AXIS/CO/CS/417/2020-21

7th December 2020

The Chief Manager,
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

NSE Symbol: AXISBANK

The Senior General Manager –
Listing Department
BSE Limited
1st Floor, New Trading Ring, Rotunda Building
P. J. Towers, Dalal Street
Fort, Mumbai – 400 001

BSE Scrip Code : 532215

Dear Sir(s),

SUB.: FITCH RATING ACTION.
REF.: DISCLOSURE UNDER REGULATION 30 READ WITH PARA A OF SCHEDULE III AND REGULATION 46(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

This is to inform you that, credit rating agency Fitch Ratings have on 4th December 2020, re-affirmed the Long-Term Issuer Default Rating (IDR) of the Bank as BB+ with Negative Outlook and its Viability Rating (VR) at 'bb'.

The rating action letter by Fitch Ratings containing the reasons for re-affirmation, received by the Bank today, is attached herewith.

You are requested to take note of above and arrange to bring it to the notice of all concerned.

Thanking You.

Yours sincerely,
For Axis Bank Limited
GIRISH VASUDEVAN KOLIYOTE
Digitally signed by GIRISH VASUDEVAN KOLIYOTE
Date: 2020.12.07 14:11:44 +05'30'
Girish V. Koliyote
Company Secretary

Encl: As above

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Axis Bank's IDR at 'BB+'; Outlook Negative

Fri 04 Dec, 2020 - 8:12 AM ET

Fitch Ratings - Singapore/Mumbai - 04 Dec 2020: Fitch Ratings has affirmed India-based Axis Bank Limited's Long-Term Issuer Default Rating (IDR) at 'BB+' with a Negative Outlook and its Viability Rating (VR) at 'bb'.

The Negative Outlook mirrors the Outlook on India's 'BBB-' sovereign rating, which was revised to Negative, from Stable, on 18 June 2020 due to the impact of the escalating coronavirus pandemic on India's economy; see "Fitch Revises India's Outlook to Negative, Affirms IDR at 'BBB-'" at www.fitchratings.com/site/pr/10126674

The operating environment for Indian banks remains challenging, despite a moderate revival in economic activity following the gradual easing of the lockdown since May 2020. Fitch revised its forecast for India's real GDP growth for the fiscal year ending March 2021 (FY21) to -10.5%, from the previous forecast of -5.0% in September 2020, but expects growth to rebound to 11.0% in FY22 from a low base. We believe the economic contraction is likely to weaken and extend the asset-quality cycle, which could lead to a rise in stressed loans and, ultimately, more write-offs over the next several years.

This is despite the banks' latest 2QFY21 earnings presenting a more benign picture; see "Indian Banks to Face Tough Times" at www.fitchratings.com/site/re/10137748. A speedy economic recovery would help the sector to rebound meaningfully, absent our expectation of a moderately worse landscape in 2021 due to weak prospects for new business and revenue generation. The banks' reported impaired loan ratios are yet to reflect underlying asset-quality stress because of supportive regulatory measures. We believe private banks with strong loss-absorption buffers are better placed to leverage an economic recovery than state-owned banks, which tend to be burdened with greater balance-sheet challenges and weaker loss-absorption buffers.

KEY RATING DRIVERS

IDR, SUPPORT RATING AND SUPPORT RATING FLOOR

Axis's IDR, which is higher than its VR, is driven by its Support Rating Floor and Support Rating, as we believe the bank has a moderate likelihood of extraordinary state support, if required, due to its size and systemic importance; 5.6% of banking-sector loans and 4.5% of deposits on 1HFY21. However, we regard the likelihood of support for Axis to be lower than for large state banks that have Support Rating Floors of 'BBB-' due to its private ownership, but to be similar to that of other large private banks.

Fitch believes that systemically important state-owned banks with weak capital and earning buffers will have higher priority in terms of timeliness of government support because of their majority government ownership amid the sovereign's financing constraints. Nevertheless, Axis is a systemically important bank and the state has a record of supporting such banks, although Axis has not required support in the past. The March 2020 rescue of Yes Bank Ltd, a mid-sized private-sector bank, reinforces our view.

