

AXIS/CO/CS/631/2023-24

February 21, 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.

With warm regards,

**For Axis Bank Limited**

**Sandeep Poddar  
Company Secretary**

Encl.: As above

CC: London Stock Exchange  
Singapore Stock Exchange



## Rating Action: **Moody's affirms Axis Bank's Baa3 deposit ratings; outlook stable**

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21 Feb 2024

Singapore, February 21, 2024 – Moody's Investors Service has today affirmed Axis Bank Ltd's (Axis) Baa3 long-term deposit ratings and the bank's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA.

At the same time, Moody's has maintained the stable outlook on the ratings, where applicable.

A complete list of affected ratings can be found at the end of this press release.

### RATINGS RATIONALE

Axis' rating affirmation with a stable outlook reflects India's favorable operating environment, which offers the bank an opportunity to further strengthen its market position. The bank's diversified loan portfolio and above-industry average profitability will support internal capital generation and its strong solvency. In addition, Axis' strong retail franchise, access to low-cost deposits and sufficient holdings of liquid government securities will support its funding and liquidity.

Moody's expects Axis to grow loans above the industry's average loan growth of 12%-14% in the fiscal year ending March 2025 (fiscal 2025), enabling the bank to gain a larger market share.

Axis' healthy net interest margin (NIM), diversified non-interest income, and operational efficiencies support its above industry average profitability. Return on assets for the nine months ended December 2023 was 1.8%, compared with the industry average of 1.2%. However, Moody's expects the bank's profitability to somewhat moderate driven by NIM contraction because of strong lending competition, a moderation in growth of high-yielding unsecured retail loans after regulatory intervention, and repricing of maturing deposits at higher interest rates. The bank's credit cost will also rise marginally from the current cyclically very low levels as the loan books season.

Moody's expects the bank's asset quality to remain broadly stable as India's economic momentum continues to be robust. Indian corporates' improving profitability and deleveraged balance sheets are supporting stable asset quality. At the same time, the quality of secured retail loans such as housing and vehicle loans is supported by real end-user demand, stable employment conditions and sufficient asset coverage.

However, delinquencies in the small business loans and unsecured retail loan portfolio will increase modestly due to elevated interest rates as the loan book seasons. Still, given the bank's focus on cross selling loans to existing customers with stable salaried jobs and high credit scores for unsecured retail lending, these factors will help mitigate the risks. Axis' gross nonperforming loan (NPL) ratio as of the end of December 2023 was 1.6%, compared with the industry average of 3.2% as of the end of September 2023.

Overall, Moody's expects the bank to maintain adequate internal accruals to maintain its solvency. Axis' standalone core equity tier 1 ratio as of the end of December 2023 was 13.7%, including profits year-to-date, which provides cushion against unexpected risks.

Funding and liquidity will continue to be the bank's credit strengths, with most of its funding coming from retail deposits, including a sizable amount of low-cost current and savings account deposits. The bank's loan to deposit ratio has increased in the last few quarters as its loan growth has outpaced deposit growth. Axis' substantial holdings of government securities provide adequate liquidity buffers. Its liquid banking assets/tangible banking asset ratio has remained above 25% over the past three years.

Moody's assessment of a moderate probability of government support for Axis in the event of financial distress takes into consideration its status as the third-largest private-sector bank in India, its sizable retail deposit franchise and its importance to the national payments system. The rating agency's support assumptions do not result in any uplift to the deposit ratings because the bank's BCA is at same level as India's sovereign rating.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

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

Moody's could downgrade Axis' deposit ratings if the BCA is lowered by more than one notch. The rating agency would lower the BCA if the bank's tangible common equity/risk weighted assets ratio 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 materially.

#### LIST OF AFFECTED RATINGS

..Issuer: Axis Bank Ltd

Outlook Actions:

....Outlook, Remains Stable

Affirmations:

.... Adjusted Baseline Credit Assessment, Affirmed baa3

.... Baseline Credit Assessment, Affirmed baa3

.... ST Counterparty Risk Assessment, Affirmed P-3(cr)

.... LT Counterparty Risk Assessment, Affirmed Baa3(cr)

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-3

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-3

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed Baa3

.... LT Counterparty Risk Rating (Local Currency), Affirmed Baa3

.... ST Bank Deposit Rating (Foreign Currency), Affirmed P-3

.... ST Bank Deposit Rating (Local Currency), Affirmed P-3

.... LT Bank Deposit Rating (Foreign Currency), Affirmed Baa3 STA

.... LT Bank Deposit Rating (Local Currency), Affirmed Baa3 STA

..Issuer: Axis Bank Limited, DIFC Branch

Outlook Actions:

....Outlook, Remains Stable

Affirmations:

.... ST Counterparty Risk Assessment, Affirmed P-3(cr)

.... LT Counterparty Risk Assessment, Affirmed Baa3(cr)

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-3

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-3

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed Baa3

.... LT Counterparty Risk Rating (Local Currency), Affirmed Baa3

.... Other Short Term (Foreign Currency), Affirmed (P)P-3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Foreign Currency), Affirmed (P)Ba3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Local Currency), Affirmed (P)Ba3

.... Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

..Issuer: Axis Bank Limited, GIFT City Branch

Outlook Actions:

....Outlook, Changed To Stable From No Outlook

Affirmations:

.... ST Counterparty Risk Assessment, Affirmed P-3(cr)

.... LT Counterparty Risk Assessment, Affirmed Baa3(cr)

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-3

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-3

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed Baa3

.... LT Counterparty Risk Rating (Local Currency), Affirmed Baa3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Foreign Currency), Affirmed (P)Ba3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Local Currency), Affirmed (P)Ba3

.... Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

....Pref. Stock Non-cumulative (Foreign Currency), Affirmed Ba3 (hyb)

..Issuer: Axis Bank Ltd, Singapore Branch

Outlook Actions:

....Outlook, Remains Stable

Affirmations:

.... ST Counterparty Risk Assessment, Affirmed P-3(cr)

.... LT Counterparty Risk Assessment, Affirmed Baa3(cr)

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-3

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-3

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed Baa3

.... LT Counterparty Risk Rating (Local Currency), Affirmed Baa3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Foreign Currency), Affirmed (P)Ba3

.... Pref. Stock Non-cumulative Medium-Term Note Program (Local Currency), Affirmed (P)Ba3

.... Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/mc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Axis Bank Ltd is headquartered in Mumbai and reported total assets of INR14.4 trillion as of 31 December 2023.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Amit Pandey

Vice President - Senior Analyst

Financial Institutions Group

Moody's Investors Service Singapore Pte. Ltd.

71 Robinson Road #05-01/02

Singapore, 068895

Singapore

JOURNALISTS: 852 3758 1350

Client Service: 852 3551 3077

Alka Anbarasu

Associate Managing Director

Financial Institutions Group

JOURNALISTS: 852 3758 1350

Client Service: 852 3551 3077

Releasing Office:

Moody's Investors Service Singapore Pte. Ltd.

71 Robinson Road #05-01/02

Singapore, 068895

Singapore

JOURNALISTS: 852 3758 1350

Client Service: 852 3551 3077

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