Management Discussion

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
Thank you, Michelle. We welcome you all to a discussion on Axis Bank's financial results for the quarter ended June 2026. We have on the call our EDs, Subrat Mohanty, Munish Sharda, Neeraj Gambhir, and other members of the leadership team too. While the global macroeconomic environment stays fragile and susceptible to geopolitical and trade-related uncertainties, intermittent moderation in energy prices and normalization of supply chains are keeping sentiment like where it was when we reported our Q4 financial year '26 results.

India, meanwhile, continues to stand out as one of the fastest-growing major economies. The country has navigated recent geopolitical disruptions with notable resilience, underpinned by robust consumption, strong investment activity and the government's sustained focus on infrastructure and capital expenditure. In this favorable yet evolving macro environment, Axis Bank remains steadfast in its commitment to build a stronger and a more resilient franchise. We continue to deliver quality growth while further strengthening our balance sheet, improving productivity, and deepening customer relevance across businesses.

Now, let me talk briefly about the progress we have made on each pillar of our GPS strategy. Starting with growth. Our growth momentum remained firmly intact during the quarter as we continued to gain market share across advances and deposits, both on a year-on-year and quarter-on-quarter basis. Our total advances grew 19% year-on-year and 2% quarter-on-quarter, within which wholesale grew 38%, SME 25%, and retail 8% on YoY basis. Retail disbursement trend continues to sustain and remain encouraging, supported by our focus on sourcing quality customers, maintaining underwriting rigor, and scaling distribution through effective execution across multiple distribution channels.

Our SME franchise continues to deliver strong and diversified growth, with digital and analytics serving as key enablers of scale. These capabilities are enhancing sourcing, speeding up credit decisions, and improving customer experience while supporting disciplined and scalable growth. Wholesale banking growth remains broad-based, driven by sectors benefiting from strong transaction flows. Our relationship-led strategy, continued scaling of mid-corporates and conglomerates, and deeper One Axis engagement are enabling us to gain wallet share while steadily improving yields and relationship economics.

Moving on to the deposits, we continue to sustain faster than industry growth as year-on-year on QAB basis, our total deposits grew 18%, term deposits grew 21%, CA grew 13%, SA grew 14%, and total CASA deposits grew 13%. Sequential momentum in deposits was also strong on a QAB basis, with total deposits growing at 6%, CASA growing at 5%, and term deposits growing at 7%. FCNR (B) deposit is attracting strong interest from NRI customers and we see it as a meaningful opportunity to augment our deposit base through our NRI franchise and our proactive outreach to banks across overseas markets.

Our cost of funds declined by 35 basis points year-on-year and 2 basis points quarter-on-quarter. Our efforts remain focused on further strengthening the deposit franchise through increased generalization and a more stable liability mix, supporting a resilient and well-diversified funding base. We continue to see strong momentum in both customer acquisition and engagement. Our new-to-bank franchise is scaling with improving quality and premiumization, evidenced by an 18% year-on-year increase in NTB average balances.

The Corporate Salary segment continues to be a strong growth driver, with 30% YoY increase in average NTB balance in salary accounts, while the existing to bank salary book also grew at 18% year-on-year, reflecting continued strengthening of our corporate salary franchise and customer deepening. Burgundy continues to be our key driver of premiumization, with assets under management up 20% year-on-year and 11% quarter-on-quarter, including AUM for Burgundy Private up 16% year-on-year and 12% quarter-on-quarter. The strength and consistency of our proposition was further recognized with Burgundy Private being honored at PWM WealthTech Awards 2026.

On profitability, our focus has been on building a more sustainable earnings profile driven by disciplined execution, operating leverage, and ongoing efficiency gains. Our NIM for quarter one financial year '27 at 3.46% is a cycle bottom. With the FCNR (B) deposit repository in the near term, we will focus on growth and deployment of the additional liquidity raised through this route. Our cost to assets declined further to 2.2%, down 21 basis points year-on-year and 8 basis points quarter-on-quarter through continued improvement in operational productivity. For the quarter, our consolidated ROA was 1.56% and ROE was 14.52%. On sustainability, we stay focused on quality, balance sheet resilience, building future-ready technology platforms and investing in people and capabilities to deliver sustainable outcomes at scale.

Our GNPA was at 1.28%, declining 29 basis points year-on-year and NPA was 0.39%, declining 6 basis points year-on-year while the net credit cost was at 0.63%, down 75 basis points year-on-year. We successfully raised INR600 million additional Tier 1 and INR300 million in senior debt instruments, further strengthening our capital position and funding profile. The AT-1 saw interest from high-quality, long-holding investors. The transactions reinforce our credit standing and enhances financial flexibility. We introduced regular updates on our AI transformation journey last quarter, reflecting the growing role of AI across the franchise. Please refer to slides 13 and 14 for details on the progress made.

AXIOM, our enterprise AI operating model, is designed to systematically embed AI in the functioning of the bank by adopting a capability platform-led approach. The core idea is simple; build capabilities once, govern them centrally, and deploy them many times across the enterprise. This will enable us to create reusable AI assets that can be leveraged across businesses, functions, products, and customer journeys, driving consistency, speed, and scale. Our investments in digital, AI, and innovation continue to gain industry recognition.

During the quarter, we were named Best Digital Bank at the Financial Express India's Best Bank Awards, won the Best AI-Driven Customer Experience Initiative at the 14th Digital Customer Experience Award 2026 and received the Platinum Award at the Infosys Finacle Innovation Awards 2026 for leveraging next-generation technologies to drive innovation in corporate banking. These accolades reinforce the progress we are making in building a technology-led, customer-centric franchise. At the heart of our strategy continues to be a relentless focus on customers. Through our customer obsession initiative, SPARSH, we are leveraging digital capabilities, analytics, and AI to simplify journeys, enhance customer service outcomes, and build deeper, more meaningful customer relationships.

