

November 22, 2023

Axis Bank Limited: [ICRA]AAA (Stable) assigned to infrastructure bonds; ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds/Debentures	-	5,000.00	[ICRA]AAA (Stable); assigned
Infrastructure Bonds/Debentures	28,480.00	28,480.00	[ICRA]AAA (Stable); reaffirmed
Infrastructure Bonds/Debentures	5,000.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Basel III Tier II Bonds	23,580.00	23,580.00	[ICRA]AAA (Stable); reaffirmed
Basel III Tier I Bonds	3,000.00	3,000.00	[ICRA]AA+ (Stable); reaffirmed
Certificates of Deposit	60,000.00	60,000.00	[ICRA]A1+; reaffirmed
Fixed Deposit	-	-	[ICRA]AAA (Stable); reaffirmed
Total	1,20,060.00	1,20,060.00	

*Instrument details are provided in Annexure I

Rationale

Axis Bank Limited's (Axis Bank) ratings continue to be supported by its strong position in the Indian financial system by virtue of being the third-largest private sector bank with a 6.2% share in advances and a 5.2% share in the deposits of the banking system as on June 30, 2023. Further, the bank's capitalisation profile remains strong and well above the regulatory levels, supported by higher internal accruals. The overall improvement in the profitability levels is expected to largely sustain, which will continue to be supportive from a growth and capital perspective.

Axis Bank's ratings also factor in the strong liability profile with a steady increase in granularity, which is reflected in the high share of retail term deposits (RTDs) and current account and savings account (CASA) deposits in total deposits. Additionally, the headline asset quality metrics have remained on an improving trajectory, supported by the gradual decline in fresh non-performing advances (NPA) generation as well as strong recoveries and upgrades. However, the weakening of macro-economic factors, including the elevated inflation, the depreciation of the Indian rupee and the rising interest rates, could impact certain borrowers. Axis Bank's ability to contain slippages in these segments and maintain high recovery rates will remain key for ensuring a sustained improvement in the asset quality in the near to medium term. Nevertheless, the overall asset quality metrics are expected to remain at much better levels compared to the weaker levels seen in previous years. Over and above this, the bank continues to operate with large prudent provisions, which can help absorb some of this impact if the same materialises.

Going forward, the ability to sustain the improvement in the granularity of the deposit base and deposit costs will remain critical for further improvement in the operating profitability level while pursuing growth. The Stable outlook on the ratings reflects ICRA's view that Axis Bank will continue to maintain its strong position in the Indian banking sector while maintaining its asset quality, profitability and solvency position.

ICRA has withdrawn the rating assigned to the Rs. 5,000-crore infrastructure bonds as these bonds have been fully redeemed and no amount is outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on withdrawal ([click here for the policy](#)).

Key rating drivers and their description

Credit strengths

Strong position in financial services industry supports the share of granular assets – Axis Bank is the third-largest private bank and the seventh-largest bank in the overall Indian banking sector, with the share of advances in banking sector credit at 6.2% as on June 30, 2023 (5.9% as on September 30, 2022). Furthermore, it offers various financial services across investment banking, asset management, securities broking and lending through its subsidiaries, namely Axis Capital Limited, Axis Asset Management Company Limited, Axis Finance Limited and Axis Securities Limited. It expanded its foothold in the insurance business following the Group's acquisition of a ~13% stake in Max Life Insurance Company Limited, with the option to acquire an additional ~7% stake in the near future.

Axis Bank's net advances witnessed a strong pickup in growth over the past few quarters with a year-on-year (YoY) growth between 14% and 23%, which supported the increase in net advances to Rs. 8.97 lakh crore as on September 30, 2023. The growth momentum was largely driven by the granular retail book, which continued to rise at a comparatively higher pace of ~23% YoY as on September 30, 2023. Going forward, ICRA expects the bank to remain focused on growing its granular retail book, which will support an improvement in its profitability metrics as well.

