

Axis Bank (AXSB)

Banks

BUY

CMP(₹): 1,160

Fair Value(₹): 1,450

 Sector View: **Attractive**

NIFTY-50: 25,111

July 18, 2025

A disappointing performance on key metrics

Axis Bank reported a 4% yoy earnings decline, led by higher provisions. Weak loan growth (8% yoy), NIM compression (15 bps qoq) and higher slippages (3%) leading to higher credit costs (150 bps) were major areas of disappointment. The thesis on Axis Bank to outperform is pushed to 2HFY26, provided it can demonstrate better asset quality trends and recovery in growth. We keep the thesis that the probability is higher that there is likely to be a narrowing of discount when most of these issues are gradually behind. Maintain BUY with FV at Rs1,450 (Rs1,500 earlier).

Higher provisions result in weak earnings print

Axis Bank reported an earnings decline of 4% yoy, despite operating profit growth of 15% yoy as provisions nearly doubled yoy. Revenue grew ~8% yoy with NII growth at ~1% yoy. NIM declined ~15 bps at 3.8%. Loan growth was unchanged at ~8% yoy with retail loan growth at 6% yoy, while SME loans grew ~15% yoy. Deposits grew 9% yoy. Headline asset quality showed a marked deterioration, with gross NPL ratio increasing 30 bps qoq to 1.6%, while net NPL ratios increased ~10 bps qoq. Credit costs were at ~150 bps. Slippages were higher at 3%, with 30% of slippages due to the change in recognition norms.

A tough FY2026 ahead, led by higher credit costs and lower NIM

We are confronted with a difficult decision regarding the elevated slippages reported due to a change in asset recognition policy. Two key concerns emerge that would make it difficult to assess the performance—(1) persistent lack of clarity, as we receive no feedback on this issue from other lenders and (2) despite similar practices, peers are probably reporting significantly lower incremental slippages. It is surprising that the bank has chosen to adopt best practices, even as credit costs remain elevated versus peers. Our earlier thesis of declining credit costs, driven by lower slippages in unsecured loans, now appears unlikely to materialize unless there is a marked improvement in slippages and recoveries/upgrades in 9MFY26. Growth challenges persist, with the bank continuing to lend selectively in segments where NIM protection is more feasible. We do not expect loan growth to outpace the industry average in the near term. Lastly, the NIM outlook remains weak, with management guiding for a sharp decline in 2QFY26, following the recent end of the rate cut cycle. A gradual recovery in NIM is expected thereafter.

Maintain BUY: Re-rating is pushed but unlikely to be denied

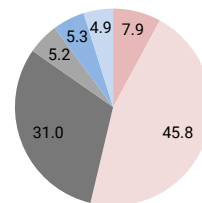
We maintain BUY with an FV of Rs1,450 (Rs1,500 earlier), valuing the bank at ~2X book and ~15X FY2027 EPS for RoEs of ~15%. We are revising our estimates downward by 10% for FY2026 and 3-5% for FY2027-28, building in conservative loan growth and compression in NIM to reflect the rate cycle. We like the entry multiple here, as it captures the worries that investors have had about the bank. We see fewer asset quality concerns at a sector level and conversation is likely to shift to growth and profitability in the near term. At that time, the discount is likely to be significantly lower for HDFC Bank/ICICI Bank, resulting in its outperformance.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	1,160/1,450/BUY
52-week range (Rs) (high-low)	1,319-934
Mcap (bn) (Rs/US\$)	3,597/41.8
ADTV-3M (mn) (Rs/US\$)	8,096/94.0

Shareholding pattern (%)



■ Promoters ■ FPIs ■ MFs ■ BFI ■ Retail ■ Others

Price performance (%)	1M	3M	12M
Absolute	(5)	(3)	(11)
Rel. to Nifty	(6)	(8)	(13)
Rel. to MSCI India	(6)	(10)	(11)

Forecasts/Valuations	2025	2026E	2027E
EPS (Rs)	85.1	77.2	96.9
EPS growth (%)	5.7	(9.3)	25.5
P/E (X)	13.6	15.0	12.0
P/B (X)	2.0	1.8	1.6
BVPS (Rs)	571.4	632.2	712.8
RoE (%)	15.9	12.6	14.1
Div. yield (%)	0.1	1.0	1.3
NII (Rs bn)	543	550	621
PPOP (Rs bn)	421	430	488
Net profits (Rs bn)	264	239	300

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of July 17, 2025

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| M B Mahesh, CFA | Nischint Chawathe | Ashlesh Sonje, CFA | Abhijeet Sakhare | Varun Palacharla
 | Nikhil Suresh

Exhibit 1: Axis Bank—quarterly financial statements, March fiscal year-ends, 1QFY25-1QFY26E (Rs mn)

	1QFY26	1QFY26E	1QFY25	4QFY25	(% chg.)			2026E	2025	(% chg.)	2027E
					1QFY26E	1QFY25	4QFY25				
Interest income	310,635	314,093	300,607	312,425	(1.1)	3	(0.6)	1,248,859	1,226,770	1.8	1,361,699
Advances	244,081	244,949	237,188	245,796	(0.4)	3	(0.7)	977,176	972,003	0.5	1,064,308
Investments	61,430	63,266	55,808	60,951	(2.9)	10	0.8	247,172	229,283	7.8	269,699
Balance with RBI	3,076	3,088	2,953	2,970	(0.4)	4	3.6	24,511	25,484	(3.8)	27,692
Interest expenses	175,038	178,708	166,125	174,320	(2.1)	5	0.4	698,885	683,292	2.3	740,959
Net interest income	135,598	135,386	134,482	138,105	0.2	0.8	(1.8)	549,974	543,478	1.2	620,740
Non-interest income	72,581	63,618	57,835	67,795	14.1	25.5	7.1	270,353	252,571	7.0	290,076
Treasury income	14,200	6,250	4,070	1,730	127.2	249	720.8	18,000	19,848	(9.3)	7,500
Income excl treasury	58,381	57,368	53,765	66,065	2	9	(11.6)	252,353	232,723	8.4	282,576
Total income	208,178	199,004	192,317	205,901	4.6	8	1.1	820,327	796,049	3.0	910,816
Operating expenses	93,027	94,879	91,255	98,377	(2.0)	2	(5.4)	390,004	374,999	4.0	423,230
Employee cost	32,618	31,920	31,295	29,615	2.2	4	10.1	130,612	121,928	7.1	146,540
Other operating cost	60,409	62,958	59,960	68,762	(4.0)	1	(12.1)	259,392	253,072	2.5	276,689
Pre-prov profit	115,152	104,125	101,062	107,524	10.6	14	7.1	430,323	421,049	2.2	487,586
Provisions	39,477	23,789	20,393	13,594	65.9	94	190.4	110,472	77,584	42.4	86,306
Loan loss	39,000	22,815	25,510	13,690	70.9	53	184.9	109,472	76,521	43.1	85,306
Profit before tax	75,675	80,337	80,670	93,930	(5.8)	(6.2)	(19.4)	319,852	343,466	(6.9)	401,280
Tax	17,614	19,923	20,323	22,755	(11.6)	(13.3)	(22.6)	80,603	79,731	1.1	101,123
Profit after tax	58,061	60,414	60,346	71,175	(3.9)	(3.8)	(18.4)	239,249	263,735	(9.3)	300,158
Tax rate (%)	23.3	25	25.2	24.2				25.2	23.2		25.2
PBT- treasury gains	61,475	74,087	76,600	92,200	(17.0)	(19.7)	(33.3)	301,852	323,618	(6.7)	393,780
PBT- treasury gains+provisions	100,952	97,875	96,992	105,794	3.1	4.1	(4.6)	412,323	401,202	2.8	480,086
EPS (Rs)	18.7		19.5	23.0		(4.1)	(18.5)	77	85	(9.3)	97
Key balance sheet items (Rs bn)											
Deposits	11,616	11,741	10,625	11,730	(1.1)	9	(1.0)	13,006	11,730	10.9	14,524
Demand deposits	4,682		4,445	4,782		5	(2.1)	5,193	4,782	8.6	5,685
Savings	3,051		2,949	3,114		3	(2.0)	3,409	3,114	9.5	3,693
Current	1,630		1,496	1,668		9	(2.3)	1,784	1,668	7.0	1,993
Term deposits	6,934		6,180	6,948		12	(0.2)	7,813	6,948	12.5	8,839
CASA ratio (%)	40.3		41.8	40.8		-153 bps	-46 bps	39.9	40.8	-84 bps	39.1
Loans	10,597	10,512	9,801	10,408	0.8	8	1.8	11,486	10,408	10.4	12,887
Retail loans	6,230		5,851	6,229		6	0.0				
Housing	1,660		1,654	1,671		0	(0.7)				
LAP	788		651	753		21	4.6				
Auto	578		588	583		(2)	(1.0)				
Rural loans	931		885	982		5	(5.2)				
Personal loans	771		736	773		5	(0.3)				
Credit card loans	435		425	431		2	1.0				
SBB	673		584	668		15	0.9				
Non-retail loans	4,368		3,950	4,179		11	4.5				
SME loans	1,209		1,040	1,185		16	2.0				
Corporate loans	3,159		2,910	2,994		9	5.5				
Investments	3,372	4,001	3,169	3,961	(15.7)	6	(14.9)	4,410	3,961	11.3	4,882
Key calculated ratios											
NIM	3.6	3.5	3.8	3.7	11 bps	-20 bps	-8 bps	3.4	3.7	-29 bps	3.4
Cost of funds	5.2	5.3	5.3	5.3	-7 bps	-9 bps	-9 bps	4.9	5.2	-32 bps	4.6
Yield on advances	9.3	9.4	9.8	9.6	-7 bps	-46 bps	-27 bps	8.9	9.7	-77 bps	8.7
Yield on investments	6.7	6.4	6.9	6.5	35 bps	-18 bps	20 bps	5.9	6.3	-39 bps	5.8
Cost to income	44.7	47.7	47.5	47.8	-299 bps	-276 bps	-309 bps	47.5	47.1	43 bps	46.5
Cost to average assets	2.4	2.3	2.5	2.5	1 bps	-12 bps	-15 bps	2.3	2.4	-13 bps	2.2
CD ratio	91.2	89.5	92.2	88.7	170 bps	-102 bps	249 bps	88.3	88.7	-42 bps	88.7
Credit cost	1.50	0.87	0.84	0.53	63 bps	66 bps	97 bps	1.01	0.77	24 bps	0.71
Asset quality											
Gross NPL (Rs bn)	177.6		162.1	144.9		9.6	22.6	165.7	144.9	14.4	188.7
Net NPL (Rs bn)	50.7		35.5	36.9		42.6	37.5	57.0	36.9	54.6	64.3
Gross NPL (%)	1.6		1.5	1.3		3 bps	29 bps	1.4	1.4	4 bps	1.4
Net NPL (%)	0.5		0.3	0.3		11 bps	12 bps	0.5	0.4	14 bps	0.5
Slippages (gross, Rs bn)	82.0	60.1	47.9	48.1	36.5	71.1	70.7	239.4	194.7	22.9	241.2
Slippages (net of R&U, Rs bn)	60.5		32.9	20.1		84.0	200.5				
Slippages (gross, %)	3.1	2.3	2.0	1.8	79 bps	114 bps	125 bps	2.3	2.0	28 bps	2.1
Write-off (%)	1.9		1.5	2.4		36 bps	-54 bps				
Provision coverage (calc, %)	71.5		78.1	74.6		-660 bps	-308 bps	65.6	74.6	-895 bps	65.9
Restructured loans (%)	0.1		0.1	0.1		-3 bps	-1 bps				
Capital adequacy (%)											
CAR	16.9		16.7	17.1		20 bps	-22 bps				
Tier-I	15.1		14.5	14.7		58 bps	43 bps				
Key business parameters (#)											
Branches	5,879		5,427	5,876		8.3	0.1	6,179	5,879	5.1	6,479

