

AXIS/CO/CS/318/2024-25

August 30, 2024

Listing & Compliance Department  
National Stock Exchange of India Limited  
Exchange Plaza, 5th Floor  
Plot No. C/1, "G" Block  
Bandra-Kurla Complex  
Bandra (E), Mumbai – 400 051

Listing Department  
BSE Limited  
1<sup>st</sup> Floor, New Trading Ring,  
Rotunda Building  
P. J. Towers, Dalal Street  
Fort, Mumbai – 400 001

NSE Symbol: AXISBANK

BSE Scrip Code : 532215

Dear Sir(s),

**SUB: RATING ACTION BY MOODY'S INVESTORS SERVICE**

**REF: REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 ("LISTING REGULATIONS")**

This is to inform you that credit rating agency Moody's Investors Service ("Moody's") has affirmed Axis Bank Limited's ("the Bank's") Baa3 long term deposit rating and the Bank's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA. Further, the outlook on the ratings is maintained at Stable.

The rating rationale letter of Moody's is attached herewith.

This is for your information and records.

Thanking you.

Yours faithfully,

**For Axis Bank Limited**

**Sandeep Poddar  
Company Secretary**

Encl.: As above

CC: London Stock Exchange  
Singapore Stock Exchange

**CREDIT OPINION**

30 August 2024

Update

Send Your Feedback

**RATINGS**

**Axis Bank Ltd**

Domicile	Mumbai, India
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Axis Bank Ltd**

Update to credit analysis

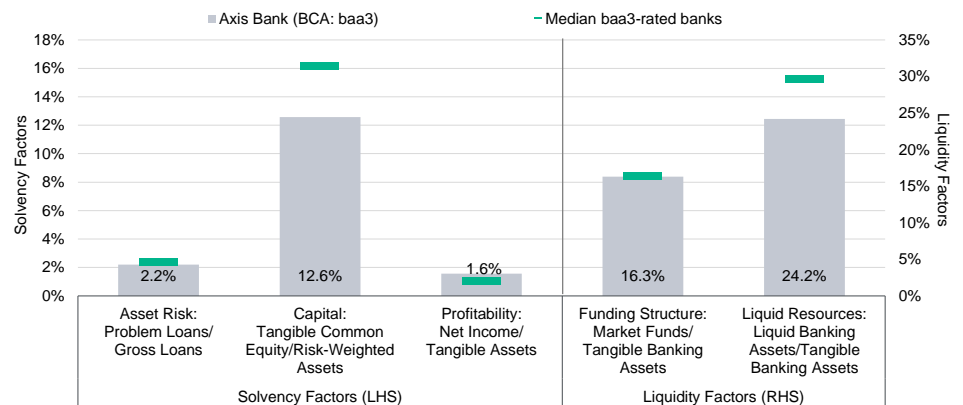
**Summary**

[Axis Bank Ltd's](#) (Axis) Baa3 local- and foreign-currency bank deposit ratings reflect its sound asset quality, capital and profitability. In addition, the bank is mostly funded by retail deposits, which supports its funding and liquidity.

The bank's ratings do not benefit from any government support uplift because its baa3 Baseline Credit Assessment (BCA) is already at the same level as the [Government of India's](#) Baa3 sovereign rating. The outlook on Axis' ratings, where applicable, is stable.

Exhibit 1

**Key financial ratios**



Source: Moody's Financial Metrics

## Credit strengths

- » Robust profitability, supported by healthy net interest margins (NIMs), good proportion of non-interest income and operating efficiency
- » Satisfactory capital ratios, with good access to capital markets
- » Stable funding profile and liquidity, given mainly granular deposit funding and sizable government securities holdings

## Credit challenges

- » Risks to asset quality, given brisk loan growth in the past few years and an elevated interest environment

## Outlook

The stable outlook on Axis' ratings is in line with the stable outlook on the sovereign rating.

## Factors that could lead to an upgrade

An upgrade to Axis' deposit ratings and BCA is unlikely because they are at the same level as India's sovereign rating.

## Factors that could lead to a downgrade

We could downgrade Axis' deposit ratings if the BCA is lowered by more than one notch. We would lower the BCA if the bank's tangible common equity (TCE)/risk-weighted assets (RWA) decreases to below 10.5% because of strong loan growth without commensurate capital retention or infusion of external capital or if the bank's asset quality weakens significantly.