Our digital enablers are now helping consistently enhance customer interaction through AI and CX platforms. ADI handled 7.4 lakh queries, while 30.9 lakh customer service interactions were enabled through Kaleidoscope during the quarter. We remain watchful of evolving uncertainties, including the potential implications of El Nino on the macro. We are confident in the strength and resilience of the franchise we have built. With a robust balance sheet, disciplined risk culture, and a diversified

growth engine, we are well positioned to capitalize on opportunities and deliver sustainable growth that outpaces the industry.

With that, I will now hand over to Puneet to discuss the financial performance for the quarter.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Thank you, Amitabh. Good evening and thank you for joining us. The salient features of the financial performance of the bank for Q1 FY '27 across operating performance, capital and liquidity position, asset quality, restructuring, and provisioning is as follows. Net interest income at INR14,646 crores, year-on-year growth of 8%. 1.3% QoQ growth. Fee at INR6,156 crores, YoY growth of 7%. Granular fee, 90% of total fee. Expenses at INR9,722 crores, YoY growth of 5%. Expenses declined sequentially by 7%. We delivered a positive operating jaw on both operating revenue and core operating revenue.

Cost of assets at 2.2%, declined 21 basis points year-on-year and 8 basis points QoQ. Operating profit at INR11,659 crores, up 16% quarter-on-quarter. Core operating profit at INR11,122 crores, YoY growth of 10%, QoQ growth of 4.8%. Net credit cost at 0.63%, down 75 basis points YoY. In rupee terms, cost was down by 46%. PAT at INR7,114 crores, up 23% year-on-year, 1% quarter-on-quarter. GNPA at 1.28%, declined 29 bps YoY. Net NPA at 39 basis points, declined 6 basis points YoY. Our provision cover is healthy at 70%. Standard asset coverage at 1.24%, improved 12 basis points year-on-year. All provisions by GNPA ratio at 161%, improved by 2,318 basis points year-on-year.

Annualized consolidated ROA at 1.56%, annualized consolidated ROE at 14.52%. Subsidiaries contributed 5 basis points to the consolidated annualized ROA and 36 basis points to the consolidated annualized ROE for the quarter. The Bank's CET1 including Q1 FY '27 profit stands at 14.64%. Net, we net added 26 basis points of CET1 in the quarter. The Bank's provisions aggregating INR8,244 crores including standard asset provision created in Q2 FY '26 pursuant to regulatory guidance have not been reckoned for regulatory capital computation. Consequently, they represent an additional buffer over and above reported capital ratios, translating into an incremental capital cushion of approximately 52 basis points. This reinforces the Bank's balance sheet strength and enhances our ability to navigate uncertainty while continuing to support growth and shareholder value.

We reiterate, we do not need equity capital either for our growth or protection pillar. We raised AT-1s aggregating $500 million during the quarter and $100 million post-quarter end to date. AT-1 raised till quarter end added 34 basis points to overall capital adequacy in the quarter. The fresh AT-1 raised till date places us comfortably to call back the existing AT-1 on its contracted call date, subject to receipt of regulatory approvals. Net interest income and margins. Net interest margin for Q1 FY '27 was 3.46%, declined 34 basis points year-on-year and 16 basis points QoQ. The YoY NIM decline of 34 basis points can be attributed to 19 basis points due to the full impact of the 125 basis points repo cut in the current quarter versus 25 basis points of repo cut in the same quarter last year, net of benefit of cost of funds due to liability repricing, 16 basis points due to change in balance sheet mix through the last 12 months.

The year-on-year net interest income growth was 8%. The difference between the YoY net interest income growth of 8% and the YoY advances growth of 19% can be attributed to 6% due to full impact of the 125 basis points repo rate cut in the current quarter versus only 25 basis points repo rate cut in same quarter last year, net of pricing benefit on liabilities and the balance 5% due to

change in balance sheet mix. The QoQ NIM decline of 16 basis points is attributed to 3 basis points due to net interest reversal, net interest income reversal attributable to agri seasonality, in slippages in Q1 versus Q4, 4 basis points due to change in balance sheet mix during the quarter, and the remaining 9 basis points due to change in pricing of loans.

The cost of funds declined 35 basis points year-on-year and 2 basis points quarter-on-quarter. Lower yielding RIDF declined to INR5,725 crores year-on-year. RIDF comprised 0.41% of our total assets at June '26, half of what they were at June '25. At June '25, we were at 0.84%. Our fee-to-assets stood at 1.30%. Total wholesale fee grew 18% year-on-year, in line with growth in advances, reflecting the improvements in the quality of the franchise. Trading income and other income stood at INR580 crores, declined 62% year-on-year, mainly on account of us having booked realized gains on government securities and bonds in Q1 FY '26.

Operating revenue for the quarter stood at INR9,722 crores, growing 5% year-on-year and declining 7% sequentially. The YoY increase in operating expenses is INR420 crores. The increase can be attributed to the following reasons. 38% is linked to volume. 44% to technology and growth-related expenses, and the remaining to BAU. Our staff cost decreased by 6% year-on-year. The QoQ decline in operating expenses is INR744 crores. Of this, INR271 crores is due to onetime items in staff cost. Our QoQ period-end headcount declined by 609 in absolute numbers. Operating expenses other than staff were down 9% QoQ, largely driven by lower statutory costs and lower volume-linked expenses on a sequential basis.

Technology and digital expenses constituted 11% of our total operating expenses. We've opened 20 branches in the quarter and 417 branches year-on-year. Net credit cost for the quarter was INR2,079 crores. Annualized net credit cost for the quarter is 63 basis points, declining 75 basis points YoY. During Q4 of FY '26, the bank had proactively strengthened its balance sheet by voluntarily enhancing the prudent provisioning framework for standard assets based on an assessment of the evolving and unpredictable macroeconomic and geopolitical uncertainties. The Bank had created an additional onetime provision of INR2,001 crores during Q4 FY '26.