Source: Company, Kotak Institutional Equities estimates

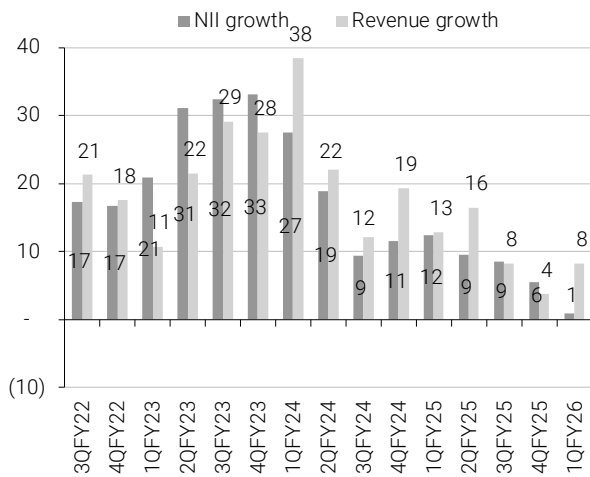
Exhibit 2: Balance sheet snapshot, March fiscal year-ends (Rs mn)

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Yoy (%)	Qoq (%)
Balance sheet											
Capital	6	6	6	6	6	6	6	6	6	0	0
Reserves	1,309	1,367	1,431	1,504	1,580	1,650	1,717	1,791	1,853	17	3
Deposits	9,417	9,556	10,049	10,686	10,625	10,867	10,959	11,730	11,616	9	(1)
Borrowings	1,722	1,852	1,952	1,968	1,899	1,898	1,893	1,841	1,810	(5)	(2)
Other Liab & prov	575	608	548	607	572	635	683	731	748	31	2
Total liabilities	13,028	13,389	13,985	14,772	14,682	15,057	15,257	16,099	16,033	9	(0)
Cash	836	686	884	1,145	1,075	861	845	997	656	(39)	(34)
Investments	2,854	2,957	3,091	3,315	3,169	3,489	3,533	3,961	3,372	6	(15)
Loans	8,585	8,973	9,323	9,651	9,801	10,000	10,146	10,408	10,597	8	2
Fixed Assets	51	52	55	57	58	59	61	63	64	9	1
Other Assets	703	720	633	605	578	648	673	670	772	34	15
Total assets	13,028	13,389	13,985	14,772	14,682	15,057	15,257	16,099	15,461	5	(4)
RoE decomposition (%)											
NIM	3.7	3.7	3.7	3.6	3.7	3.6	3.6	3.5	3.4		
Non interest income	1.6	1.5	1.6	1.9	1.6	1.8	1.6	1.7	1.8		
Total income	5.2	5.3	5.3	5.5	5.2	5.4	5.2	5.3	5.3		
Opex	2.5	2.6	2.6	2.6	2.5	2.6	2.4	2.5	2.4		
Provisions	0.3	0.2	0.3	0.3	0.6	0.6	0.6	0.3	1.0		
PBT	2.4	2.4	2.4	2.6	2.2	2.3	2.2	2.4	1.9		
Tax	0.6	0.6	0.6	0.6	0.6	0.4	0.5	0.6	0.4		
RoA	1.8	1.8	1.8	2.0	1.6	1.9	1.7	1.8	1.5		
Leverage	10.2	9.8	9.7	9.8	9.5	9.2	9.0	8.9	8.6		
RoE	18.1	17.4	17.3	19.3	15.6	17.1	14.9	16.2	12.7		

Source: Company, Kotak Institutional Equities

NII growth has slowed down sharply compared with loan growth

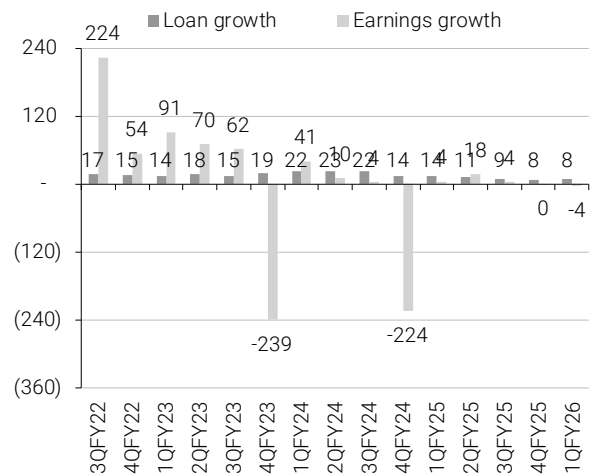
Exhibit 3: NII and revenue growth, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Loan growth at ~8% yoy

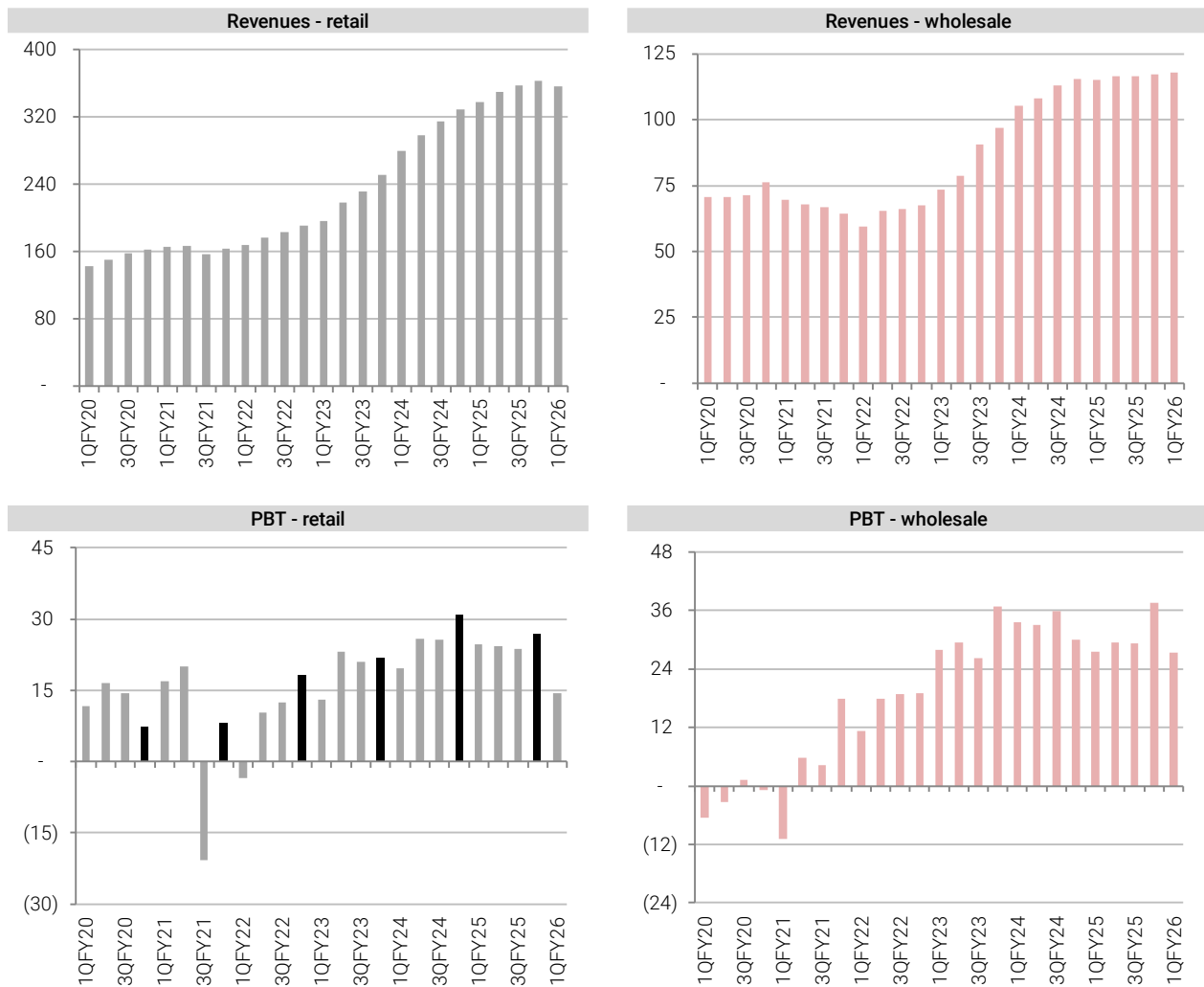
Exhibit 4: Loan growth and earnings growth, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Retail segment profitability has been sluggish recently

Exhibit 5: Revenues and PBT for retail and wholesale/corporate portfolios for the bank, March fiscal year-ends



Source: Company, Kotak Institutional Equities

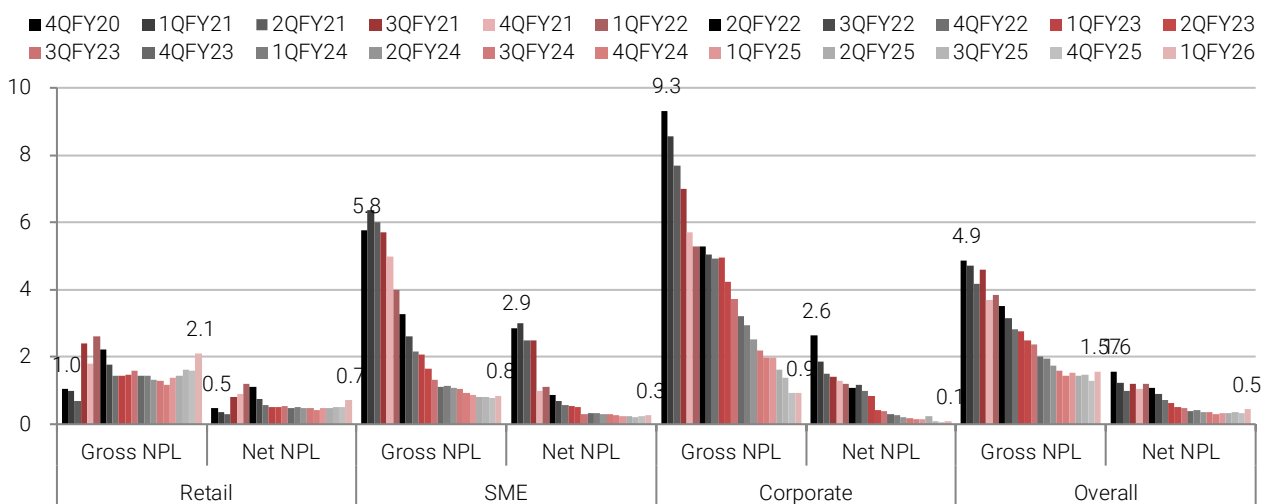
Asset quality metrics have deteriorated, led by technical changes to recognition

- ▶ **Headline ratios.** Asset quality showed sharp deterioration qoq.
 - Gross NPL ratio increased ~30 bps qoq to 1.6%, while the net NPL ratio was up ~10 bps qoq to 0.5%.
 - GNPL ratio trend across segments was as follows—up ~50 bps qoq in retail and broadly flat qoq in SME and corporate.
 - Provision coverage ratio declined ~300 bps qoq to ~71%.
- ▶ **Gross slippages increased sharply, led by change in NPA classification norms**
 - The gross slippage ratio (annualized) for the quarter stood at ~3.1%—much higher than the slippage run-rate of ~2% over the past few quarters. This was mainly led by technical changes to NPA classification norms implemented by the bank from 1QFY26 onward as indicated during the 4QFY25 earnings call. These technical changes contributed ~33% to the gross slippages in 1QFY26.
 - The gross slippage ratio trends across segments were as follows: ~4.8% in retail (up qoq from ~3.0%), ~1.4% in SME (up qoq from ~0.7%) and ~0.4% in corporate (up qoq from ~15 bps). Thus, the impact of the classification rule changes was sharpest on the retail segment.

