AXIS/CO/CS/360/2022-23

October 21, 2022

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

BSE Limited
1st 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 FITCH RATINGS FOR AXIS BANK LIMITED ("BANK")

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

This is to inform you that credit rating agency Fitch Ratings has affirmed Bank's Long-Term Issuer Default Rating (IDR) at 'BB+'. The Outlook is 'Stable'. Fitch Ratings has also affirmed the Bank's Viability Rating (VR) at 'bb' and its Government Support Rating (GSR) of 'bb+'.

The rating action letter received from Fitch is attached herewith.

This is for your information and records.

Thanking you.

With warm regards,

For Axis Bank Limited

SANDEEP PODDAR
Digitally signed by SANDEEP PODDAR
Date: 2022.10.21 18:58:10 +05'30'

Sandeep Poddar
Company Secretary

Encl.: As above

CC: London Stock Exchange
Singapore Stock Exchange

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Axis Bank at 'BB+'; Outlook Stable

Fri 21 Oct, 2022 - 8:01 AM ET

Fitch Ratings - Singapore/Mumbai - 21 Oct 2022: Fitch Ratings has affirmed India-based Axis Bank Limited's Long-Term Issuer Default Rating (IDR) at 'BB+'. The Outlook is Stable. The agency has also affirmed the bank's Viability Rating (VR) at 'bb' and its Government Support Rating (GSR) of 'bb+'. A full list of rating actions is below.

KEY RATING DRIVERS

Support-Driven IDR: The IDR is driven by the GSR, as it is higher than the VR; this is despite the VR being the highest among Fitch-rated Indian banks. The GSR is one notch below the sovereign rating (BBB-/Stable) and reflects our expectation of a moderate probability of extraordinary state support for Axis relative to large state banks. The Stable Outlook mirrors the Outlook on the sovereign IDR.

Moderate Systemic Importance: The GSR reflects our view of a moderate probability of extraordinary state support for Axis, if required. This is based on its private ownership, which is balanced by its size and systemic importance. The bank's systemic importance stems from its large share of system loans (6%) and deposits (5%) at end-March 2021, as well as its substantial retail deposit franchise. However, the probability of support is lower for Axis than for large state banks, which enjoy majority state ownership and strong linkages with the state.

Stable Operating Environment: We expect India's strong medium-term growth potential of 7% and a relatively stable operating environment (OE) - despite some near-term inflationary pressure - to present moderate opportunities for banks to maintain a profitable business. Banks are further supported by India's large and diversified economy, high domestic consumption growth, and reasonable insulation from external risks.

Large Domestic Franchise: We have reassessed Axis's business profile score to 'bb+', from 'bbb-'. This is one notch above the OE score of 'bb', similar to several large state banks. We believe that Axis can leverage its retail-focused domestic franchise and above-average capitalisation to generate through-the-cycle profitable business opportunities and sustain its market share. However, the OE influences the bank's business profile, including its risk appetite, which could manifest in weaker key financial metrics in a less-benign environment.

Axis is among India's top-three private banks, and we expect its franchise to benefit from its acquisition of Citi India's consumer business, once it is completed. Its traditional business model is less reliant on larger and less-profitable corporate loans than state banks, visible in a more balanced distribution of interest and non-interest income. Axis has a clearer medium-term strategy, partly due to the absence of direct government influence.

Retail Driven Loan Growth: The bank's risk profile score of 'bb' is linked to its asset quality, and conditioned by the OE. Credit risk accounts for 85% of risk-weighted assets. We expect loans to organically increase by around 15% in the medium term, driven by the retail segment. However, the bank's foray in riskier segments in search of higher margins, including unsecured retail, rural and small business loans, will test its underwriting, pricing and risk controls, particularly amid less-benign conditions.

That said, the bank's risk appetite is partly balanced by the dominance of secured loans in total loans and focus on lending to better-quality corporate borrowers.

Impaired Loans to Improve: We have reassessed the asset-quality score to 'bb', from 'bb-', since we expect the four-year average impaired-loan ratio to approach 3.0% by the end of the financial year ending March 2023 (FY23), from 4.1% in FY22. This is consistent with the higher score. The outlook is stable, as we expect the four-year average to remain stable, despite some moderate pressure in FY24 as regulatory forbearance unwinds for Covid-19 pandemic-affected loans. The score also factors in the bank's above-average specific loan-loss cover and reasonable contingent provisions.

Core Profitability Intact: We expect the four-year average operating profit/risk-weighted asset (RWA) ratio to be consistent with the 'bb' score, despite potential for a one-time dip in profitability in FY23 due to the impact of acquisition of Citi India's consumer business. The stable outlook on the score reflects our opinion that loan growth and a better net interest margin will more than offset moderate pressure on loan-impairment charges.

Capital Buffers to Drop Temporarily: The common equity Tier 1 (CET1) ratio has remained steady, at 15.2% in 1QFY23 (FY21: 15.4%), as internal capital generation has supported RWA growth. The ratio could drop by around 180bp as per the bank's latest estimates when Axis completes its acquisition of Citi India's retail business. It will remain well above our 'bb' threshold of 12%, supported by internal capital generation as per Fitch's estimate. We have a stable outlook on the capitalisation score, but there could be upside if the bank raises sufficient fresh equity and sustains it at a level commensurate with a higher score.