The Bank has not drawn down any amount from the said provision during Q1 FY '27. Hence, the said provision remains at INR2,001 crores at 30th June 2026. This provision continues to be prudent and precautionary in nature and does not reflect any deterioration in asset quality or adverse credit trends in the Bank's loan or investment portfolio as on reporting date. The cumulative non-NPA provisions at 30th June stand at INR15,608 crores. Comprising prudent provision for standard assets at INR7,013 crores, restructuring provisions at INR184 crores, standard asset provisions at higher than regulatory rates of INR1,854 crores, an additional onetime standard asset provision of INR1,231 crores, weak and other asset provisions of INR5,326 crores.

Moving to growth across our liability and loan franchise. Amitabh has already discussed the growth in loans and deposits. We gained 10 basis points market share in the loan franchise and 20 basis points market share on a year-on-year basis on the deposit franchise. Our loan book is granular and well balanced, with retail advances constituting 54% of overall advances, corporate at 34%, and CBG at 12%. Please refer slides 17 and 18 for details around the quality of our liabilities franchise and slides around our loan franchise. 74% of our loans are floating rate. 45% of our fixed rate loan book matures in 12 months. Breakup of the floating rate loan book by benchmark type and MCLR repricing frequency is set out on slide nine of our investor presentation.

In Q1 FY '27, retail disbursements grew 18% year-on-year, disbursement growth in home loans was 24% year-on-year, vehicle loans was 21% year-on-year. Retail agri was 16% year-on-year and

personal loans was 23% year-on-year. Moving to performance of our subsidiaries. Detailed performance of our subsidiaries is set out on slide 49 to 56 of the investor presentation. In Q1 FY '27, the domestic subsidiaries reported a net profit of INR546 crores, growing 21% year-on-year. The return on investment in domestic subsidiaries was approximately 41%.

Axis Finance. Axis Finance assets under finance crossed INR50,000 crores, growing 21% year-on-year. Retail plus MSME book constitutes 70% of the total loans of Axis Finance. Q1 FY '27 PAT grew 29% year-on-year to INR244 crores and the capital adequacy ratio stands at 21.56%. Asset quality continues to remain strong with net NPA at 0.39%. Moving to Axis AMC. Overall, quarterly average assets under management grew 10% year-on-year to INR3,69,030 crores. Q1 PAT at INR134 crores grew 3% year-on-year. Axis Securities, revenue for Q1 FY '27 of INR410 crores and Q1 FY '27 PAT stood at INR96 crores, up 8% year-on-year. Axis Capital PAT stood at INR65 crores, up 72% year-on-year and we executed eight ECM and three non-ECM deals in Q1 FY '27.

Moving to asset quality provisioning and restructuring. The slippage, GNPA, NPA, and PCR ratios of the bank and segmentally for retail, CBG, and corporate are provided on slide 42 of our investor presentation. Gross slippages for the quarter were INR5,566 crores, of which retail was INR5,176 crores, CBG INR266 crores, and our wholesale bank at INR124 crores. Our gross slippage ratio for the quarter declined 134 basis points year-on-year. For the quarter, 31% of gross slippages are attributed to linked accounts of borrowers which were standard when classified or have been upgraded in the same quarter. Net slippages for the quarter were INR3,440 crores. Net slippages segmentally were INR3,204 crores retail, INR210 crores CBG and INR26 crores in WBCG. Net slippage ratio for the quarter declined 121 basis points year-on-year.

Recoveries from written-off accounts for the quarter was INR961 crores, up 6% year-on-year. Net slippages for the quarter adjusted for recoveries from written-off pool was INR2,479 crores. Segmentally, retail was INR2,614 crores, CBG was INR136 crores and our wholesale bank was negative INR271 crores. In summary, we continue to make progress towards building a stronger and more sustainable franchise. We remain vigilant in monitoring the macroeconomic economic and geopolitical environment, inflation, liquidity, and our cost of funds along with their impact on our businesses.

We thank you for your patience and we would be happy to take questions.

Questions & Answers

Operator
Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. [Operator Instructions] The first question is from the line of Chintan from Autonomous. Please go ahead.

Chintan Joshi - Analyst, Autonomous Research
Thank you. Thank you for taking my question. Can I get some color on the 9 basis points of pricing of loans that you gave in the quarter-on-quarter NIM bridge? What is this exactly? Is this kind of pressure, incremental pressure on loan yields that is impacting? And also, if you can discuss the nature of these corporate loans. What is the kind of tenor? What is the kind of products that we are writing in? Is this something that kind of reverses once the capital markets become more accessible to the corporates? So some color on that would be helpful.

And secondly, on the funding side, it feels like a lot of this corporate loan funding is being driven by

wholesale funding, your LCR retail proportion has come down a bit. CASA is systematically weaker, but a little weaker. Is this kind of matching up of temporary corporate loans with temporary wholesale funding, which can go away over time if this demand goes away? Thank you.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Chintan, thank you for your questions. I will respond to it in parts. I think the one thing we can definitely tell you is we are lending on the corporate side at positive spreads and at RAROC that we feel comfortable with. So effectively, from a funding perspective, as long as we are able to lend at positive spreads, we are happy to undertake that lending. They're meeting our risk thresholds. Second, please do appreciate that 91% of our corporate lending is to A- and above rated corporates. So we are lending to the higher end of the credit spectrum. Over the last five quarters, we haven't slipped down the credit spectrum at all. So the growth is high-quality corporate lending that we are undertaking. We feel comfortable with it. If the opportunity presents itself, we will continue to pursue that strategy.

The second part of your question was 6 basis points -- sorry, 9 basis points of pricing on loan. Chintan, my request would be think about it this way. We had roughly 1 percentage point shift in mix last quarter. We had also called out last quarter that period-end growth was higher than average growth. So there has been a spillover of last quarter's corporate loan pricing impact into the current quarter. We've also roughly had about 1 percentage point shift of mix in the current quarter. Both of these play through pricing on loans. In general, pricing on loans has been competitive for us as well as the rest of the industry. I think to your last question on CASA, I think we've held up reasonably well both on period-end CASA as well as average CASA. In fact, the numbers that I see, I think our QoQ performance on CASA on average has been better than most in the industry. I hope I've covered all of your questions. I'm happy to take a follow-up.