The Negative Outlook on the IDR reflects the Negative Outlook on India's sovereign IDR.

VIABILITY RATING

Axis's VR reflects a moderate degree of financial strength, supported by improved capital buffers after the bank raised fresh equity of INR100 billion (159bp of 1HFY21 risk-weighted assets) in August 2020. The VR also factors in risks to asset quality from the ongoing economic slowdown, balanced by an adequate franchise and stable funding. Fitch thinks Axis is better positioned than the state banks and some private banks to accelerate market-share gains once a sustained recovery from the pandemic is underway.

The bank's common equity Tier 1 (CET1) ratio increased to 14.9% (excluding profit) in 1HFY21, from 13.3% in FY20, to be 290bp above Fitch's minimum 'bb' threshold and well above (690bp) the prescribed regulatory minimum of 8% applicable from April 2021. The bank's capital buffers can withstand moderate shock, but may be vulnerable to heightened stress, although we do not view such risk as probable in the near term. We assess Axis's core capitalisation as stable, considering its improved earnings, a low net impaired loans/common equity tier 1 ratio of 6.7% and management's focus on preserving capital in the near term. This supports our stable view on the bank's VR, which also factors in the bank's access to the equity capital market; Axis has raised INR225 billion of fresh equity since September 2019 and has an option to raise an additional INR50 billion before June 2021.

The impaired loan ratio was stable, at 4.5% in 1HFY21, and loan-loss cover had improved to 77%, from 65% in FY20, partly on account of lower slippages due to loan moratoriums. However, Axis has made COVID-19 related provisions on 0.8% of loans, which, if adjusted, will push loan-loss cover to around 96%. Axis also made provisions of 1.0% of loans towards contingencies and potential restructuring. Fitch regards the bank's intention to recognise and provide for stress up-front as positive, as the agency expects Axis's asset quality to weaken with the rest of the sector, albeit not to the same extent.

Higher stressed loans, including restructuring, would depress the bank's loan-loss coverage, although contingency buffers should soften the impact. Fitch expects SME loans, which comprised 11% of loans in 1HFY21, to be most vulnerable to deterioration, although higher slippages in certain retail products are possible due to the bank's appetite for unsecured loans (which are not overly material) and recent job losses in India. Secured retail loans, such as home loans (36% of loans) and auto loans (13%), have inbuilt safeguards and should be more resilient than unsecured loans. The corporate portfolio also remains a risk due to heightened stress in sectors such as tourism, non-bank financial institutions (7.3%), real estate (3.6%), infrastructure (9.0%), roads (1.9%) and auto (1.5%), even though Axis expects potential restructuring to be limited to about 1.6% of loans. However, an increased focus on better-rated corporates, government and large corporate-backed non-bank financial institutions in recent years has improved the risk quotient.

Fitch expects operating profit/risk-weighted assets to moderate from 1.3% in 1H21 (FY20: 2.2%) on higher loan-impairment costs due to increased slippages in 2HFY21 (FY20: 2.9%). However, Axis's pre-impairment profit (FY20: 4.3% of loans) should adequately cushion against higher impairment charges.

Axis has maintained a stable funding profile, with a loans/customer deposits ratio of 94% and a low-cost deposit ratio of 44% at 1HFY21. Funding for private banks in India is confidence sensitive and could be vulnerable to weak depositor sentiment, although Axis's higher-than-system deposit growth (1HFY21: 6%) was unaffected by the failure of Yes Bank.

SENIOR DEBT

Axis's senior debt ratings are affirmed in line with the IDR, as the debt represents the bank's unsecured and unsubordinated obligations.