## Key indicators

Exhibit 2

### Axis Bank Ltd (Consolidated Financials) [1]

	03-24 <sup>2</sup>	03-23 <sup>2</sup>	03-22 <sup>2</sup>	03-21 <sup>2</sup>	03-20 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (INR Billion)	15,131.3	13,364.3	11,884.3	9,938.9	9,232.4	13.1 <sup>4</sup>
Total Assets (USD Billion)	181.4	162.6	156.8	135.9	122.0	10.4 <sup>4</sup>
Tangible Common Equity (INR Billion)	1,528.1	1,269.2	1,157.4	1,020.5	851.2	15.8 <sup>4</sup>
Tangible Common Equity (USD Billion)	18.3	15.4	15.3	14.0	11.3	13.0 <sup>4</sup>
Problem Loans / Gross Loans (%)	1.5	2.1	3.0	4.0	5.0	3.1 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	12.6	12.7	13.5	13.7	12.3	13.0 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	9.0	12.5	15.8	20.1	27.5	17.0 <sup>5</sup>
Net Interest Margin (%)	3.7	3.6	3.3	3.3	3.1	3.4 <sup>5</sup>
PPI / Average RWA (%)	3.6	2.3	3.3	3.4	3.6	3.2 <sup>6</sup>
Net Income / Tangible Assets (%)	1.8	1.7	1.2	0.7	0.2	1.1 <sup>5</sup>
Cost / Income Ratio (%)	48.5	65.6	48.5	44.3	42.8	49.9 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	16.3	16.3	17.1	15.6	18.2	16.7 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	24.2	25.3	28.5	25.1	24.4	25.5 <sup>5</sup>
Gross Loans / Due to Customers (%)	99.3	97.7	93.4	96.1	100.0	97.3 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Axis was initially incorporated as UTI Bank in 1993 and was one of India's first new private-sector banks, following the deregulation of the banking sector. The bank had a market share of around 6% in loans and 5% in deposits as of 30 June 2024, and is the third-largest private bank in India.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Operating mainly in India, Axis provides retail and corporate banking services to individuals; large and medium-sized companies; micro, small and medium-sized enterprises; institutions; and central and state government ministries and undertakings. As of 30 June 2024, the bank had 5,427 domestic branches (including extension counters).

The bank also has an international presence through branches in Dubai International Financial Centre (a special economic zone in Dubai) and Singapore; representative offices in Bangladesh (Dhaka) and the United Arab Emirates (Abu Dhabi, Dubai and Sharjah); and an offshore banking unit in GIFT City (a financial services hub in India's Gujarat state).

## Detailed credit considerations

### Asset quality will remain better than industry average; uptick in credit costs from cyclically low levels likely

We expect the asset quality of Axis to remain benign, supported by the favorable economic conditions in India. We forecast real GDP growth of 6.6% and 6.2% for India in the fiscal year ending March 2025 (fiscal 2025) and fiscal 2026.

The bank has a well diversified loan book comprising corporate (29%), SME (11%) and retail loans (60%). The retail book is diversified among secured categories like mortgages and auto, and unsecured categories like personal loans, credit cards and others (rural and small business banking loans).