Chintan Joshi - Analyst, Autonomous Research
Just two quick follow-ups. On the -- you said 4 basis points from balance sheet mix. So I would attribute the corporate mix shift towards that 4 basis points and 9 basis points in pricing of loans. So should that be spread compression? But it doesn't sound like that. So just want a clarification on that. And the second point on the corporate volumes are these temporary in nature? In the sense, are corporates coming to Axis Bank because it's better for them for the moment, and once bond markets kind of normalize, they might go back away? So just trying to understand whether these corporate balances are sticky or they kind of become a headwind to growth as they unwind?

Vijay Mulbagal - Group Executive & Head of Strategic Programs, & Sustainability, Axis Bank Limited
Chintan, Vijay here. So these are across project finance, term loans, and working capital. Some of these loans will transition into bonds as -- but we believe that these loans have been given for -- in case of working capital, obviously, to take care of their shorter cycles. In case of project finance and term loans for longer terms. And we expect them to remain with us. And because these are across sectors such as energy, commercial real estate, on metals and we don't expect transition as soon as the bond markets become active. But in the natural course, they will transition when the assets mature and typically that is how we have seen the market behave over several years. Thank you.

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
Since you are asking questions on temporary loans, I just want to clarify. We have been in this business for a long period of time and we are doing a combination of loans across, as Vijay pointed

out, on working capital term loans, etc. So there is no specific bunch-up, temporary period loans which have been created in this quarter which will kind of somehow run off very, very quickly. Normal ratio is around a typical wholesale franchise, that's what we maintain to clarify.

Chintan Joshi - Analyst, Autonomous Research
That is helpful. Thank you for that.

Operator
Thank you. [Operator Instructions] We'll take the next question from the line of Mahrukh Adajania from Tara Capital. Please go ahead.

Mahrukh Adajania - Analyst, Tara Capital
Hi, good evening. My first question is again around NIMs. So your cost of funds seems to have bottomed out. Now where do NIMs go from here? As in that we had this structural NIM target of 3.8%, which we thought could be achieved over, say, maybe 12 to 15 months is what I recall. Where do we stand on that soft guidance? That's my first question. And then my second question is, on opex. So obviously you've called out and you've been -- you've given many, many details on opex, but what would be a normalized run rate for opex? Because you are seeing some productivity gains, you're seeing some reversals. So what would be a normalized level? So those were my two questions.

Neeraj Gambhir - Executive Director, Axis Bank Limited
Yeah, thank you for your question. This is Subrat. On the direction of NIM, we have not changed our structural NIM guidance of 3.80%, including the time period that we have mentioned in the past. Like Amitabh mentioned, we think this is the bottom of the cycle in this quarter, which in some ways from our perspective would mean that from here on, the effort will be to continue to to move towards the structural NIM guidance that we have during the time period that we had suggested earlier. Amitabh also mentioned that there is an FCNR (B) opportunity coming up during this quarter, which would mean that there might be surplus liquidity which we'll try and deploy in terms of making sure that there is the right way to deploy and get growth on the back of that liquidity as well.

On the guidance on cost. See, the work on efficiency and improvement on productivity has been ongoing over the last four to six quarters. So if you look at where the cost to assets have trended over the last six quarters or so, they have been trending downwards. We don't offer a specific terminal cost to asset ratio guidance. From our perspective, there are opportunities to continue to improve the productivity within the franchise. We have some opportunities on the upside in terms of productivity at the branch level. The technology investments that we have made in the past are bearing fruits. Additional investments are happening in AI. So like we have mentioned in the past, we'll see over the next 18 to 24 months, we'll continue to be on this path, but no specific guidance on where the cost to assets will eventually land.

Mahrukh Adajania - Analyst, Tara Capital
Okay, thank you. Also, just one last thing. On your foreign loans they've grown quite sharply, so if you could comment on that as well.

Vijay Mulbagal - Group Executive & Head of Strategic Programs, & Sustainability, Axis Bank Limited
These are again, as we have earlier said also, we've been very selective about both sectors and

clients. And wherever we have seen opportunities to participate which meet our internal thresholds on RAROC and also give us an opportunity for reciprocal float and fee, we will continue to participate. In this case, the opportunity presented in foreign currency loans, so that is what it is.

Subrat Mohanty - Executive Director - Banking Operations & Transformation, Axis Bank Limited
Just to clarify there on foreign currency loans, this is purely opportunistic. There are clients, there are relationships, sometimes they bunch up in a particular quarter or so. No specific directional change in terms of how the portfolio mix is going to be. So some of this is purely opportunistic at this point in time.

Mahrukh Adajania - Analyst, Tara Capital
Okay. Thank you very much. Thank you.

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

Rikin Shah - Analyst, IIFL Capital
Thanks. I had a few questions. The first one again on margins. So this 34 basis points of NIM expansion in next 12 to 15 months basis your guidance, could you just provide a walk of how much of that can come through via reduction in the wholesale loan share, reduction in wholesale cost of funds, and the decline in the overseas loan share? So a walk would be helpful to at least contextualize and get some confidence as to how this margin improvement comes through? That's the first one.

The second question is on opex. There is a disclosure that there was some onetime write back. Was it around INR220 crore and what exactly is this write back? The third one is on the upgrades and recoveries, which seem a bit weak in this quarter. Why was that and how should we think about potential recoveries from technical slippages of the last year hereon? And maybe if I can just add one more question, it's on whether would you like to increase stake in Max Financial Services to 30% given RBI off-lit has allowed some banks to increase their stake to 30%. Thank you.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Rikin, thank you for the question. I will probably answer three and then request Subrat to come in on the fourth. Your first question on the bridge back to 3.80%. As part of my opening remarks, I had said that we've lost about 16 basis points due to change in balance sheet mix over the last 12 months. So if you look at that change in balance sheet mix, we have consistently said that we do think we have the ability to recalibrate the balance sheet over a period of time. Retail disbursements have started growing, so that 16 basis points callout was to give you a quasi-indication of the actionables that can be undertaken. The balance sheet mix is both segment advances as well as rupee/non-rupee. That was discussed as part of an earlier response.