Stable Funding and Liquidity: The funding and liquidity score is the same as the sovereign rating, as the bank, like others in India, is exposed to the sovereign. Funding is underpinned by a secure deposit base and large government securities investments, resulting in a liquidity coverage ratio of 117% and net stable funding ratio of 134% at 1QFY23. The funding profile benefits from Axis's retail-oriented deposit franchise, with a 74% share of low cost and retail term deposits of total deposits. Its loan/deposit ratio of 89% was below pre-pandemic levels (FY19: 98%), but is likely to normalise amid rising competition.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

IDR AND GSR

We would downgrade the GSR and, in turn, the IDR, if we believe the sovereign's ability and propensity to support Axis will have weakened. This could be the case if the sovereign rating is downgraded. Similarly, a change in the Outlook on the sovereign to Negative would lead to a corresponding revision in the Outlook on Axis's IDR.

VR

The VR represents a moderate degree of financial strength. There is considerable rating headroom - given the OE - but the VR could be downgraded is a significant deterioration in the OE or a heightened risk profile were to become a more binding constraint on the bank's loss-absorption buffers. This could manifest through weaker key financial metrics on all the three following factors:

- a drop in the CET1 ratio to well below 12%, without a credible plan to restore it to closer to 12%; alongside

- a reversal in the asset-quality trend, with the four-year average impaired-loan ratio approaching 10%; and

- four-year average operating profit/RWA ratio sustained below 1.25%.

A lower risk profile score - though not our base case - could weigh the most on the VR, particularly if it was to manifest in one or more of the above-mentioned financial metrics being hit.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

IDRS AND GSR

The IDR is driven by the GSRs. A sovereign rating upgrade, which appears unlikely in the near term, could lead to an upgrade in the bank's IDR if it coincided with a strengthening of the sovereign's ability and, more importantly, propensity to support the banks, in Fitch's view.

Similarly, a positive change in the Outlook on the sovereign rating could lead to a corresponding revision in the Outlook on the banks' IDRs, provided we expect the sovereign's ability and propensity to extend support to improve commensurately.

VR

The VR is somewhat conditioned by the OE through its influence on the bank's business and risk profiles and financial rating drivers. As such, the VR could be upgraded upon a higher OE score if we assess that there will also have been a sustainable improvement in its risk and financial profiles. The financial improvements could manifest through a combination of one or more key financial metrics, such as:

- four-year average impaired-loan ratio approaching to 2%;

- four-year operating profit/RWA ratio sustained above 3.5%; and

- the CET1 ratio sustained at or above 16%.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's medium-term note programme is rated at the same level as the Long-Term IDR, in line with Fitch's criteria.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The programme rating would be downgraded if the Long-Term IDR is downgraded, and upgraded in the event the IDR is upgraded.

VR ADJUSTMENTS

The OE score of 'bb' is above the implied category score of 'b' for the following adjustment reasons: economic performance, and size and structure of the economy (positive).

The business profile score has been assigned below the implied score due to the following adjustment reason(s): business model (negative).

The funding and liquidity score of 'bbb-' is above the implied category score of 'bb' for the following reason: deposit structure (positive).

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The bank's IDR and the Outlook are linked to India's sovereign Long-Term IDR via the GSR, which reflects our view of the probability of extraordinary state support, should there be a need.

ESG CONSIDERATIONS

Axis has an ESG Relevance Score of '4' for financial transparency. This reflects our assessment of the quality and frequency of financial reporting and the auditing process, which has a moderate but negative influence on the credit profile, and is relevant to the rating in conjunction with other factors.

There has been no material divergence in the bank's reported asset-quality measures and the regulator's assessment in recent years, but pandemic-related relief measures pose a risk to the transparent recognition of impaired loans, even though we expect Axis to be reasonably better placed among peers due to its lower exposure to loans under relief. Still, we regard financial transparency as pivotal for general business and depositor confidence, as it can lead to significant reputational risk if not managed well.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Axis Bank Limited	LT IDR	BB+ Rating Outlook Stable	Affirmed	BB+ Rating Outlook Stable
	ST IDR	B	Affirmed	B
	Viability	bb	Affirmed	bb
	Government Support	bb+	Affirmed	bb+
senior unsecured	LT	BB+	Affirmed	BB+

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Tania Gold
Senior Director
Primary Rating Analyst
+65 6796 7224
tania.gold@fitchratings.com
Fitch Ratings Singapore Pte Ltd.
One Raffles Quay #22-11, South Tower Singapore 048583

Prakash Pandey
Associate Director
Secondary Rating Analyst
+91 22 4000 1773
prakash.pandey@fitchratings.com

Jonathan Cornish
Managing Director
Committee Chairperson
+852 2263 9901
jonathan.cornish@fitchratings.com

MEDIA CONTACTS

Leslie Tan
Singapore
+65 6796 7234
leslie.tan@thefitchgroup.com

Bindu Menon
Mumbai
+91 22 4000 1727
bindu.menon@fitchratings.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 08 Sep 2022) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Axis Bank Limited	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.
Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks Asia-Pacific India