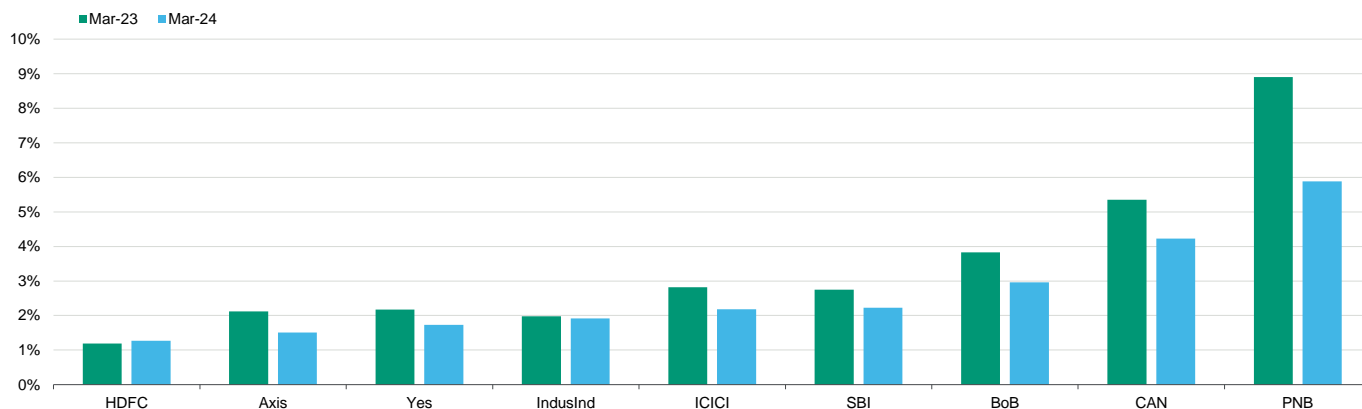
The corporate sector is in a healthy state, with good profitability and de-leveraged balance sheets. Loan growth for secured retail loans, such as housing and vehicle loans, is backed by real demand, satisfactory employment conditions and adequate asset collateral. However, we expect a slight increase in delinquencies in the small business banking loans, as well as in the bank's retail unsecured loan portfolio. This is because of the elevated interest rates over the past few quarters and an increase in retail leverage in the country, although from a low base. The Reserve Bank of India (RBI) has increased interest rates by 250 basis points since May 2022, which is gradually feeding through to the borrowers through lending rates. That said, Axis' primary focus on the existing bank customers for the bulk of its origination — those with salaried jobs and good credit scores — for unsecured retail lending is likely to help maintain an asset quality that is above the industry average. As of 30 June 2024, 100% of its personal loans and 78% of its credit cards portfolio are to the salaried segment.

Over the last few years, Indian banks, including Axis, have recorded a benign asset quality cycle, largely due to the strong post-pandemic economic recovery in India. While asset quality remains benign, Axis reported a slight uptick in its gross and net nonperforming loan (NPL) ratios at the end of June 2024, compared with the quarter before. As of 30 June 2024, Axis' gross and net NPL ratios increased to 1.59% and 0.36%, respectively, from 1.51% and 0.33% in the previous quarter. These metrics still compare well with the industry's gross NPL ratio of 2.8% as of 31 March 2024. At the segment level, there was an uptick in the gross NPL ratio of the bank's retail book to 1.4% at the end of June 2024, from 1.2% a quarter earlier. Meanwhile, gross NPL ratios in corporate and SME/mid-market segments remained stable at 2.0% and 0.9%, respectively, as of 30 June 2024.

Axis continues to maintain adequate loan loss buffers. As of 30 June 2024, Axis' standalone specific provision coverage ratio was 78%. Including other reserves (general provisions, additional and pandemic-related reserves), the coverage was at 150%.

We assign a baa3 Asset Risk score to reflect the abovementioned factors.

Exhibit 3  
**Axis' NPL ratio will remain broadly stable**  
 Gross NPL ratio (in percentage terms)



HDFC = [HDFC Bank Limited](#) (Baa3 stable, baa3), Yes = [Yes Bank Limited](#) (Ba3 positive, b1), IndusInd = [IndusInd Bank Limited](#) (Ba1 stable, ba1), ICICI = [ICICI Bank Limited](#) (Baa3 stable, baa3), SBI = [State Bank of India](#) (Baa3 stable, ba1), BoB = [Bank of Baroda](#) (Baa3 stable, ba2), CAN = [Canara Bank](#) (Baa3 stable, ba2), PNB = [Punjab National Bank](#) (Baa3 stable, ba2). The ratings refer to the banks' deposit rating and BCA.  
 Source: Banks' Basel III disclosures