Moving to your second question on opex and what are the one-offs in opex. If you recollect, when we reported last quarter, we had taken about INR129 crore charge for provident fund liability given where government security rates were at the end of that quarter. Government security rates were adversely impacted because of the RBI administrative action at quarter end. G-Sec rates have eased through quarter one and therefore, the charge that took place in quarter one has in a substantial part ended up giving us a reversal. So Q4 charge has ended up giving us a reversal in Q1. So that's one large item.

The second large item is around gratuity, and the third item effectively is we true-up variable pay and there was an excess variable pay provision that we've trued-up. Those are the three items that aggregated to the quantum of the one-off that I have called out for you. In fact, we've been transparent and if you look at slide 12 of our investor presentation, we've actually given you a QoQ decline reported as well as normalized for your perusal. Rikin, I think your next question was on stake in Max. I'll -- okay. On upgrades and recoveries, Rikin, I think the simple point I would make to you is we stopped calling out technical versus non-technical. I think you should draw comfort from the fact that Q3 credit costs and Q1 credit costs are very similar. They both have seasonality. They both have meaningful improvement on recoveries from the technical pool. So I think that should give you comfort. We remain comfortable that slippage is attributable to technical criteria. Will not result in an economic loss for the bank.

I will hand over to Subrat for the Max Life question.

Subrat Mohanty - Executive Director - Banking Operations & Transformation, Axis Bank Limited
Rikin, on -- go ahead.

Rikin Shah - Analyst, IIFL Capital
Before Subrat, you come in on Max Life, Puneet, just a clarification on margins. So out of 35 basis points of potential improvement that we are talking about, 16 basis points is the balance sheet mix reversal. Where does the balance come from?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Rikin, you've got -- I'm not going to lay out the entire bridge for you, but to let us work through some of these numbers. Effectively please appreciate that 19 basis points of, of margin have been lost year-on-year because of a repo rate cut. So effectively, even if I had held book static, I would have lost 19 basis points of margin. 16 basis points of margin is books mix change as of today. Effectively, like we said, retail disbursements continue to grow and as retail disbursements and retail growth picks up, you'll see some recalibration come through. The balance, we will find a way to bridge over time. We would not want to give you an exact itemized bridge because that flexibility we'd like to retain with ourselves.

Rikin Shah - Analyst, IIFL Capital
Got it. Fair point.

Subrat Mohanty - Executive Director - Banking Operations & Transformation, Axis Bank Limited
So Rikin, on Max Life stake, yes, there is an opportunity based on clarifications that RBI came up with in December. We are engaging internally. We will go through the process internally in terms of, weighing the pros and cons of increasing the stake and then go back to the regulator and check if they are open to this idea. As you know, in the past we were always keen on having a higher stake. At that point in time, the regulations didn't allow us to. So this particular evaluation will happen and we'll let you know based on some of the internal conversations and board approvals. After that, we will inform you as at the right time.

Rikin Shah - Analyst, IIFL Capital
Got it. Thanks, Subrat and Puneet.

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

Kunal Shah - Analyst, Citi
Yeah. So when we are talking about in terms of the change in the balance sheet mix, do you think it will have impact on the growth as well, maybe as we try to pull up the margins and maybe for the overall non-rupee proportion is to come off a bit and retail has to grow, would we see some pullback on the growth side, ex of FCNR benefit which will be there in the very near term? But otherwise, from the current run rate, do we see some normalization in the growth as well?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Kunal, we don't offer outlook on current run rate. I think what we've consistently said is we feel comfortable that we'll grow at industry plus 3.00%. We haven't walked away from the industry plus 3.00% over the medium term as part of our commentary on the NIM bridge. So we will reiterate the fact that we still believe we will continue to grow at industry plus 3.00% as we find ways to recalibrate margins.

Kunal Shah - Analyst, Citi
Sure. And in terms of the overall overseas portfolio, so this doesn't include any part in terms of either the FCNR or the leveraging part of it, so, so that's definitely not there in this entire book. And if you can just highlight in terms of, how we are assessing the opportunity out there and how much we would be raising in terms of this entire FCNR window?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Kunal, thank you. Your question had some affirmative statements which I won't like to confirm or deny. You said the overseas book has no FCNR. We will comment on FCNR growth as part of Q2 when we know the quantum that's been raised. The color of the overseas book, I would request you to look at slide 30 of our investor presentation. I'll just read out the salient features. 98% of that book is rated A- and above and 64% of the outstanding is to the top 10 conglomerates. So it's a very high-quality book that we run on the offshore side.

Kunal Shah - Analyst, Citi
Okay. So in terms of the quantum, are we still now under the FCNR window?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Kunal, we're not calling that out yet. Please allow us to report FCNR (B) numbers once we have concluded Q2. We've offered qualitative commentary on what we think we can do on FCNR. We believe that we'll clock above our organic market share on FCNR. We are not providing numbers on what we've raised till June or what we expect to raise till September.

Kunal Shah - Analyst, Citi
Sure, got it. Yeah, thanks, thanks, and all the best. Yeah.

Operator
Thank you. The next question is from the line of Zichuan Gong from Schonfeld [Phonetic]. Please go ahead.

Zichuan Gong - Analyst, Schonfeld
Hey, thank you for the opportunity. Sorry to harp on the margin part. You talk about the potential reversal of that 16 basis point mix change in the last one year, but that's as a result of 38% wholesale growth and then 8% of retail growth. So to reverse that, should we expect, how much of

that can we reverse? Because to reverse that, we need to grow retail at 38% and wholesale at 8%, right? So how much of that mix change back should we expect in the next one year or so?