- Net slippages ratio trends across segments were as follows: ~3.7% in retail (up qoq from ~1.9%), ~50 bps in SME (up qoq from ~45 bps) and ~25 bps in corporate (negative 120 bps in the previous quarter).
- Recoveries from written-off a/c were at ~Rs9.0 bn (down marginally qoq).
- Technical changes in NPA classification.** Management indicated that it has made some prudent changes to norms for recognizing slippages and consequent upgrades. This technical impact is largely limited to cash credit and overdraft products and one-time settled accounts.
- Provisions jump sharply higher with credit cost of ~1.5%**
 - Credit cost for the quarter stood at ~Rs39 bn (~150 bps of loans, annualized) for 1QFY26. This was meaningfully higher than the level of 50-90 bps reported in the past few quarters. Out of this, ~Rs8 bn was due to technical impact. Thus, the technical impact contributed ~8 bps to credit cost (of loans, non-annualized).
 - Adjusted for the technical impact, credit cost stood at ~120 bps, which is still higher than the run-rate in the past few quarters. Management indicated that this is because of higher aging-related provisions and the composition of slippages.

Gross NPL ratio increased ~30 bps qoq

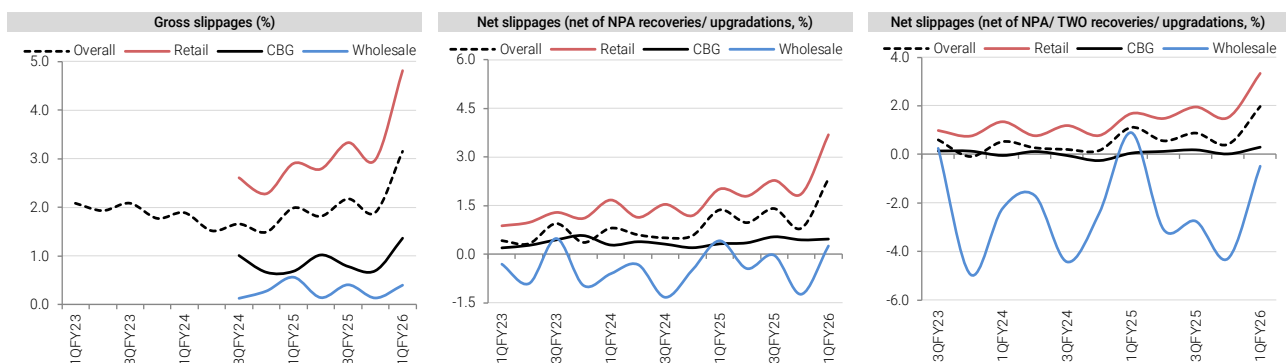
Exhibit 6: Segmental GNPL and NNPL ratios, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Gross slippages increased sequentially, mainly led by the retail segment

Exhibit 7: Segmental slippages for Axis Bank, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Retail net slippages have been consistently higher for Axis Bank as compared with ICICI Bank—partially due to a more aggressive write-off policy

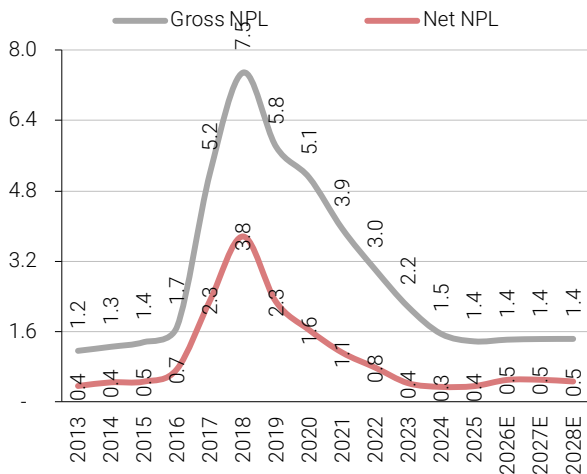
Exhibit 8: Comparison of slippages for Axis Bank and ICICI Bank, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

We expect gross NPLs to remain stable over the medium term

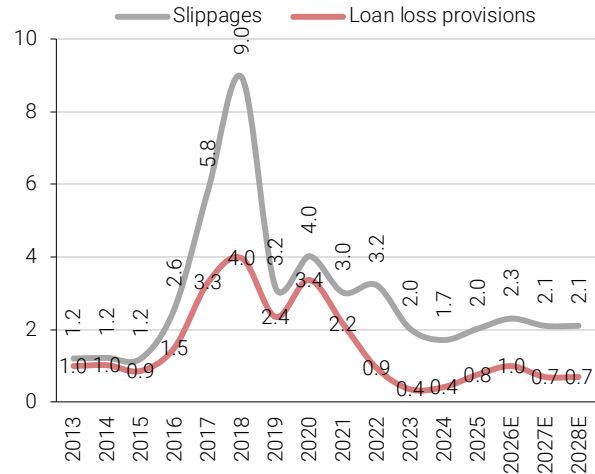
Exhibit 9: Gross and net NPL ratios, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities estimates

Loan loss provisions to remain stable over the medium term

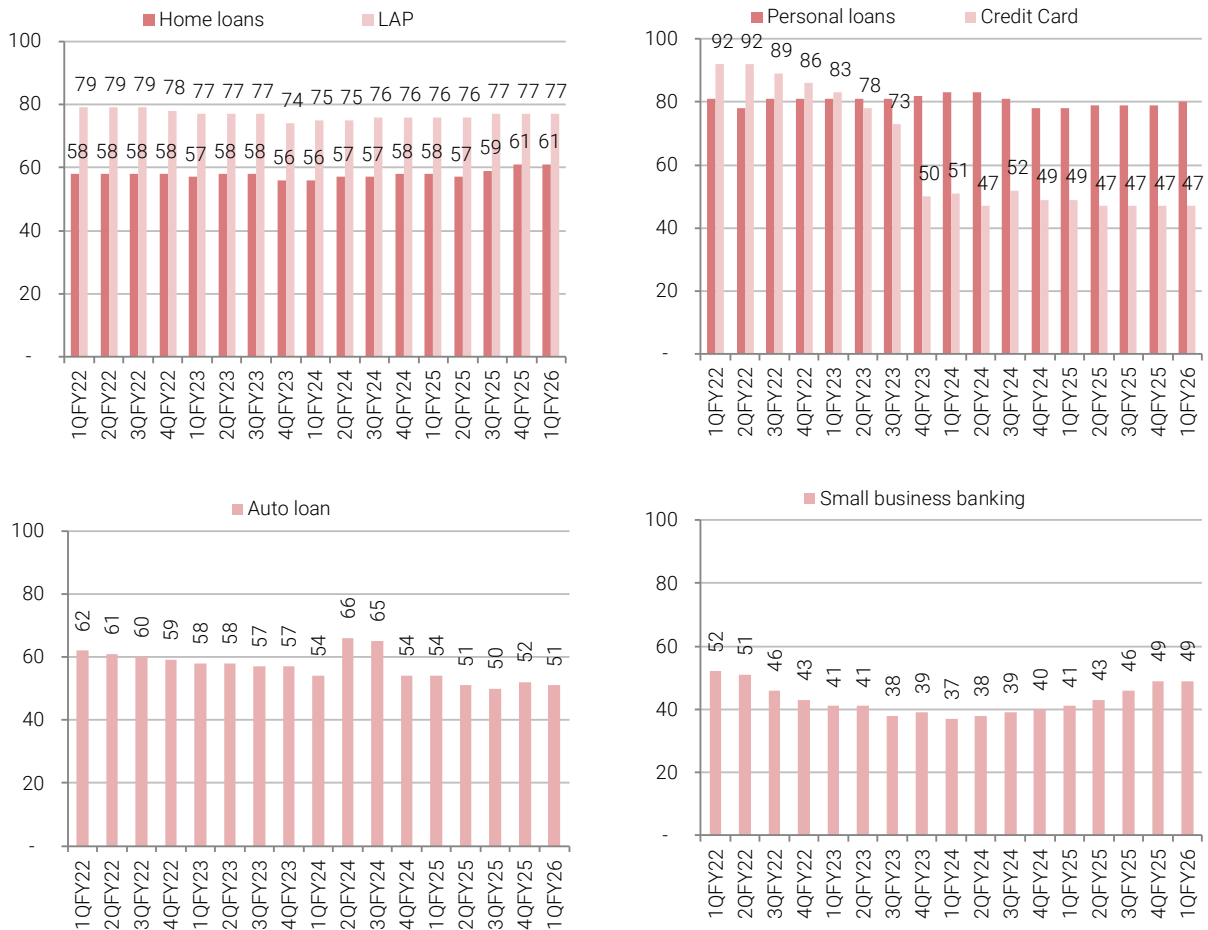
Exhibit 10: Slippages and LLP, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities estimates

The share of existing-to-bank portfolios has declined steadily across most segments over the past few years

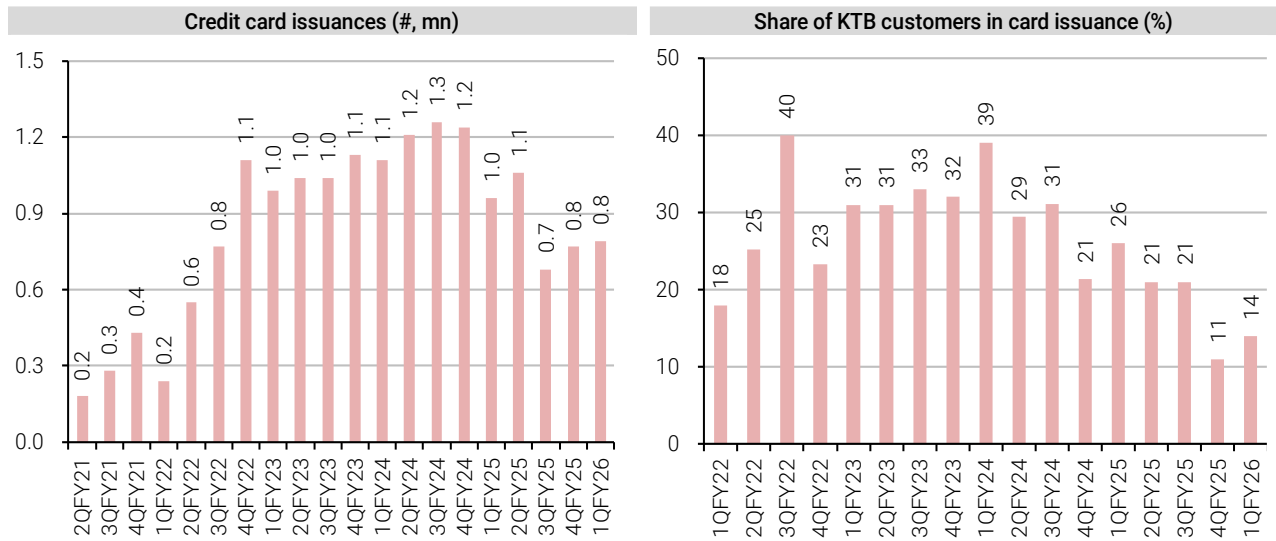
Exhibit 11: Proportion of existing-to-bank (ETB) customers across retail portfolios for Axis Bank, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Credit card issuance to KTB customers has slowed very sharply (estimated to be down from a peak run-rate of ~140k/month to ~30k/month)

Exhibit 12: Credit card issuance trends for Axis Bank, March fiscal year-ends



Note: "KTB" stands for known-to-bank customers.