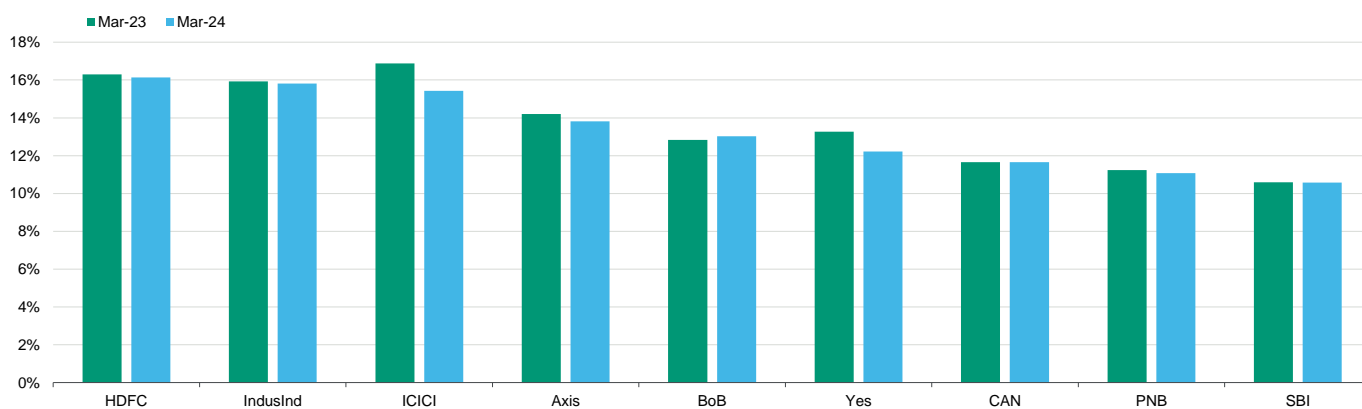
**Capital is satisfactory**

We expect that Axis' capital position will remain satisfactory over the next 12-18 months, as asset growth will keep pace with internal capital generation. The bank has had good internal accruals and access to public and private equity markets for capital replenishments in the last few years.

At the end of June 2024, Axis' reported consolidated Common Equity Tier 1 (CET1) capital ratio was 14%, an increase from 13.8% a year ago, as profit accretion exceeded capital consumption. We expect Axis to grow its loans in line with the industry's loan growth of around 12%-15% in the next one year. At the same time, we expect the bank will continue to have return on equity in the high teens in percentage terms, thereby maintaining adequate internal accruals and solvency. However, higher-than-expected growth would warrant external capital replenishment to maintain its capital at existing levels.

The baa3 Capital score reflects the above factors.

Exhibit 4  
**Axis has adequate capitalization**  
 Consolidated CET1 capital ratio (in percentage terms)



Source: Banks' Basel III disclosures

### Profitability will remain higher than industry average, although some moderation likely

We expect Axis to structurally maintain above-industry-average profitability because of its high NIMs, given its presence in high-yielding retail and small business loan categories and a competitive cost of funding. The bank also benefits from good operating efficiency, scale of operations, and diversified non-interest income. Axis' annualized consolidated return on assets (ROA) for the quarter that ended 30 June 2024 was 1.7%, compared with the industry's ROA of 1.3% for fiscal 2024.

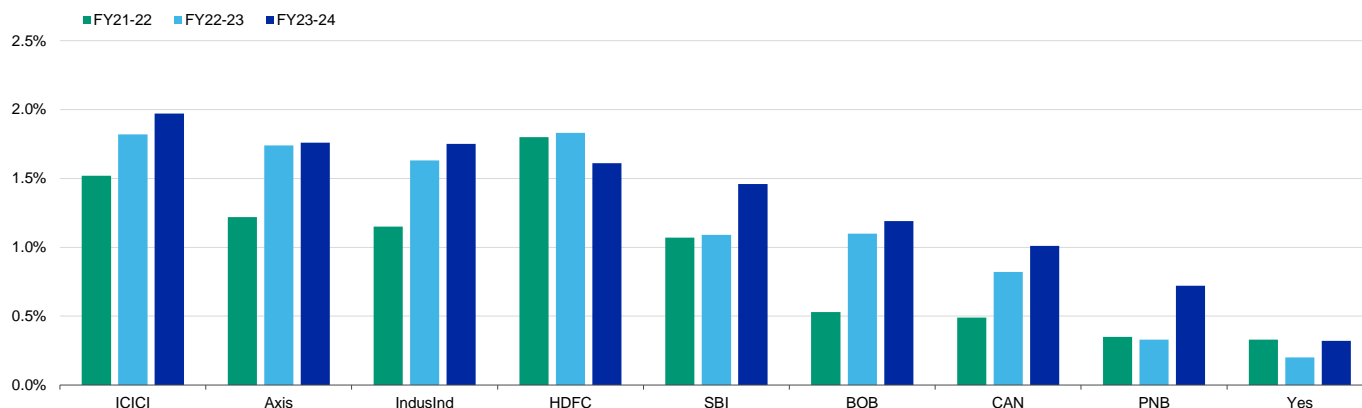
We expect profitability to moderate slightly because of competition on the lending side, a slowdown in the high-yielding unsecured retail loans portfolio after [regulatory intervention](#), and upward repricing of deposits. In addition, there is a possibility of policy rate cuts in the next few quarters, which will be negative for margins as banks are asset-sensitive. At the same time, credit costs are likely to rise from cyclically very low levels as the loan book seasons. For the quarter that ended 30 June 2024, annualized credit costs increased, mainly due to seasonality and lower recoveries and upgrades.