Subrat Mohanty - Executive Director - Banking Operations & Transformation, Axis Bank Limited
See, we don't offer very specific details on how the mix change will evolve over the next one year. I think we have made this point consistently that you should look at our retail disbursement growth trends over the last three quarters, including this quarter where it has been at about 18%. That disbursement trend will eventually translate to book growth, which is happening gradually. So the work on making sure that this mix change reverses has been on for the last two quarters and we'll see as we go forward, the disbursement strength in the retail side will help us towards that. But we don't offer specific milestone-based numbers on how this will reverse itself over the next year.

Zichuan Gong - Analyst, Schonfeld
Got it. And just to follow up on the previous participant's question on the 9 basis points pricing change impact? Sorry, I'm still confused because there's 4 basis points of mix change and then what's the 9 basis points about with this, the Q-on-Q margin?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
So the 4 basis points of mix change comprises asset plus liability mix change, because mix change could also be placements, investments and advances. Please appreciate it could be proportionality between earning assets, it could also be proportionality of earning assets to total balance sheet. So that's the quantum that is sitting in the balance sheet mix change. There is a liability mix change that is also sitting in the 4 basis points of balance sheet mix change. Now the 9 basis points of pricing change is a full impact of pricing of loans in the last quarter visible on yields in the current quarter, repricing of contracted loans. And given where incremental growth is coming from, the incremental loans compared to headline yield are -- because of the segment to which they're being lend to are being priced lower. So we've seen a price compression across loan categories given market competitive intensity, which is sitting in the pricing 9 bps. And we've seen balance sheet mix change across assets and liabilities that's sitting in the balance sheet mix change. I hope that clarifies.

Zichuan Gong - Analyst, Schonfeld
Got it. So sorry, on the retail disbursement, may I have the absolute retail disbursement number? Because we have high retail disbursement growth in the 18%, 20-odd percent last three quarters. But the book growth is accelerating but seems like a rather slow pace from 6-odd percent to 8-odd percent over the three quarters.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
We don't disclose specific product-wise disbursement rupee values. I think if I was to give you something for you to look at to corroborate our commentary, if you were to look at slide 22 of our investor presentation and look at year-on-year growth for the current quarter and plot next to it year-on-year growth for each product category that we reported last this quarter, in all of the product categories, you would see an improvement in year-on-year growth. That should give you some comfort on the fact that the disbursements growth is translating into book growth with the lag.

Zichuan Gong - Analyst, Schonfeld
So let's assume -- sorry, let's assume that mathematically the disbursement will maintain at 18%, 20% on a retail book, right? From how long could they take for 8% retail growth go to reach your average growth of, 17%, 18%? How long does that take, just mathematically?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
My request is we can take the mathematical questions offline. Very simply put, whichever way I'm asked the question, I'm not going to guide product-specific growth. The growth is very simply we have only one headline guidance on growth, which is 300 basis points above industry. I'm happy to answer this question in as much granularity on how you should think about the arithmetic, but as a management team, we regret we will not provide segment-specific or product-specific growth numbers.

Zichuan Gong - Analyst, Schonfeld
Okay. That's fair. Thank you so much.

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

Piran Engineer - Analyst, CLSA
Yeah, hi team, congrats on the quarter and thanks for taking my question. Just going back to -- I mean, again, a mathematical thing -- if NIM had declined 16 bps and our assets, average assets, average interest earning assets, whatever grew 3%, 4%, then NII should have declined, right? But it still grew. So what am I missing here?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Sorry, Piran. Thank you for the question. Could you just repeat that again? I didn't fully catch the question.

Piran Engineer - Analyst, CLSA
So Puneet, what I'm saying is, just mathematically, a 16 bp impact on, let's call it, a 3.5% NIM is 5%, right? And if your balance sheet, average balance sheet, whatever, grew 3%, 4% QoQ, the NII should have declined. It's 5% sort of profitability pressure versus 3%, 4% growth. Net-net, it should have been a decline. So is this 16 bp, is there some anomaly here and the actual core compression is lower?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Look, I think, Piran the way I would explain that number is effectively, if you think about it, my period-end advances growth or my period-end interest earning assets growth is not reflective of the average interest earning assets growth that I have had through the quarter. Again, just to give you illustratively reasons why that could happen, I could have run an asset for a large part of the quarter and then I have had a sell-down of that asset towards the end of the quarter, which would effectively mean that I have earned income on that asset for a period. So let's hypothetically say I booked an asset on day 1, I sold the asset on day 88. I would have had income on that asset for 87 days in the quarter, but it will not appear in my closing balance. So the broad explanation to your question is, while you're seeing a 2% quarter-on-quarter advances growth, the average interest-earning book has grown at a much faster pace for us in the quarter. That explains the -- that explains the anomaly of the math that you're using.

Piran Engineer - Analyst, CLSA
So much faster, would it be more like 6%, 7% actually?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
It, it won't translate to 6%, 7%, but it, it is a multiple of period-end deposit, period-end growth that you're seeing.

Piran Engineer - Analyst, CLSA
Got it, got it. And just secondly, how much of this 9 bps can be offset by lower opex and credit cost? Because obviously if you're giving it to better quality customers or AAA-rated corporates, there will be a benefit on the other line items, right?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
So, Piran, if you -- I mean, rather than giving you outlook on what it would be, the simple answer I would offer is I have had an 8 basis points cost of assets improvement QoQ versus a 9 basis points pricing impact that you've called out. So that's one way to think about it. That may not be very, very accurate in its holistic sense, but since you're asking me the pass-through through the DuPont, there's 9 bps on pricing, there's 8 bps on cost.

Piran Engineer - Analyst, CLSA
Got it. And just one question, nothing to do with guidance, I think, on corporate loans that are linked to, say, T-bill or repo-linked. How often can you as a bank go back and change the terms and conditions with a lender, with a borrower? So let's say you've given it to some say Tata Steel at T-bill plus 250 bps. A quarter later, can you go and say, no, I now want 250 plus 275 bps, T-bill plus 275 bps?

