AXIS/CO/CS/91/2024-25

May 10, 2024

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

REF: REGULATION 30 AND 51 READ WITH SCHEDULE III OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 ("LISTING REGULATIONS").

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

The rating action letter received from Fitch Ratings is attached herewith.

This is for your information and records.

Thanking you.

Yours faithfully,

For Axis Bank Limited

SANDEEP PODDAR

Digitally signed by SANDEEP PODDAR
Date: 2024.05.10 21:15:56 +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

Wed 08 May, 2024 - 7:31 am ET

Fitch Ratings - Singapore/Mumbai - 08 May 2024: Fitch Ratings has affirmed Axis Bank Limited's Long-Term Issuer Default Rating (IDR) at 'BB+'. The Outlook is Stable. The agency has also affirmed the bank's Government Support Rating (GSR) at 'bb+' and Viability Rating (VR) at 'bb'. A full list of rating actions is below.

KEY RATING DRIVERS

Support-Driven IDR: Axis's Long-Term IDR is driven by its GSR. The GSR is one notch below India's sovereign rating (BBB-/Stable), reflecting Fitch's expectation of a moderate probability of extraordinary state support for Axis relative to the large state banks. The Stable Outlook mirrors that on the sovereign rating.

Systemically Important: Axis's systemic importance is driven by its size and share of system loans and deposits, which were 6% and 5%, respectively, at the end of the financial year to 31 March 2023 (FY23), and its nationwide retail deposit franchise. However, the probability of support is lower for Axis than for large state banks due to Axis's private ownership.

Supportive Operating Environment (OE): The OE score of 'bb+', which is higher than Fitch's implied 'b' category score, takes into account our view of India's robust medium-term growth potential. Fitch expects GDP growth of 7% in 2024 and 6.5% in 2025, supported by investment prospects. The economy has been resilient as healthy business sentiment, steady financial markets and the government's capital spending buffered global economic headwinds and inflation. These factors are conducive for banks to sustain profitable business, provided risks are well-managed.

Established Domestic Franchise: Axis's business profile score of 'bb+' reflects its position as one of India's largest private banks. Its strong local franchise and better capitalisation than the sector average enables it to sustain business and revenue generation through the cycle, and further expand its market share.

Growth Plans Above Sector Average: Fitch believes that the bank's appetite for growth is likely to remain above the sector average, albeit similar to other large private banks, which weighs on the 'bb' risk profile score. The score is also linked to the bank's asset quality, as credit is the main risk, which it has managed better than state banks. Even so, the bank's through-the-cycle performance would be tested in a less benign OE because it plans to sustain growth of 300bp-400bp above the sector average, while pursuing significant growth in high-yielding unsecured consumer loans as well as rural and SME loans.

Improving Asset Quality: We have maintained the positive outlook on the bank's 'bb' asset quality score. We expect the bank to demonstrate a longer record of maintaining the impaired-loan ratio at current levels before raising the score, given the rapid loan growth in riskier segments. The ratio fell to 1.6% in FY24, from 2% in FY23, reflecting recoveries and write-offs as well as loan growth, which offset new bad loans. We expect credit costs to remain manageable despite inching up moderately, which should help the bank to maintain specific loan loss cover at around the current level of 80%.

Stable Profitability: We have revised the outlook on Axis's earnings and profitability score to stable, from positive, as we do not see a significant further upside to the core metric from current levels, despite remaining high relative to the years before FY23. The operating profit/risk-weighted assets (RWA) ratio fell to 3.2% in FY24, from 3.4% in FY23, due mainly to higher regulatory risk-weights, although steady net interest margin and fee income growth partly offset the impact of higher operating costs from the acquisition of Citibank's retail business.

Organic Capital Generation: We expect Axis's common equity Tier 1 (CET1) ratio (FY24: 13.7%) to improve, supported by internal accruals, despite the ratio falling by about 30bp year-on-year, due largely to higher regulatory risk-weights on loans. The score also factors in the bank's improving CET1 tolerance against loan losses, evident from a net impaired loans/CET1 ratio of 2.3%, the lowest in the past seven years. The bank has not disclosed any equity raising plans, but any move to significantly bolster CET1 ratios from current levels could be credit positive. Axis has good access to capital markets.