RATING SENSITIVITIES

IDRS, SUPPORT RATING, SUPPORT RATING FLOOR AND SENIOR DEBT

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

We would downgrade the Support Rating, Support Rating Floor and, in turn, the bank's IDR if we believe that the sovereign's ability to support the bank has weakened, which could be the case if the sovereign rating was downgraded. The IDR could also come under pressure if we believe the state's propensity to support the bank has weakened, even if India's sovereign rating remains unchanged, although this is not our base case. There is limited downside risk to the IDR in the event of a VR downgrade, so long as the Support Rating Floor remains unchanged, which would imply that our assessment of the sovereign's ability and propensity to support the bank remains intact.

The senior debt ratings would be downgraded if the bank's Long-Term IDR was downgraded.

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

A revision of our Outlook on the sovereign rating to Stable would lead to a corresponding revision of our Outlook on Axis's IDR, provided the sovereign's propensity to extend support remains unchanged. A sovereign rating upgrade, which does not appear to be likely in the near term, would not lead to an upgrade in the banks' IDR unless it coincided with a strengthening of the sovereign's ability and, more importantly, propensity to support the bank. An improvement in Axis's VR beyond its Support Rating Floor would also lead to its IDR being aligned with the VR. However, we view such an upgrade as highly unlikely in the near-term given the weak operating environment and pressure on financial profiles.

The senior debt ratings are sensitive to changes in the bank's IDR and will move in tandem with the IDR should it be upgraded.

VIABILITY RATING

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

Axis's VR could be downgraded if the economic environment deteriorates significantly beyond our expectations. Under this scenario, the operating environment score could constrain the VR if we believe that a significantly worse operating environment would have a material impact on our assessment of most financial profile factors.

The VR is most sensitive to changes in Axis's asset quality and profitability metrics, which ultimately affect capitalisation, although capital headroom has improved on enhanced capital buffers. Nonetheless, the VR would come under pressure if profitability was to be eroded due to the stressed asset ratio (impaired loans + restructured loans) well exceeding 5% (from a 4.5% impaired loan ratio at 1HFY21), along with a decline in the common equity Tier 1 ratio to below 12% for a sustained period. Fitch may also reassess the bank's VR if it faced significant deposit outflow in a weakening operating environment, which would be evident should its liquidity coverage ratio fall below 100% or upon a sharp jump in the loans/customer deposits ratio, although we do not view this as probable in the near term.

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

Axis's VR is more stable since our previous rating action, but remains somewhat constrained by an operating environment on which we have a negative outlook. An upgrade of the VR is therefore less probable, particularly considering the near-term risks to asset quality. However, in the event of a more stable, if not improving environment, an upgrade could occur if the bank continues to lower its impaired loan ratio (from 4.5% at 1HFY21), while ensuring its CET 1 ratio is around or above current levels on a sustained basis.

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.

ESG CONSIDERATIONS

Axis Bank has an ESG Relevance Score of 4 for Financial Transparency. It 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. These factors have become more prominent in the past few years due to the wide divergence between the bank's recognition of non-performing loans and the regulator's assessment as well as our observation of the bank's liquidity coverage ratio assumptions, although the bank has taken steps to address and minimise such occurrences. Nonetheless, government and regulatory pandemic-related relief measures pose a risk for the transparent recognition of impaired loans, although we expect Axis to be reasonably better placed among peers. Still, financial transparency is viewed as pivotal for general business and depositor confidence and 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 Negative	Affirmed	BB+ Rating Outlook Negative
	ST IDR	B	Affirmed	B
	Viability	bb	Affirmed	bb
	Support	3	Affirmed	3
	Support Floor	BB+	Affirmed	BB+

ENTITY/DEBT	RATING	PRIOR

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Willie Tanoto
Director
Primary Rating Analyst
+65 6796 7219
Fitch Ratings Singapore Pte Ltd.
One Raffles Quay #22-11, South Tower Singapore 048583

Prakash Pandey
Associate Director
Secondary Rating Analyst
22 4000 1700

Jonathan Cornish
Managing Director
Committee Chairperson
+852 2263 9901

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

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Axis Bank Limited	EU Endorsed

DISCLAIMER

ALL 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. 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 SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

READ LESS

COPYRIGHT

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 at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Banks Asia-Pacific India