Vijay Mulbagal - Group Executive & Head of Strategic Programs, & Sustainability, Axis Bank Limited
Unless there is a credit event, Vijay, here, we won't be able to reprice it. If there is a repo change, we'll be able to reprice it. Typically, we do at a quarter end. Unless there is a credit event, we won't be able to do that.

Piran Engineer - Analyst, CLSA
You can't change the spread?

Vijay Mulbagal - Group Executive & Head of Strategic Programs, & Sustainability, Axis Bank Limited
In general, yes.

Piran Engineer - Analyst, CLSA
Got it. Okay, that's useful. Just lastly, sorry, reporting on a Saturday, is this a one-off also like your NIMs or is this a steady state now? And I would urge if we could go back to weekday reporting.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Piran, thanks for the suggestion. Honestly, I'm not the person who should be answering this question, but I think --

Piran Engineer - Analyst, CLSA
But there are others on management on the call, so...

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Let me answer that question for you. I think we're very clear that we would like to follow a -- we

think it's from a data confidentiality perspective, from a risk perspective to the institution and our board, we'd like to follow a Saturday format. We'd like to report on a market holiday. It helps us have a deliberated discussion with our board on results and have more detailed discussions then.

Piran Engineer - Analyst, CLSA
Got it. Yeah, okay.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
We've consistent and we've made this change effective Q4 of last year, so you will see us consistently follow the Saturday format going forward.

Piran Engineer - Analyst, CLSA
No, no, I did notice that, but, we all thought it was a one-off. And see, it's just that in, in the case, as is today, you all are the fourth guy on the con call. We've all -- we are stretching ourselves thin. A lot of foreigners won't dial into the con call because it's a Saturday. So it's also in your best interest in terms of maximum outreach to keep it on a weekday like most other Indian corporates do, like most other global banks do. And we get the same thing about data confidentiality from others, but our simple point is we trust you all with our money right, in our bank accounts, INR20 lakh crores or whatever, and that's safe. So you can definitely keep some NIM and slippage numbers safe. Anyway, that's, that's how I think about it, and that's honestly how most of us think about it. So we would urge you to go back to weekly reporting if that's a possible.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Piran, thank you for the suggestion. We'll consider it, but for the moment, I think you should assume that it's going to continue to be Saturday. Thank you.

Piran Engineer - Analyst, CLSA
Sure, sure. Thanks.

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

Abhishek Murarka - Analyst, HSBC
Hello. Hello. Am I audible?

Operator
Please proceed, sir. Yes.

Abhishek Murarka - Analyst, HSBC
Yeah, thank you. Good evening and thanks for taking my question. So couple of questions. First, in the NIM outlook that you have given, have you accounted for any dilutive effect of whatever FCNR balances that you might raise or that would be over and above -- over and above the guidance that you've given?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Sorry, Abhishek, I am not clear on the question itself. You said we have given an outlook on NIM. I don't think we have given an outlook on NIM. No, so there were two parts to, Abhishek, your question as I understood it. You indicated that we have given an outlook on NIM and whether FCNR will be dilutive or accretive. I just want to categorically clarify we have not given any outlook on NIM

for the near term. We don't provide any outlook on NIM even for on a full fiscal year basis.

Abhishek Murarka - Analyst, HSBC
On FCNR NIM... Just to -- I mean, the structural NIM guidance that you've given of 3.8% over a time period, that is what I was referring to. I mean, I didn't mean near term.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Okay, Understood. Okay, thank you.

Abhishek Murarka - Analyst, HSBC
Structural NIM guidance. Yeah.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Thank you. That's super helpful.

Operator
Thank you. The next question is from the line of Ankit Bihani from Nomura. Please go ahead.

Ankit Bihani - Analyst, Nomura
Thank you for the opportunity. So my question is on the investment yield. So last quarter we had seen a sharp decline in the investment yield given that the investment book had grown sharply. But this quarter, with the investment book declining sequentially, naturally your investment yield should have ideally picked up. So even this quarter it has declined. Anything to read on that? Hello?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Hey, thank you for the question. Give me a moment to process whether investment yields have declined or not. We could move to your next question. I'll just come back to you with a response on that question before we finish up the call.

Ankit Bihani - Analyst, Nomura
Yeah, second is on the ECL front, if we can tell the onetime impact and what could be the increase or impact on the run rate, the credit cost run rate going forward.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
On ECL, our assessment as of 31st March 2026 balance sheet is that impact on net worth will be and the marginal impact is purely an outcome of the fact that ECL is an exposure standard, whereas IRAC is an outstanding standard. And therefore, unfunded exposures will need a provision plus RBI has prescribed floors. Therefore, we do think between these two components, which are incremental to IRAC, we should see a marginal impact on net worth on transition date. On a go-forward rolling impact, effectively our assessment is the industry as a whole, including us, should see higher provisions to assets in post or in the first year of transition, purely given the way Stage 1 and Stage 2 provisioning will run against the 40 basis points of standard asset provisioning that runs today.

So that's, that's how we are thinking about ECL transition. There is a 6 basis points increase in average earning investments on a QoQ basis, is how I am looking at the data. I'd be happy to pick the decline number that you've pointed out separately and have a conversation, but just to give the group comfort. When I look at average balance sheet and income, we've seen a 6 basis points increase in average earning investments QoQ. So happy to work with you on the specific numbers. If

you could send us an email with the data you're looking at, we'll corroborate that and send back to you corrections as you see them.

Ankit Bihani - Analyst, Nomura
So basically, I am looking at the period-end figure, maybe that is why the difference.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Yes, that may be the case because please do appreciate that we would have -- we have raised a quantum of money and we do get period-end flows that would have gotten placed. So we raised our 81-- we raised our 81 on 30th June and the senior bond there.