Axis' profitability has improved in the last few years (see Exhibit 5) because of an increase in NIMs amid a rising policy rate environment where loans repriced faster than deposits; an increase in the share of higher-yielding retail and SME loans; a reduction in low-yielding Rural Infrastructure Development Fund (RIDF) bonds; rising loan-to-deposit ratios; and lower credit costs. However, the bank's annualized consolidated ROA for the quarter that ended 30 June 2024 moderated slightly to 1.7% from 1.8% in the corresponding quarter a year ago, driven by an increase in loan loss provisions.

Exhibit 5

#### Axis' profitability has improved in the past few years

Net income/Tangible assets



Source: Moody's Ratings

We assign a baa2 Profitability score to reflect the abovementioned factors.

### Sound funding profile, supported by a strong customer deposit base

Axis' strong funding profile remains one of its key credit strengths, supported by its position as the third-largest private-sector bank in India and its solid retail banking franchise. We expect the funding situation of the industry to remain tight, as deposit growth is lagging loan growth in the system and the current account and savings account (CASA) ratio is declining.

At the end of June 2024, the bank had 5,427 domestic branches, 15,014 ATMs, and a market share of 5% in system deposits. The bank is primarily deposit-funded, which accounted for 70.1% of its assets as of 30 June 2024, a slight decline from 70.6% in the previous year. CASA deposits accounted for 42% of the bank's total deposits as of 30 June 2024, down from 46% in the previous year, as customers shifted to the higher-yielding term deposits in the higher interest rate environment. This is reflected in the standalone 20% year-on-year growth for term deposits, compared with the 4% year-on-year growth for CASA deposits in the quarter that ended 30 June 2024. Axis continues to maintain a granular deposit base, with the top 20 largest depositors making up only 8.5% of total bank deposits as of 31 March 2024.

Axis' strong funding position is also supported by its moderate reliance on market borrowings. As of 31 March 2024, borrowings as a percentage of total assets remained modest at 14.8%, compared with 14.6% in the previous year.

We assign a baa2 Funding Structure score to reflect the abovementioned factors.

Axis' liquidity remains strong, and we expect that it will remain stable over the next 12-18 months.

Axis' stock of liquid assets — the bulk of which consists of cash, interbank assets and government securities — accounted for 24.2% of the bank's total tangible assets as of 31 March 2024 (31 March 2023: 25.3%), a proportion that has remained broadly stable over the past few years. Additionally, the bank's liquidity coverage ratio (LCR) was 120% at the end of June 2024 on a consolidated basis, well above the regulatory requirement of 100%.

The baa3 Liquid Resources score reflects the abovementioned factors.

**Axis' BCA is supported by India's Moderate+ macro profile**

The macro profile is an analytical input used to determine each bank's BCA and is designed to capture the systemwide factors that are predictive of the propensity of banks to fail. Given the fact that Axis operates predominantly in India, we assigned a [Moderate+](#) macro profile to the bank, in line with that assigned to India.

India's macro profile balances the country's large and diversified economy with high growth potential against low per capita income and moderate institutional strength.

Credit conditions in India have gradually improved, with a significant reduction in the banks' stock of legacy problem loans over the past three years. Corporates' financial health has also improved following a decade of leverage reduction, while stress among non-bank financial institutions has abated.