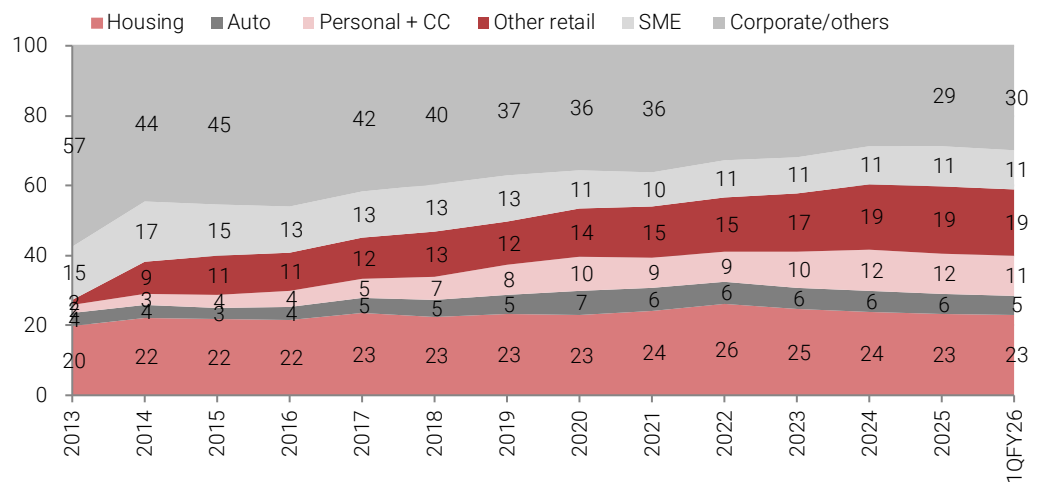
Source: Company, Kotak Institutional Equities

Loan growth at ~8% yoy led by SME

- ▶ **Headline and segmental growth.** Overall loan growth stood at 8% yoy. Retail loan books grew 6% yoy, while SME advances increased 16% yoy. Corporate loans also registered a growth of 9% yoy.
- ▶ **Retail.** Within retail, growth was stronger in LAP and SBB. In contrast, the auto loan book declined 2% yoy, while the housing loans portfolio was flat yoy.

Share of retail loans stands at ~60%

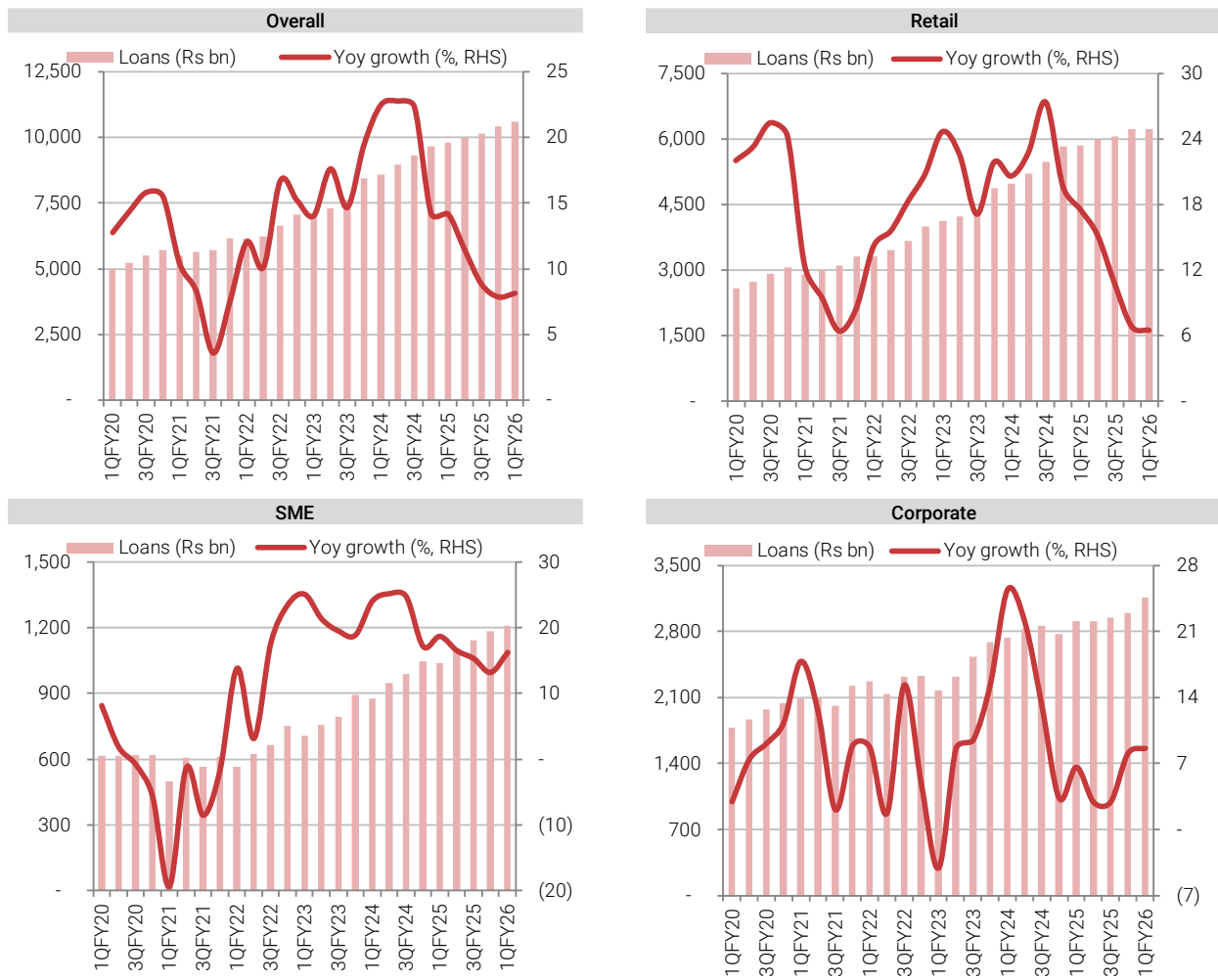
Exhibit 13: Breakup of loans, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Loan growth for Axis Bank has moderated across segments, with SME holding up better than other segments

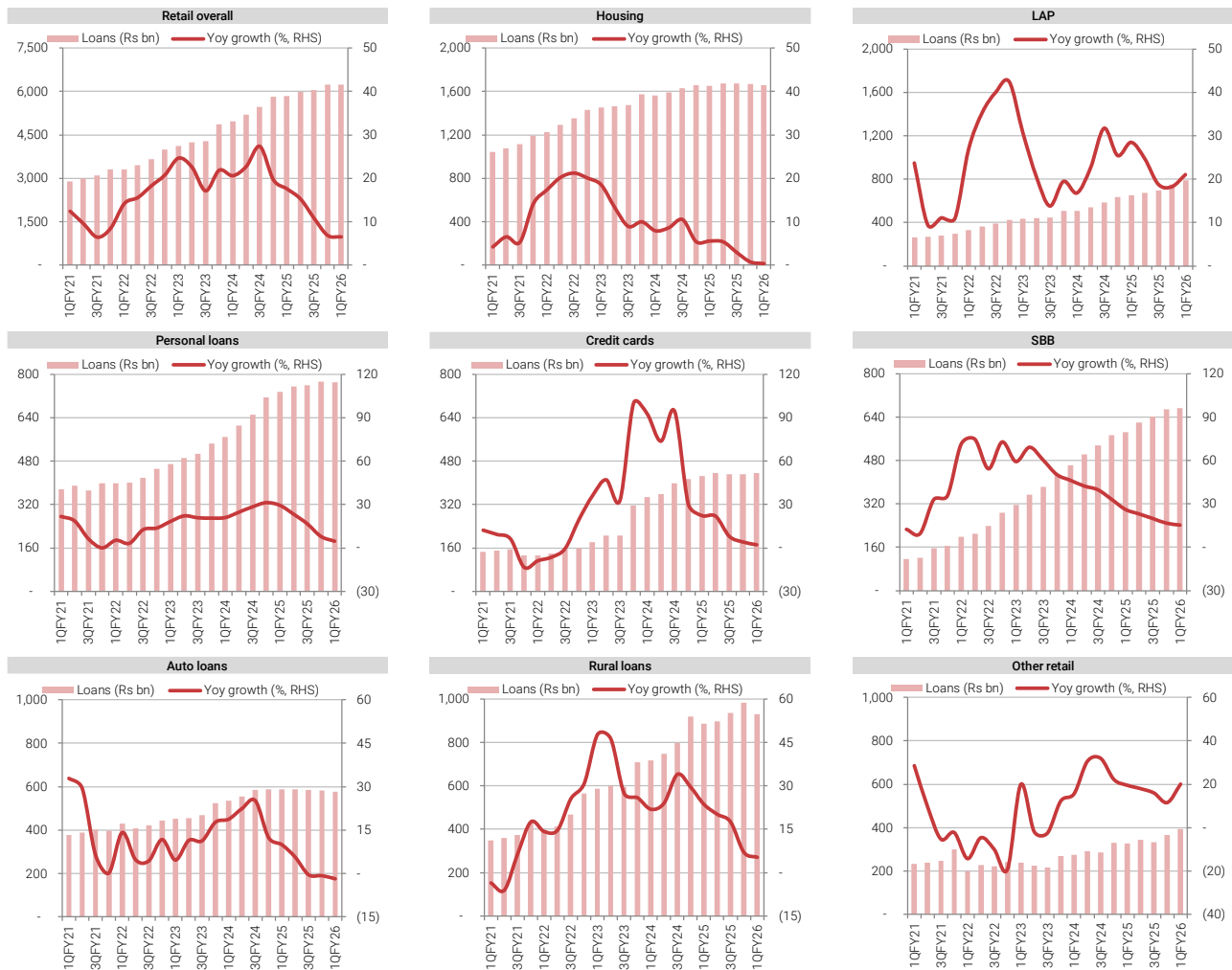
Exhibit 14: Loan portfolio across segments, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Loan growth has moderated across most retail segments

