a steady interest rate environment and strategic cost management, meeting the expected outcomes.

### 3. Fee-based income growth

- **Narrative:** Management outlined their focus on enhancing fee-based income as a key component of their revenue growth and financial strategy. They emphasized the importance of diversifying income streams and leveraging strategic initiatives to drive this segment forward.

- **Management's Guidance:**

- Management expects to achieve a revenue growth of 10% by the end of the fiscal year.

- **Actual Results:**

**['Q4', '2024']:**

- Fee income grew 23% YOY and 9% QOQ, with a granular fee comprising 93% of the total fee.

**['Q1', '2025']:**

- Data Not Available

**['Q2', '2025']:**

- Fee income for Q2FY25 grew 11% year-over-year (YOY) and 6% quarter-over-quarter (QOQ), with granular fee constituting 92% of overall fees.

- **Evaluation:**

- **Expectations Exceeded:** The management expected a 10% revenue growth by the end of the fiscal year, but fee income grew 23% year-over-year in Q4 2024, surpassing the anticipated growth target.

### 4. Digital banking initiatives

- **Narrative:** Management is focused on enhancing digital banking capabilities, with strategic initiatives aimed at improving customer experience and operational efficiency. The recent live implementation of IFSC migration for payments indicates a significant step in their digital transformation journey.

- **Management's Guidance:**

- The bank plans to enhance the accessibility of its digital channels in FY 25, indicating a commitment to expanding its digital footprint and improving customer interactions.

- **Actual Results:**

**['Q1', '2025']:**

- 96% Digital transactions (Q1FY25), 58% PL disbursed (end-to-end digital) (in Q1FY25), ~14 Mn Mobile Banking MAU (Jun-24)

**['Q4', '2024']:**

- Data Not Available

**['Q2', '2025']:**

- 96% Digital transactions in Q2FY25, ~15 Mn Mobile Banking MAU as of Sep-24, ~13 Mn Non Axis Bank customers using Axis Mobile & Axis Pay apps as of Sep-24, 59% PL disbursed end-to-end digitally in Q2FY25.

**- Evaluation:**

- **Expectations Exceeded:** Management aimed to enhance digital banking capabilities and improve customer interactions, and the bank achieved 96% digital transactions and increased mobile banking users to ~15 Mn by Q2FY25, surpassing initial expectations for digital engagement.

**5. Technology investments**

- **Narrative:** Management emphasized the ongoing efforts in digital transformation by focusing on scaling up the Neo platform for corporate clients. This initiative is part of a broader strategy to enhance technological capabilities and improve customer engagement through continuous upgrades and additional functionalities.

**- Management's Guidance:**

- Management indicated that the scaling up of the Neo platform with the ongoing customer migration is expected to continue until Q3. During this period, there will be a focus on launching additional capabilities to enhance the platform further.

**- Actual Results:**

**['Q1', '2025']:**

- Technology and digital spends grew 39% YOY and constituted ~ 10.4% of total operating expenses.

**['Q4', '2024']:**

- Data Not Available

**['Q2', '2025']:**

- Technology and digital spends grew 31% YOY and constituted ~ 10.2% of total operating expenses.

**- Evaluation:**

- **Expectations Met:** The management's goal to scale up the Neo platform with continued customer migration and additional capabilities by Q3 aligns with the actual results showing increased technology and digital spending, indicating progress in enhancing technological capabilities as planned.

**6. Process automation efforts**

- **Narrative:** Management highlighted the completion of the migration of the Commercial Vehicle (CV) and Commercial Equipment (CE) Loans portfolio as a significant milestone in their process automation efforts. This strategic move is expected to streamline operations and enhance operational efficiency by integrating customers from Citi systems onto Axis systems.

**- Management's Guidance:**

- The successful migration is anticipated to improve the efficiency of loan processing and customer service, thereby potentially reducing costs and enhancing service delivery in future quarters.

**- Actual Results:**

**['Q1', '2025']:**

- Data Not Available

**['Q4', '2024']:**

- We have successfully completed the migration of the CV/CE Loans portfolio in March'24 and the customers have now fully migrated from Citi systems on to the Axis systems.

**['Q2', '2025']:**

- Data Not Available

**- Evaluation:**

- **Expectations Met:** The migration of the CV/CE Loans portfolio was successfully completed as planned, aligning with management's guidance to streamline operations and improve efficiency by integrating customers from Citi systems onto Axis systems.

**7. Cost reduction initiatives**

- **Narrative:** Management is focused on implementing cost reduction initiatives to enhance operational efficiency. The emphasis is on trimming operational costs to improve the company's overall cost structure and financial performance.

**- Management's Guidance:**

- Management plans to reduce operational costs by 5% in the coming quarter.

**- Actual Results:**

**['Q1', '2025']:**

- Actual Results: Data Not Available

**['Q2', '2025']:**

- Data Not Available

**['Q4', '2024']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

**8. Branch network optimization**

- **Narrative:** Management highlighted the significant expansion of the branch network, noting the achievement of surpassing 5000 branches. In the fiscal year 2024, a record number of 475 new branches were opened, emphasizing the company's commitment to enhancing its operational reach and market presence.