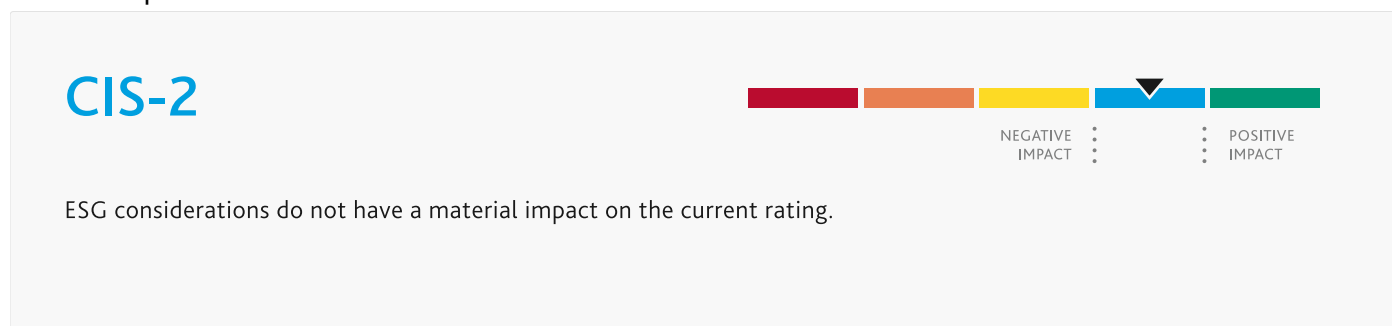
The funding and liquidity of Indian banks are stable because these banks continue to be largely funded by customer deposits, with limited reliance on confidence-sensitive market funds. Furthermore, all the Indian banks that we rate meet their current LCR requirements, although only a part of the banks' holdings of government securities is included as high-quality liquid assets in LCR calculations.

**ESG considerations**

**Axis Bank Ltd's ESG credit impact score is CIS-2**

Exhibit 6

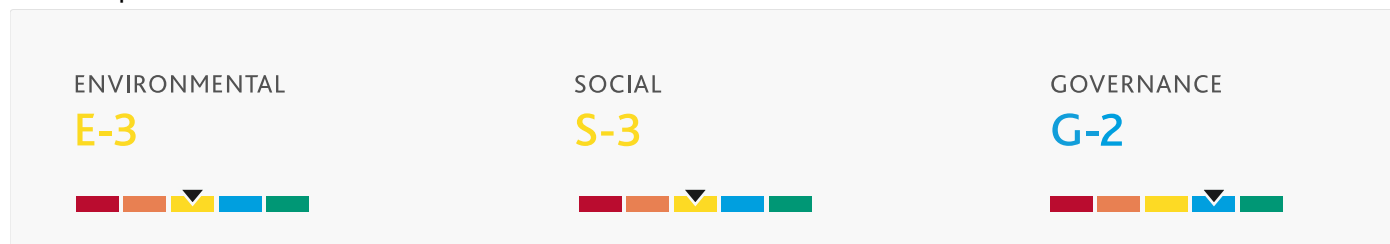
**ESG credit impact score**



Source: Moody's Ratings

Axis's CIS -2 reflects limited credit impact of environmental and social risk factors on the rating to date, as well as the bank's low governance risk.

Exhibit 7

**ESG issuer profile scores**

Source: Moody's Ratings

**Environmental**

Axis faces moderate industrywide environmental risks related to carbon transition. The exposure to carbon-intensive sectors is partially offset by Axis's diversified loan book. We also expect India's decarbonization policies to include measures to mitigate carbon transition risks.

**Social**

Axis faces moderate social risks related to customer relationships, tightening regulatory and compliance standards, and the impact of potential technological disruptions associated with an increasingly digitally active customer base. However, the bank is generally focused on intermediation with simpler product ranges with few identified conduct issues and faces moderate risk from regulatory scrutiny on consumer protection. Furthermore, the bank will benefit from India's favorable demographic factors, low credit penetration, and the bank's focus on investing in digitization to improve customer experience and promote financial education.