Exhibit 15: Loan portfolio across retail segments, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

CASA ratio is comparable to peer banks

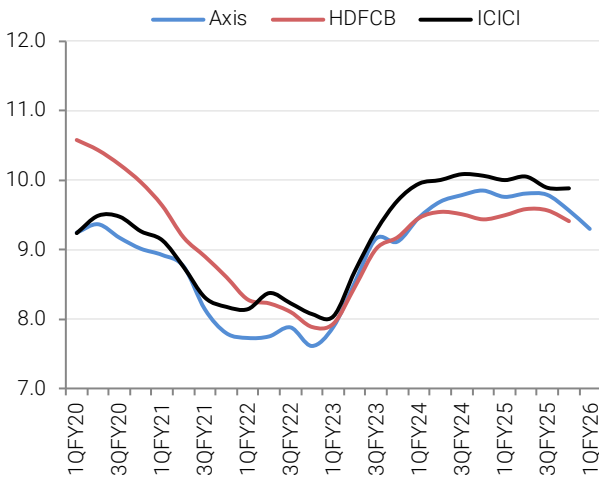
Exhibit 16: CASA ratio and cost of funds for large private banks, March fiscal year-ends (%)

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	
CASA ratio (%)																			
Axis	45.5	43.1	44.5	44.7	45.0	43.7	46.2	44.5	47.2	45.5	44.4	42.1	43.0	41.8	40.6	39.5	40.8	40.3	
HDFCB	46.1	45.5	46.8	47.1	48.2	45.8	45.4	44.0	44.4	42.5	37.6	37.7	38.2	36.3	35.3	34.0	34.8		
ICICI	46.3	45.9	46.1	47.2	48.7	46.9	46.6	45.4	45.8	43.3	40.8	39.6	42.2	40.9	40.6	40.5	41.8		
IndusInd	41.7	42.0	42.1	42.1	42.7	43.1	42.3	41.9	40.0	39.9	39.3	38.5	37.9	36.7	35.8	34.9	32.8		
Yes	26.1	27.4	29.5	30.4	31.1	30.8	31.0	29.9	30.8	29.4	29.4	29.7	30.9	30.8	32.0	33.1	34.3		
Cost of funds (%)																			
Axis	3.9	3.9	3.8	3.7	3.7	3.8	4.0	4.3	4.5	4.8	5.1	5.3	5.2	5.3	5.4	5.4	5.3	5.2	
HDFCB	3.7	3.7	3.6	3.5	3.4	3.6	3.8	4.1	4.3	4.7	5.7	5.8	5.7	5.7	5.8	5.8	5.7		
ICICI	3.7	3.7	3.7	3.6	3.5	3.6	3.8	3.9	4.2	4.6	4.8	5.0	5.0	5.0	5.2	5.1	5.0		
IndusInd	5.2	5.1	5.0	4.8	4.6	4.7	5.0	5.4	5.6	6.0	6.2	6.2	6.5	6.5	6.5	6.6	6.6		
Yes	5.5	5.5	5.4	5.0	4.8	4.9	5.2	5.6	5.7	6.0	6.4	6.3	6.3	6.3	6.3	6.4	6.1		
Cost of deposits (%)																			
Axis	4.1	4.0	3.9	3.8	3.8	3.9	4.1	4.3	4.8	5.0	5.2	5.4	5.4	5.4	5.5	5.5	5.5	5.4	
HDFCB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
ICICI	3.7	3.7	3.7	3.6	3.5	3.6	3.8	3.9	4.2	4.6	4.8	5.0	5.0	5.0	5.2	5.1	5.0		
IndusInd	5.0	5.0	4.9	4.7	4.6	4.8	5.1	5.5	5.8	6.1	6.4	6.4	6.5	6.5	6.6	6.6	6.5		
Yes	6.0	5.7	5.4	5.1	5.1	5.1	5.3	5.7	5.9	6.2	6.3	6.4	6.4	6.5	6.4	6.5	6.4		

Source: Company, Kotak Institutional Equities

Yield on advances declined ~25 bps qoq

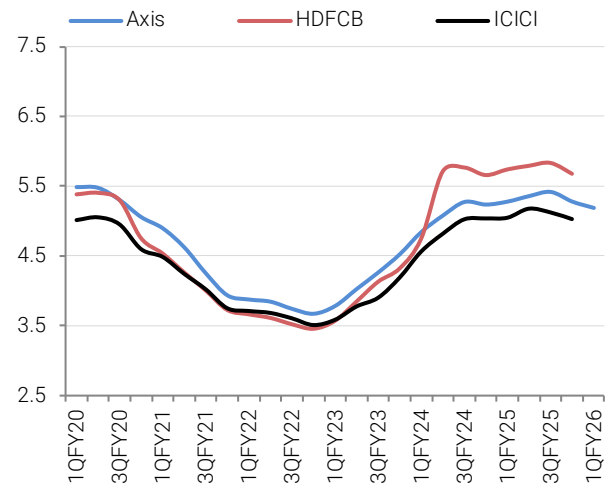
Exhibit 17: Yield on advances for frontline private banks (calculated), March fiscal year-ends (calculated, %)



Source: Company, Kotak Institutional Equities

Cost of funds also declined ~10 bps qoq

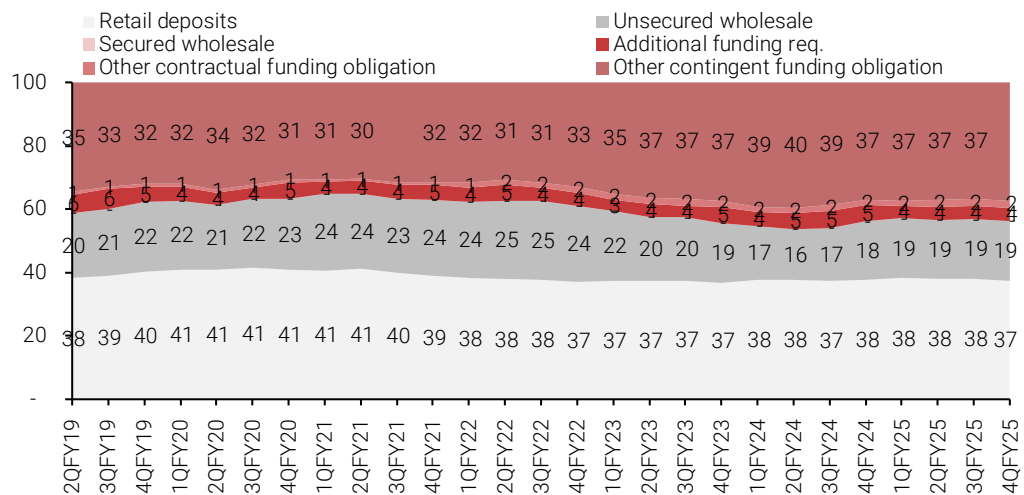
Exhibit 18: Cost of funds for frontline private banks, March fiscal year-ends (calculated, %)



Source: Company, Kotak Institutional Equities

Share of retail deposits in potential gross cash outflows has been flat recently

Exhibit 19: LCR disclosure on breakup of potential gross cash outflows (un-weighted) over a 30-day stress period for Axis Bank, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

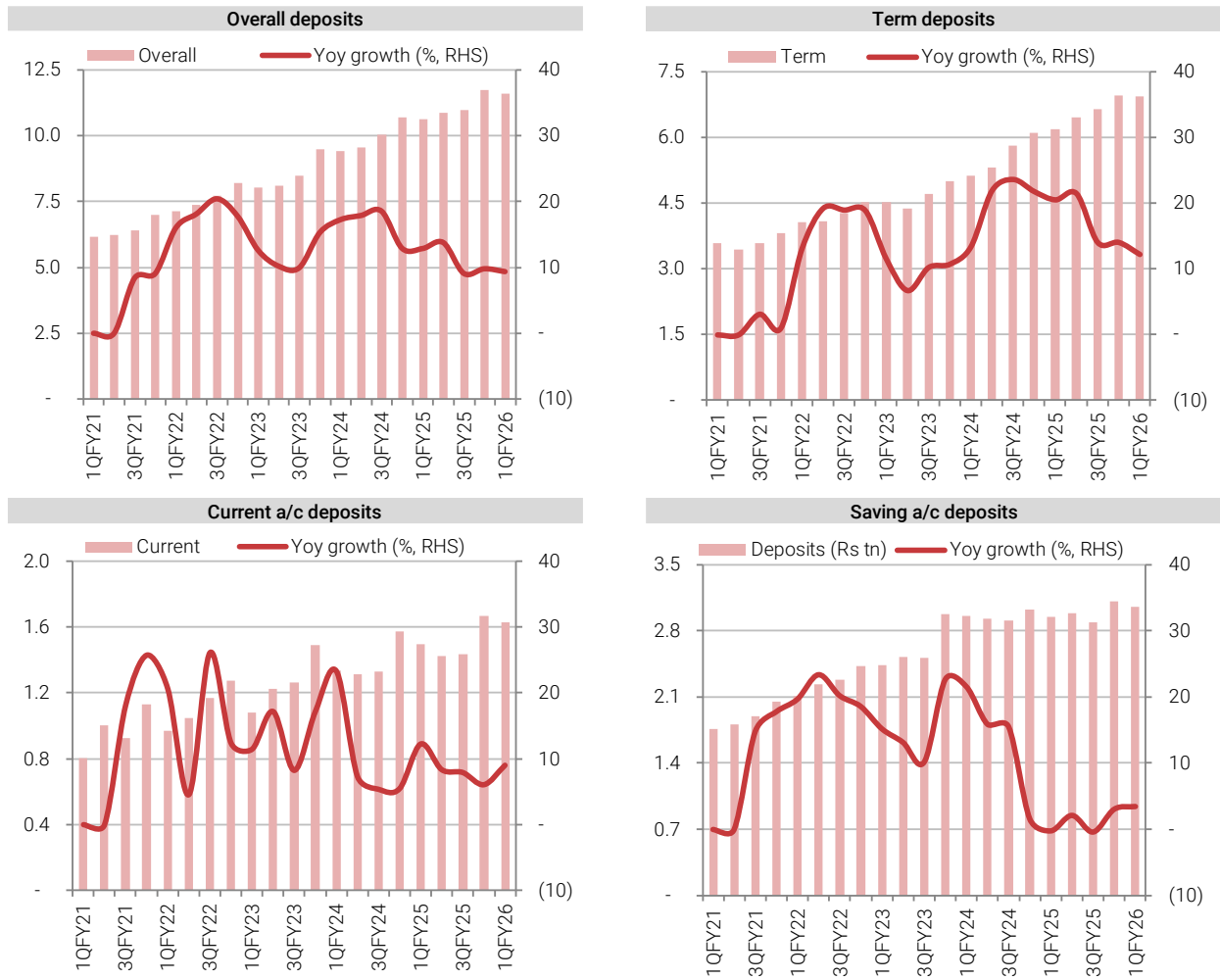
Deposit growth remained weak at ~9% yoy, led by weakness in savings a/c deposits

- ▶ Overall deposits (end-of-period) for the bank grew 9% yoy, with CA up 9% yoy, SA up 3% yoy and TD growing 12% yoy.
- ▶ On a quarterly average basis, overall deposits grew 8% yoy, led by term deposits growing 12% yoy, while CA deposits grew 4% yoy and SA deposits grew 1% yoy.
- ▶ LCR for the bank remained broadly flat at 119%.