Stable Funding: Axis's loan/deposit ratio (LDR) remained largely stable at around 91% in FY24). Customer deposits were around 81% of non-equity funding, with the majority being retail deposits. We expect a slight increase in the LDR to FY26, although it will remain below previous highs (FY18: 100%) given the bank's efforts to expand its deposit franchise to support high loan growth. The bank's stable funding and liquidity position benefits from a liquidity coverage ratio of 120% due to high holdings of Indian government bonds - similar to other large banks - and a net stable funding ratio of 135%.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We would downgrade the GSR and the Long-Term IDR, if we believe the sovereign's ability and/or propensity to support Axis has weakened. This could be reflected in negative action on India's sovereign ratings.

The Short-Term IDR is mapped to the bank's Long-Term IDR, in line with Fitch's criteria. Negative action on the Short-Term IDR could occur if we downgraded the Long-Term IDR by multiple notches to below the 'B' category. However, such a downgrade is unlikely over the medium term.

VR

Recent financial metric improvements have increased rating headroom, thereby limiting the prospect of negative action. Nevertheless, the VR could be downgraded if Fitch believes that the bank's risk profile has deteriorated to a point where it can pose a risk in a less benign OE, and become a more binding constraint on its financial profile and loss-absorption buffers.

This could manifest through weakening in all the following three key financial metrics:

- a reversal in the asset-quality trend, with the four-year average impaired-loan ratio being sustained close to 5% (FY24: 2.5%);

- four-year average operating profit/RWA ratio sustained below 2% (FY24: 2.6%); and

- a drop in the CET1 ratio closer to 10%, without a credible plan to restore it back to current levels.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

A sovereign rating upgrade, which appears unlikely in the near term, could lead to an upgrade in the bank's GSR and Long-Term IDR if it coincided with a strengthening of the sovereign's ability and, more importantly, propensity to support the bank, in Fitch's view.

The bank's Short-Term IDR may be upgraded in the event that the bank's Long-Term IDR is upgraded. However, we do not foresee this possibility in the medium term.

VR

The VR could be upgraded if we assess the bank's improved risk and financial profiles can be sustained in less-benign operating conditions. This sustainability might be evident through one or more of the following three key financial metrics:

- four-year average impaired-loan ratio being sustained well below 2%;

- four-year operating profit/RWA ratio being sustained closer to 4.75%;

- the CET1 ratio being sustained well above current levels.

A higher VR is also possible if the Indian banks' OE score is revised to 'bbb-' from 'bb+', although we do not view it as likely in the near term. A higher business profile score could also lead to an upgrade to the VR but it will likely have to be supported by better key financial metrics.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

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

The Long-Term IDR (xgs) is driven by its VR, while its Short-Term IDR (xgs) is in accordance with its Long-Term IDR (xgs) and the short-term rating mapping outlined in Fitch's criteria. Senior unsecured long-term ratings (xgs) are assigned at the level of the Long-Term IDR (xgs).

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

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

Axis's Long-Term IDR (xgs) will move in tandem with the bank's VR. Axis's Short-Term IDR (xgs) is primarily sensitive to changes in the bank's Long-Term IDR (xgs) and would be mapped as per Fitch's criteria. A change in the bank's Long-Term IDR (xgs) would lead to a similar change in its senior unsecured long-term rating (xgs).

VR ADJUSTMENTS

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

The business profile score of 'bb+' has been assigned below the implied category score of 'bbb' for the following adjustment reason: 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).

Sources of Information

The principal sources of information used in the analysis are described in the applicable criteria.

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

Axis'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, if needed.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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+
	LT IDR (xgs)	BB(xgs)	Affirmed	BB(xgs)
	ST IDR (xgs)	B(xgs)	Affirmed	B(xgs)
senior unsecured	LT	BB+	Affirmed	BB+
senior unsecured	LT (xgs)	BB(xgs)	Affirmed	BB(xgs)

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Bank Rating Criteria (pub. 16 Mar 2024) (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

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