**Governance**

Axis faces low governance risks. The bank has improved risk management, as reflected in the resilient asset quality over the last few years despite significant economic headwinds because of the pandemic. Its policies and procedures are in line with industry best practices and are suitable for its risk appetite.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

**Support and structural considerations****Government support considerations**

Our assessment of a moderate probability of government support to Axis, in the event of financial distress, takes into consideration the bank's status as the third-largest private-sector bank in India by assets, its sizable retail deposit franchise and its importance to the national payments system. The change in our assessment of support to moderate from high incorporates our expectation, based on the bailout of Yes Bank, that government support for private-sector banks will not be as forthcoming and timely as was previously assumed.

Our support assumptions do not result in any uplift to the deposit ratings because the bank's ratings are constrained by India's sovereign rating.

For other junior securities held by private-sector banks, the probability of government support is low and these ratings do not include any related uplift. In general, junior securities do not contain any uplift for systemic support, reflecting the increasing international trend of selectively imposing losses on holders of junior-ranking securities (creditor bail-in) as a precondition for an ailing bank to receive public-sector support. Although India does not have an explicit legal framework to impose losses on creditors outside of bankruptcy, the global financial crisis demonstrated that bank recapitalization costs can be shared with subordinated creditors outside of the legal framework by means of distressed exchanges without triggering any contagion, as was previously feared.

**Counterparty Risk (CR) Assessment****Axis' CR Assessment is at Baa3(cr)/Prime-3(cr)**

The CR Assessment, before government support, is positioned in line with the bank's senior unsecured debt and deposit ratings, reflecting our expectation that in the case of a bank rescue, Indian regulators will not differentiate between banks' operational creditors and



depositors, as illustrated by the bailout of Yes Bank. We then assign government support assumptions, in line with our support assumptions on deposits and senior unsecured debt.

### Counterparty Risk Ratings (CRRs)

#### Axis' CRRs are at Baa3/Prime-3

The CRR, before government support, is positioned in line with the bank's senior unsecured debt and deposit ratings, reflecting our expectation that in the case of a bank rescue, Indian regulators will not differentiate between banks' operational creditors and depositors, as illustrated by the bailout of Yes Bank. We then assign government support assumptions, in line with our support assumptions on deposits and senior unsecured debt.

### Methodology and scorecard

#### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our rating committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may significantly differ from that suggested by raw data alone (though it is calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 8

### Rating Factors

Macro Factors							
<b>Weighted Macro Profile</b>	<b>Moderate</b>	<b>100%</b>					
	+						
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2	
Solvency							
Asset Risk							
Problem Loans / Gross Loans	2.2%	baa1	↔	baa3	Quality of assets		
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	12.6%	baa2	↔	baa3	Expected trend	Access to capital	
Profitability							
Net Income / Tangible Assets	1.6%	a3	↔	baa2	Earnings quality	Expected trend	
Combined Solvency Score		baa1		baa3			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	16.3%	baa2	↔	baa2	Deposit quality		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	24.2%	baa3	↔	baa3	Quality of liquid assets		
Combined Liquidity Score		baa2		baa2			
Financial Profile				baa3			
Qualitative Adjustments				Adjustment			
Business Diversification				0			
Opacity and Complexity				0			
Corporate Behavior				0			
Total Qualitative Adjustments				0			
Sovereign or Affiliate constraint				Baa3			
BCA Scorecard-indicated Outcome - Range				baa2 - ba1			
Assigned BCA				baa3			
Affiliate Support notching				0			
Adjusted BCA				baa3			
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating	
Counterparty Risk Rating	0	0	baa3	0	Baa3	Baa3	
Counterparty Risk Assessment	0	0	baa3 (cr)	0	Baa3(cr)		
Deposits	0	0	baa3	0	Baa3	Baa3	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 9

Category	Moody's Rating
<b>AXIS BANK LTD</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
<b>AXIS BANK LIMITED, GIFT CITY BRANCH</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured MTN	(P)Baa3
Pref. Stock Non-cumulative	Ba3 (hyb)
<b>AXIS BANK LTD, SINGAPORE BRANCH</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured MTN	(P)Baa3
<b>AXIS BANK LIMITED, DIFC BRANCH</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured MTN	(P)Baa3
Other Short Term	(P)P-3

Source: Moody's Ratings

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