Management has implemented various strategic initiatives to improve the liability franchise. This is reflected in better quality of deposits (higher granularity and lower outflow rates). The bank has also narrowed the gap on the cost of deposits with peers. Management has indicated that the trend in new acquisitions of savings and retail term deposits has remained healthy.

Growth in saving a/c deposits has been weak

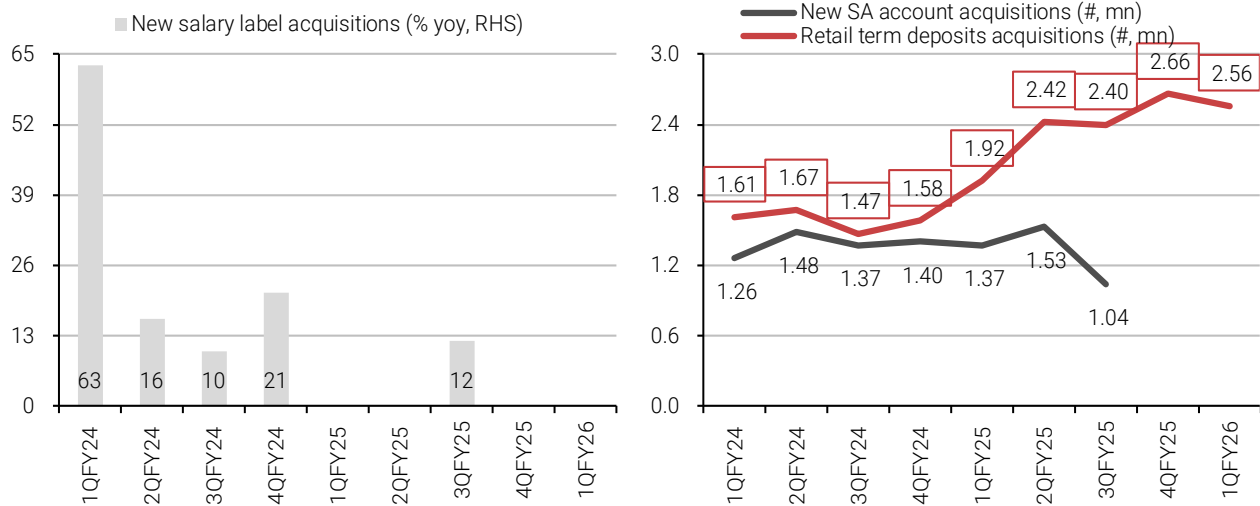
Exhibit 20: Deposit trends for Axis Bank, March fiscal year-ends (Rs tn)



Source: Company, Kotak Institutional Equities

The trend on new deposit acquisitions seems healthy

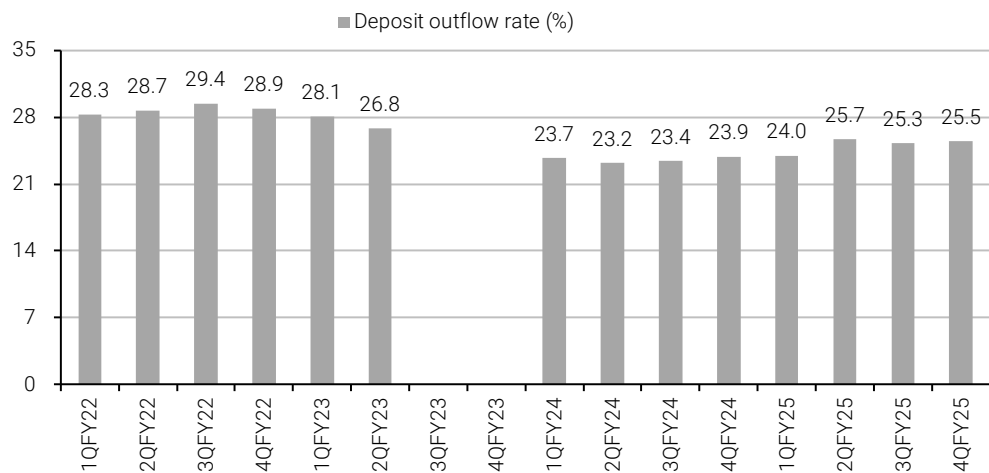
Exhibit 21: Liability franchise trends, March fiscal year-ends



Source: Company, Kotak Institutional Equities

Axis Bank has seen an improvement in the quality of the deposit franchise over the past few years

Exhibit 22: Deposit outflow rates as per LCR for Axis Bank, March fiscal year-ends (%)



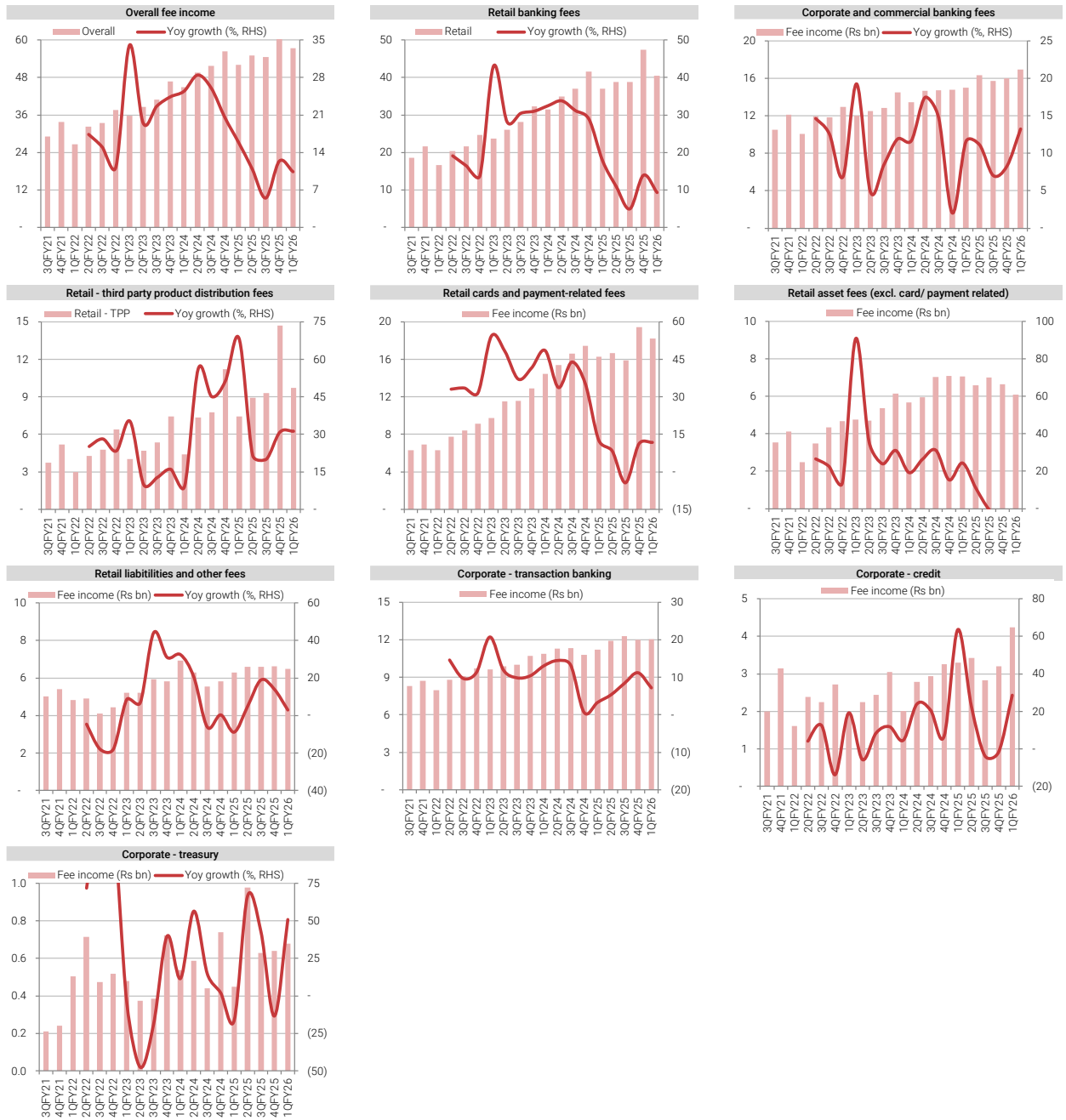
Source: Company, Kotak Institutional Equities

Other highlights:

- ▶ **Costs.** Overall expenses for the bank were up 2% yoy and down 5% qoq. Staff costs grew 4% yoy, while non-staff costs grew 1% yoy.
- ▶ **Reported NIM declined ~15 bps qoq to 3.8%.** This was led by ~25 bps qoq decline in yield on loans, while the cost of funds declined ~10 bps qoq.
- ▶ **Healthy capital position.** Overall capital adequacy stands comfortable at ~16.8% with CET-1 at ~14.7%.