Ankit Bihani - Analyst, Nomura
Thank you.

Operator
Thank you. Ladies and gentlemen, this will be the last question for today from the line of MB Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh - Analyst, Kotak Securities Ltd.
Just one question between the choices that you have done. If you look at the last, let's say, about two, three quarters, you pushed the retail -- you pushed the corporate loan growth on the argument that the return was slightly better and where the balance sheet is. Just trying to understand, it still kind of caused a margin compression and you also on the other side argue saying that retail disbursements is going up. Just trying to understand what has changed in the last few quarters that suggests that the risk-adjusted return has improved across the various products. So at the end of the day, what we see on the ground is that the margins have fallen. Just trying to understand why that corporate loan book in the last two quarters and why you believe that retail is also now generating similar returns.

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
So Mahesh, can you hear me?

M. B. Mahesh - Analyst, Kotak Securities Ltd.
Yeah, I can hear you.

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
Okay. So Mahesh, please understand the wholesale strategy. When we talk about return, we are talking about not only NIM, but what are some of the other businesses you're able to generate to these corporates in terms of our balances, trade fees, FX, etc., etc. So we're looking at overall return, not necessarily NIM. NIM, obviously for a wholesale, a typical wholesale franchise would tend to be on the lower side if you compare it to other classes. Now when we have -- when our deposit franchise starts doing well and we can raise deposits and retail will take its own steady manner bit by bit, it will take time to ramp up back in terms of growth, wholesale is the best way to deploy it. We also believe that we are getting great opportunities there and overall return is meeting our RAROC standards.

The RAROC of the wholesale business stands head to head with the retail side of the business. It's not that we cannot or should not look at wholesale as a growth opportunity. Now unexpectedly, when FCNR has come as an opportunity and depending on how much money we are able to raise,

we will see as to how to deploy that FCNR funds, whatever we are able to raise across our franchise. So no, I think what we're really saying is that the -- because NIM is such an important question, every analyst has been asking about it. We have seen the bottom. We know -- all of you know the levers. We know the levers. We are working across each of those levers. But at the same time, just to ensure that oh somehow we have to be held against a NIM number, we should drop our growth approach is something which does not make sense to us. So we are still standing by what we have said in the past.

But we are just saying that if there are opportunities, this is the way we are building it. So strategy itself has not changed. But yes, our deposit franchise is done well. We've used the opportunity there to continue to grow our wholesale franchise. We've been able to deploy it at good rates. Overall returns are good and it makes sense to us. Now I will do ask the other team members to add to it, if you don't mind. Thank you.

Vijay Mulbagal - Group Executive & Head of Strategic Programs, & Sustainability, Axis Bank Limited
Yeah, to further continue with what Amitabh is saying, we're keeping our book pristine at 91% A- and better, 87% incrementally on a quarter basis. Just to reiterate. We are not just in the game of lending here and we are not clearly competing on pricing. We are going after sectors where there are economic tailwinds, we are going after clients we are comfortable with and clearly where there are reciprocal flows and fee and where there is One Axis opportunity across Burgundy Private, Corporate Salary. You have seen the Corporate Salary moment that Amitabh referred to, as well as investment banking shares. So we are looking at composite returns not just lending returns and we are very comfortable because these are clearing our internal RAROC thresholds. So we will continue to go after opportunities and without dilutive of either risk returns or our credit standards. Thank you.

M. B. Mahesh - Analyst, Kotak Securities Ltd.
Thank you. Vijay, just if I have to just ask one additional question for you, when you look at the, the ECLGS applications that are coming in, can you just kind of give us some color as to what is the nature of the customers that are coming in and how are you entertaining those requests? Hello?

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
Yeah, we are -- so we have, we have put in place the right guardrails around what kind of customers we would like to select for offering the ECLGS2. We are seeing that the ECLGS scheme is being requested primarily in the MSME space and they have -- the customers who are coming to us are meeting those criteria. Typically, they are in the manufacturing sector or the trading sector and we are processing their applications in line with the regulations and the requirement of our own policy.

M. B. Mahesh - Analyst, Kotak Securities Ltd.
Are you able to quantify how much of ECLGS requests have come in and you've accepted it?

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Yeah, thanks, Mahesh. I'll quantify that for you. We've sanctioned about INR5,000 crores of ECLGS and of that we've disbursed about INR2,400 crores as on date. Sorry, Mahesh, was I audible?

M. B. Mahesh - Analyst, Kotak Securities Ltd.
Yes, yes, I got the answer. Thank you.

Puneet Sharma - Chief Financial Officer, Axis Bank Limited
Yes, thank you.

Operator
Thank you. Ladies and gentlemen, 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 - Chief Financial Officer, Axis Bank Limited
Thank you, Michelle. Thank you, everyone, for taking the time on a Saturday evening. We did hear the pain, so we apologize for it. But if there are any questions that remain unanswered on the call, please do reach out to our IR team, Rahul, Umang, or myself. We'll be very happy to take those questions. Abhishek, my apologies. Abhishek, my apologies. You got cut off. We'll pick up that question straight up after this call. Handing the call over to Amitabh.

Amitabh Chaudhry - Managing Director and Chief Executive Officer, Axis Bank Limited
So just for everyone, I think, we believe that we have done quite well on our deposit franchise. I think one of the few franchises which have delivered positive savings account growth after typically fourth quarter being what it is. You have seen our QAB balances. We believe that our advances are heading in the right direction. And frankly, I didn't want to say that. I think we have a resilient balance sheet with enough provisions there. But I wanted to use the opportunity to actually thank Puneet for working with us and doing all the work over the last six years. I know he's created a huge credibility with the system, with the analyst community. We are sad to lose him, but we do wish him the very best for his -- to meet his career aspirations. And I'm confident and sure that he will carry the Axis Bank flag and be an ambassador for Axis going forward. So thank you, Puneet, and thanks everyone for supporting him through his six plus year journey with Axis Bank. Thank you.

Operator
[Operator Closing Remarks]