**- Management's Guidance:**

- Management did not provide specific forward-looking qualitative guidance or expected impact in relation to branch network optimization for future quarters.

**- Actual Results:**

**['Q2', '2025']:**

- We have a very well distributed branch network; added 150 branches in Q2 FY25

**['Q4', '2024']:**

- 045ac525a7726966b3e697c94fe96a4a --> [added 475 branches in FY24 of which 125 in Q4FY24]

**['Q1', '2025']:**

- We have a very well distributed branch network; added 50 branches in Q1 FY25.

**- Evaluation:**

**- Expectations Met:** Management did not provide specific forward-looking qualitative guidance regarding branch network optimization, but the substantial addition of 475 branches in FY24 and continued expansion in FY25 aligns with the company's commitment to enhancing its operational reach and market presence.

## 9. Geographic market penetration

**- Narrative:** Management has articulated a robust expansion strategy with a focus on increasing the company's presence through the opening of new stores and maintaining a steady pace of customer acquisition.

**- Management's Guidance:**

- Management has set a target to open 50 new stores over the next two years, emphasizing their commitment to expanding geographic market penetration. Additionally, the management highlighted that they have consistently maintained their acquisition pace for seven consecutive quarters, with 1.24 million cards acquired this quarter, indicating strong ongoing market penetration efforts.

**- Actual Results:**

**['Q2', '2025']:**

- In Q2 FY25, Axis Bank reported that they had opened 150 new branches in the last three months and 200 in the first half of the fiscal year, indicating a significant expansion in terms of geographic market penetration.

**['Q4', '2024']:**

- Data Not Available

**['Q1', '2025']:**

- Data Not Available

**- Evaluation:**

**- Expectations Exceeded:** Management aimed to open 50 new stores over two years, yet Axis Bank opened 150 new branches in just three months, surpassing the expansion target and demonstrating a significant boost in geographic market penetration.

## 10. CET-1 ratio dynamics

**- Narrative:** Management elaborated on the CET-1 ratio dynamics, highlighting the effect of significant financial activities, such as the Rs 1,612 crores investment in Max Life and the declared dividend, on the capital ratio. This indicates a strategic approach to maintain a strong capital base while pursuing growth opportunities.

**- Management's Guidance:**

- The CET-1 ratio of 13.74% as of March 31, 2024, is reported after accounting for the impact of the Max Life investment and the proposed dividend, suggesting a stable capital position despite these outflows.

**- Actual Results:**

**['Q2', '2025']:**

- The Bank is well capitalized with a CET-1 ratio of 14.12% with net accretion of 6 bps in Q2FY25 and 38 bps in H1FY25 period.

**['Q1', '2025']:**

- Management reported that the bank is well-capitalized with a CET-1 ratio of 14.06% in Q1 FY25, reflecting a net accretion of 32 bps in the quarter. This indicates a positive impact on the CET-1 capital by 14 bps, with the ratio including Q1 profit standing at 14.06%, thereby accreting net of consumption, 32 bps of CET-1 capital quarter-on-quarter.

**['Q4', '2024']:**

- CET-1 ratio for Q4 FY24 was reported at 13.74%, which aligns with the management's guidance. The bank experienced an organic net accretion of 44 bps of CET-1 capital during FY24, despite a 72 bps adverse impact due to regulatory changes.

**- Evaluation:**

**- Expectations Exceeded:** The CET-1 ratio improved to 14.12% by Q2 FY25, significantly surpassing the management's initial guidance of 13.74% for March 31, 2024, demonstrating effective capital and liquidity management despite the financial outflows.

## 11. Liquidity coverage ratio optimization

**- Narrative:** Management emphasized the importance of enhancing the liquidity coverage ratio (LCR) as a part of their strategic plan. They aim to optimize LCR to align with industry standards and improve the quality of deposits. This is intended to create a more robust and competitive financial position compared to peer banks.

**- Management's Guidance:**

- Management indicated that beginning FY 25, the Bank will focus on reporting total deposits growth alongside the LCR quality of deposit metric to ensure a consistent comparison with peer banks.

**- Actual Results:**

**['Q2', '2025']:**

- The average LCR during Q2 FY25 was reported to be approximately 115%.

**['Q4', '2024']:**

- Avg. LCR during Q4FY 24 was ~120%. The Bank has ample and sufficient liquidity, visible in the average LCR ratio of 120% which improved by 171 bps QOQ.

**['Q1', '2025']:**

- The average Liquidity Coverage Ratio (LCR) during Q1 FY25 was approximately 120%, indicating that the bank maintained a robust liquidity position, aligning with industry standards. The proportion of retail term deposits contributing to the LCR was reported as 57% for Q1 FY25.

**- Evaluation:**

**- Expectations Not Met:** The management aimed to optimize the Liquidity Coverage Ratio (LCR) to align with industry standards, but the actual results showed a decrease from 120% in Q4 FY24 to 115% in Q2 FY25, indicating that the optimization efforts did not achieve the expected improvement.