Fee income growth has been led by distribution fees

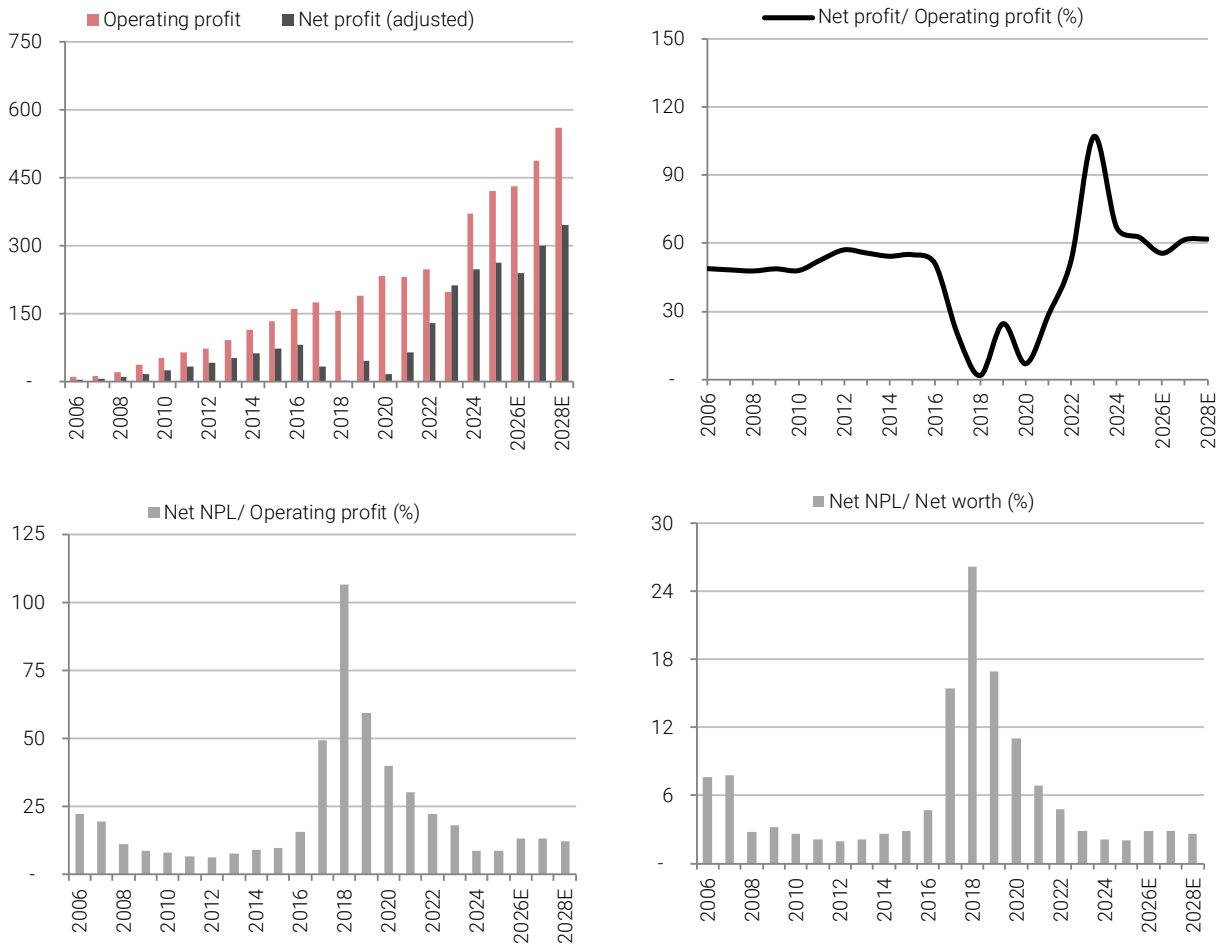
Exhibit 23: Fee income trend across segments, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

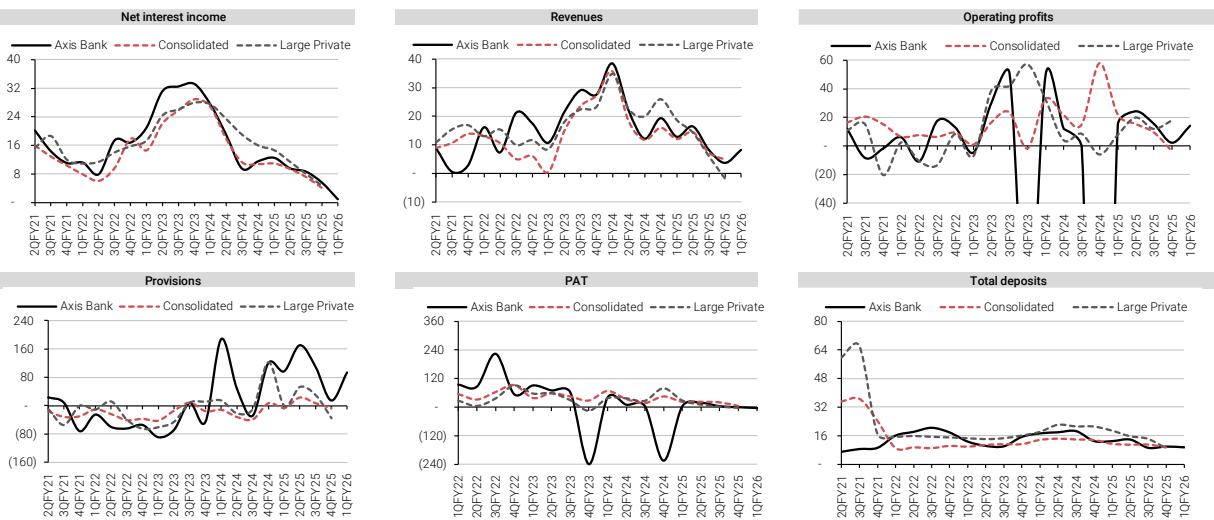
Operating profit conversion to net profit has improved

Exhibit 24: Profitability, capital and NPL metrics for Axis Bank, March fiscal year-ends (Rs mn)



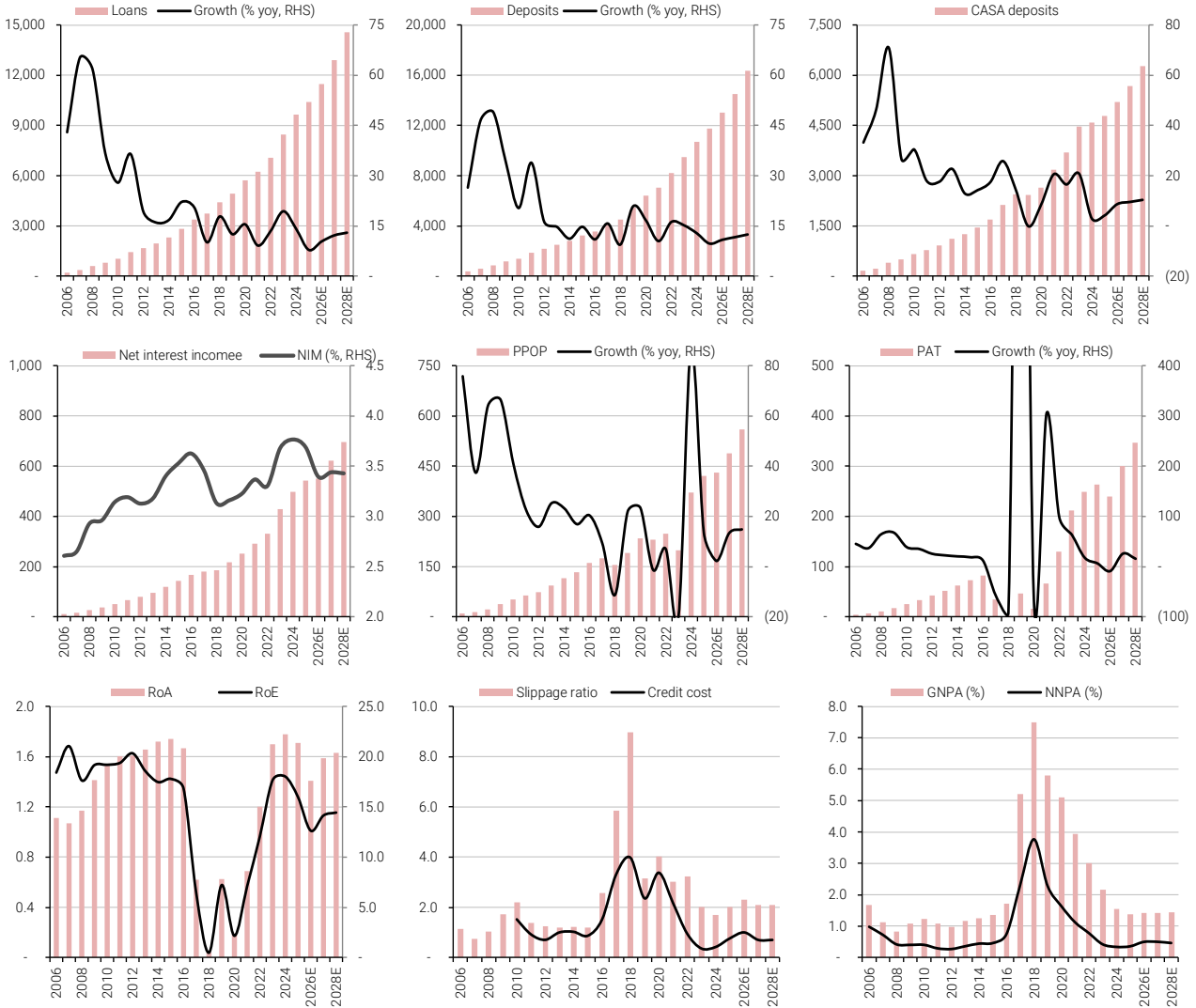
Source: Company, Kotak Institutional Equities estimates

Exhibit 25: Comparison of key metrics reported by Axis Bank and the banking industry, March fiscal year-ends (% yoy)



Source: Company, Kotak Institutional Equities estimates

Exhibit 26: Key metrics for Axis Bank, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities estimates

Exhibit 27: SoTP valuation for Axis Bank, as of March 2026 (year 0 of DCF), March fiscal year-ends

	Axis Bank stake (%)	Value per share of Axis Bank (Rs)	Valuation basis	Multiple (X)	Comment
Value of Axis Bank standalone	100	1,337	BVPS	1.9	Based on residual growth model
Subsidiaries					
Key subsidiaries					
Axis Finance	100	24	Net worth	2	1.5X 2027E BVPS for RoE at ~15%
Axis Capital	100	12	PAT	20	20X 2027E PAT; 20% holdco disc.
Axis AMC	75	41	PAT	25	25X 2027E PAT; 20% holdco disc.
Axis Securities	100	5	PAT	20	20X 2027E PAT; 20% holdco disc.
Insurance	19	31	EV	2.1	2.1X EV : 20% stake in Axis Max Life
Value of subsidiaries		113			
Value of company		1,450			

Source: Company, Kotak Institutional Equities estimates

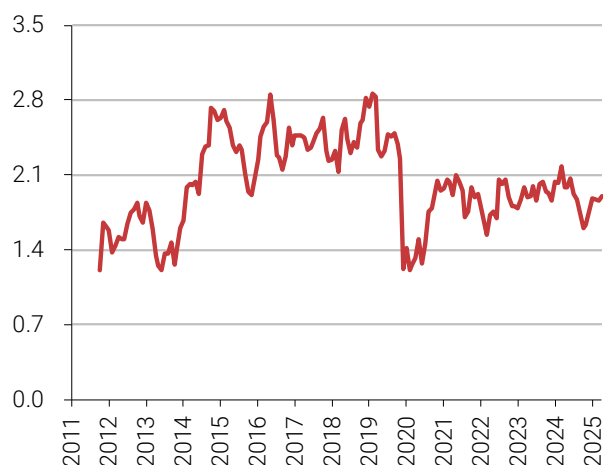
Exhibit 28: Axis Bank—estimate changes, March fiscal year-ends (Rs mn)

	New estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Net interest income	549,974	620,740	694,601	555,242	636,819	721,163	(0.9)	(2.5)	(3.7)
NIM (%)	3.4	3.4	3.4	3.4	3.4	3.3	2 bps	6 bps	8 bps
Loan growth (%)	10.4	12.2	13.0	12.5	13.2	13.0	-210 bps	-105 bps	0 bps
Loan loss provisions	109,472	85,306	96,072	71,868	87,360	98,817	52.3	(2.4)	(2.8)
Credit cost ratio (%)	1.0	0.7	0.7	0.7	0.7	0.7	35 bps	0 bps	0 bps
Other income	270,353	290,076	323,941	264,853	290,076	323,941	2.1	-	-
Fee income	221,887	248,513	278,335	221,887	248,513	278,335	-	-	-
Treasury income	18,000	7,500	7,500	12,500	7,500	7,500	44-	-	-
Operating expenses	390,004	423,230	458,945	390,741	424,671	461,017	(0.2)	(0.3)	(0.4)
Employee expenses	130,612	146,540	164,058	130,612	146,540	164,058	-	-	-
Cost-income ratio (%)	47.5	46.5	45.1	47.6	45.8	44.1	-10 bps	65 bps	95 bps
PBT	319,852	401,280	462,524	356,488	413,863	484,269	(10.3)	(3.0)	(4.5)
Tax	80,603	101,123	116,556	89,835	104,294	122,036	(10.3)	(3.0)	(4.5)
Net profit	239,249	300,158	345,968	266,653	309,570	362,233	(10.3)	(3.0)	(4.5)
EPS (Rs)	77.2	96.9	111.7	86.1	99.9	116.9	(10.3)	(3.0)	(4.5)
Adj. BVPS (Rs)	632	713	807	644	726	822	(1.8)	(1.8)	(1.8)
Slippage ratio (%)	2.3	2.1	2.1	2.0	2.1	2.1	30 bps	0 bps	0 bps
Gross NPA (%)	1.4	1.4	1.4	1.3	1.3	1.3	11 bps	11 bps	10 bps
Net NPA (%)	0.5	0.5	0.5	0.4	0.4	0.4	15 bps	10 bps	3 bps
RoA (%)	1.4	1.6	1.6	1.5	1.6	1.6	-14 bps	1 bps	1 bps
RoE (%)	12.6	14.1	14.4	14.0	14.4	14.8	-136 bps	-26 bps	-44 bps

Source: Company, Kotak Institutional Equities estimates

Axis Bank trading at 1.8X one-year forward book (adjusted)

Exhibit 29: P/BV (12-month rolling forward adjusted book, X)



Source: Bloomberg, company, Kotak Institutional Equities estimates

Axis Bank trades at a discount to private bank peers

Exhibit 30: Valuation discount to private bank peers (X)



Source: Bloomberg, company, Kotak Institutional Equities estimates

Exhibit 31: Axis Bank – key growth rates and financial ratios, March fiscal year-ends (%)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Growth rates (%)									
Net loan	15.5	9.2	13.5	19.4	14.2	7.8	10.4	12.2	13.0
Total Asset	14.3	8.8	18.0	12.1	12.1	9.0	10.9	11.9	12.6
Deposits	16.7	10.5	16.2	15.2	12.9	9.8	10.9	11.7	12.5
Current	1.0	25.7	12.6	16.9	5.5	6.1	7.0	11.7	12.5
Savings	12.6	17.8	18.6	22.7	1.6	3.1	9.5	8.3	9.1
Fixed	23.4	3.5	16.0	10.7	21.7	14.0	12.5	13.1	13.9
Net interest income	16.1	16.0	13.3	29.6	16.2	8.9	1.2	12.9	11.9
Loan loss provisions	63.5	(28.0)	(51.3)	(55.8)	36.2	101.3	43.1	(22.1)	12.6
Total other income	18.3	(21.1)	24.1	8.4	36.0	12.5	7.0	7.3	11.7
Net fee income	9.5	(3.4)	21.4	27.2	26.4	12.5	8.0	12.0	12.0
Net capital gains	186.5	(55.2)	41.6	(120.0)	(753.0)	10.5	(9–)	(58–)	–
Net exchange gains	5.9	0.2	21.2	(5.8)	7.4	11.7	12.5	12.5	12.5
Operating expenses	9.3	6.2	28.5	68.0	(11.2)	6.5	4.0	8.5	8.4
Employee expenses	12.1	15.8	23.5	15.1	24.8	11.5	7.1	12.2	12.0
Key ratios (%)									
Yield on average earning assets	8.0	7.3	6.7	7.3	8.3	8.3	7.7	7.6	7.4
Yield on average loans	9.1	8.0	7.5	8.3	9.6	9.7	8.9	8.7	8.5
Yield on average investments	6.8	6.6	5.9	6.5	6.5	6.3	5.9	5.8	5.7
Average cost of funds	5.0	4.2	3.7	3.9	4.9	5.2	4.9	4.6	4.5
Interest on deposits	4.9	4.0	3.5	3.6	4.5	4.8	4.4	4.3	4.1
Difference	3.0	3.2	3.1	3.4	3.3	3.1	2.9	2.9	2.9
Net interest income/earning assets	3.2	3.4	3.3	3.7	3.8	3.7	3.4	3.4	3.4
New provisions/average net loans	3.4	2.2	0.9	0.4	0.4	0.8	1.0	0.7	0.7
Interest income/total income	61.9	70.5	68.5	72.2	69.0	68.3	67.0	68.2	68.2
Fee income/total income	23.8	22.6	23.5	24.3	25.2	25.8	27.0	27.3	27.3
Operating expenses/total income	42.5	44.3	48.8	66.7	48.7	47.1	47.5	46.5	45.1
Dividend payout ratio	–	–	2.4	3.2	1.2	1.2	15.0	15.0	15.0
Share of deposits									
Current	14.1	16.0	15.5	15.7	14.7	14.2	13.7	13.7	13.7
Fixed	58.8	55.1	55.0	52.8	57.0	59.2	60.1	60.9	61.6
Savings	27.1	28.9	29.5	31.4	28.3	26.5	26.2	25.4	24.7
Loans-to-deposit ratio	89.3	88.2	86.1	89.3	90.3	88.7	88.3	88.7	89.1
Equity/assets (EoY)	9.3	10.2	9.8	9.5	10.2	11.2	11.2	11.3	11.3
Dupont analysis (%)									
Net interest income	2.9	3.1	3.1	3.4	3.6	3.5	3.2	3.3	3.3
Loan loss provisions	2.1	1.4	0.6	0.2	0.3	0.5	0.6	0.5	0.5
Net other income	1.8	1.3	1.4	1.3	1.6	1.6	1.6	1.5	1.5
Operating expenses	2.1	2.0	2.2	3.2	2.5	2.5	2.3	2.2	2.2
(1- tax rate)	33.2	74.8	74.9	56.7	75.2	76.8	74.8	74.8	74.8
ROA	0.2	0.7	1.2	0.8	1.8	1.7	1.4	1.6	1.6
Average assets/average equity	11.3	10.2	10.0	10.4	10.1	9.3	8.9	8.9	8.8
ROE	2.1	7.1	12.0	8.0	18.0	15.9	12.6	14.1	14.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 32: Axis Bank—key financials, March fiscal year-ends (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Income statement (Rs mn)									
Total interest income	626,352	636,453	673,768	851,638	1,093,686	1,226,770	1,248,859	1,361,699	1,495,122
Loans	483,030	479,189	496,166	645,538	871,066	972,003	977,176	1,064,308	1,169,900
Investments	112,460	125,582	146,189	181,787	200,106	229,283	247,172	269,699	293,874
Total interest expense	374,290	344,062	342,446	422,180	594,741	683,292	698,885	740,959	800,521
Deposits from customers	293,691	268,432	266,838	317,329	455,418	539,017	548,736	590,526	637,376
Net interest income	252,062	292,391	331,322	429,457	498,945	543,478	549,974	620,740	694,601
Loan loss provisions	180,000	129,641	63,085	27,899	38,004	76,521	109,472	85,306	96,072
Net interest income (after prov.)	72,062	162,751	268,237	401,559	460,941	466,957	440,502	535,434	598,529
Other income	155,366	122,636	152,205	165,009	224,420	252,571	270,353	290,076	323,941
Net fee income	96,919	93,589	113,586	144,463	182,564	205,451	221,887	248,513	278,335
Net capital gains	21,723	9,732	13,777	(2,750)	17,960	19,848	18,000	7,500	7,500
Net exchange gains	15,745	15,781	19,124	18,021	19,355	21,628	24,331	27,373	30,794
Operating expenses	173,046	183,751	236,108	396,560	352,133	374,999	390,004	423,230	458,945
Employee expenses	53,210	61,640	76,126	87,601	109,331	121,928	130,612	146,540	164,058
Depreciation on investments	1,360	9,386	3,845	1,863	639	(2,225)	-	-	-
Other provisions	3,980	4,191	6,665	(915)	1,987	3,287	1,000	1,000	1,000
Pretax income	49,041	88,059	173,826	169,058	330,601	343,466	319,852	401,280	462,524
Tax provisions	32,770	22,174	43,571	73,262	81,986	79,731	80,603	101,123	116,556
Net Profit	16,271	65,885	130,255	95,797	248,614	263,735	239,249	300,158	345,968
% growth	(65)	305	98	(26)	160	6	(9)	25	15
PBT+provisions-treasury	212,658	221,543	233,643	200,656	353,272	401,202	412,323	480,086	552,096
% growth	(56)	187	104	7	82	4	(7)	30	16
Balance sheet (Rs mn)									
Cash and bank balance	972,683	617,298	1,109,871	1,064,108	1,144,544	997,321	1,147,498	1,299,067	1,479,600
Cash	79,879	126,732	98,401	96,659	96,348	80,739	96,887	116,265	139,518
Balance with RBI	769,713	391,354	841,944	564,519	764,427	655,645	737,487	807,053	889,184
Balance with banks	26,274	8,938	13,572	38,664	20,398	1,973	2,368	2,841	3,410
Net value of investments	1,567,343	2,261,196	2,755,972	2,888,148	3,315,272	3,961,418	4,410,198	4,881,752	5,420,549
Govt. and other securities	1,219,181	1,807,028	2,190,931	2,192,666	2,383,946	2,926,402	3,301,356	3,691,534	4,140,648
Shares	11,552	12,135	17,590	17,580	11,315	25,697	25,697	25,697	25,697
Debentures and bonds	205,529	344,354	449,048	547,643	738,537	729,594	802,553	882,808	971,089
Net loans and advances	5,714,242	6,237,202	7,079,466	8,453,028	9,650,684	10,408,113	11,486,191	12,886,934	14,562,335
Fixed assets	43,129	42,450	45,724	47,339	56,846	62,917	73,934	79,099	90,032
Net owned assets	43,129	42,450	45,724	47,339	56,846	62,917	73,934	79,099	90,032
Other assets	854,252	803,038	763,255	720,632	604,740	669,530	738,880	828,987	936,761
Total assets	9,151,648	9,961,184	11,754,288	13,173,255	14,772,086	16,099,299	17,856,701	19,975,839	22,489,277
Deposits	6,401,049	7,073,061	8,219,715	9,469,452	10,686,414	11,729,520	13,006,111	14,524,020	16,336,272
Borrowings and bills payable	1,516,439	1,499,058	1,936,332	1,958,438	2,035,256	1,903,403	2,100,559	2,356,722	2,663,114
Other liabilities	384,681	373,035	446,499	491,198	539,800	669,124	749,419	839,349	940,071
Total liabilities	8,302,170	8,945,154	10,602,547	11,919,089	13,261,470	14,302,048	15,856,088	17,720,091	19,939,457
Paid-up capital	5,643	6,127	6,139	6,154	6,173	6,195	6,195	6,195	6,195
Reserves & surplus	843,835	1,009,903	1,145,601	1,248,013	1,504,443	1,791,057	1,994,418	2,249,553	2,543,625
Total shareholders' equity	849,478	1,016,030	1,151,741	1,254,167	1,510,616	1,797,251	2,000,613	2,255,747	2,549,820

Source: Company, Kotak Institutional Equities estimates