Capital cushions remain strong – Axis Bank's capitalisation profile remains strong with the CET I, Tier I and CRAR (as a percentage of risk-weighted assets; RWAs) at 14.56%¹, 15.08%¹ and 17.84%¹, respectively, as on September 30, 2023. The capital position was strengthened by equity capital raises, totalling ~Rs. 33,700 crore, over FY2018-FY2021. Additionally, it raised dollar-denominated Additional Tier-I (AT-I) bonds amounting to \$600 million (~Rs. 4,400 crore) in FY2022, which led to an increase in the Tier I capital. The meaningfully large capital raise and improved earnings profile helped offset the impact of goodwill and intangibles impairment related to the acquisition of Citibank's India consumer business as well as the capital charge of the acquired book in FY2023. Additionally, the overall earnings profile has seen a gradual improvement as credit costs have moderated, which is helping the bank support asset growth while maintaining the strong capitalisation. In ICRA's view, the current capital position is sufficient to support Axis Bank's growth requirements as well as absorb unforeseen asset quality shocks, while keeping the capital cushion and solvency better than the negative rating triggers.

Steady growth in granular deposit base, although cost of interest-bearing funds remains higher than peer banks – The bank's overall deposit base grew by a strong 18% YoY to Rs. 9.56 lakh crore as on September 30, 2023. Within overall deposits, the low-cost current and savings account. (CASA)/total deposits stood at 44.4% as on September 30, 2023, which remains higher than the private sector average, but lower than the >50% levels seen in the past. Nevertheless, the bank continues to steadily grow its granular RTD base, which accounted for 62% of the total term deposits as on September 30, 2023 (66% as on September 30, 2022). Together, CASA and RTD dominate the total deposit profile at 79%, which, to an extent, helped the bank narrow the asset-liability maturity gaps over time.

However, Axis Bank's interest rate proposition remains marginally above peer rated banks, resulting in a relatively higher cost of interest-bearing funds for the bank compared to peer private sector banks. Further, given the rise in monetary policy rates, the cost of interest-bearing funds increased to 4.91% in H1 FY2024 (3.85% in H1 FY2023 and 3.93% in FY2023). Going forward, the bank's ability to achieve stronger growth while maintaining or improving the cost differential will remain key for supporting an improvement in its operating profitability.

Earnings profile improves; sizeable prudent provisions provide cushion to profitability – Net interest margin (NIM)/average total assets witnessed a sustained improvement to 3.66% in H1 FY2024 (3.45% in FY2023, 3.06% in FY2022 and 3.07% in FY2021), largely led by the expansion in interest spreads and better asset quality levels. The strong growth in net advances, expansion in spreads and steady non-interest income levels have been partially offset by the sharper rise in the overall operating expense level as the bank continues to grow its franchise. Further, a one-time charge on account of the impairment of goodwill arising out of the Citibank acquisition led to a moderation in the return on assets (RoA) to 0.8% in FY2023 from

¹ Including H1 FY2024 profits

1.2% in FY2022, though this reverted to 1.8% (annualised) in H1 FY2024. Moreover, the bank continued to hold prudent provisions of ~Rs. 5,000 crore or 0.6% of standard advances as on September 30, 2023. Overall, ICRA expects Axis Bank to maintain an RoA of more than 1.0%, which shall be sufficient for its growth capital requirements over the medium term.

Credit challenges

Asset quality remains monitorable – The gross fresh NPA generation rate moderated to 1.7% (annualised) in H1 FY2024 from 2.0-3.3% during FY2021-FY2023 and was meaningfully lower than the levels seen prior to the onset of the Covid-19 pandemic. However, slippages have largely been from the retail segment while lumpy slippages in the corporate book have remained limited. As a result, the NPA generation rate remains higher in the retail segment. Supported by lower slippages as well as strong recoveries and upgrades, the gross and net NPA improved to 1.8% and 0.4%, respectively, as on September 30, 2023 (2.7% and 0.6%, respectively, as on September 30, 2022). Axis Bank's overall restructured book also remains manageable (0.2% of standard advances).

Nevertheless, the weakening of macro-economic factors, including high inflation, the depreciation of the Indian rupee and increasing interest rates, could impact certain borrowers. Axis Bank's ability to contain slippages in these segments and maintain high recovery rates will remain key for ensuring a sustained improvement in the asset quality in the near to medium term.

Environmental and social risks

While banks like Axis Bank do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if they face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for banks. However, such a risk is not material for Axis Bank as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively lesser downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. Axis Bank has not faced such lapses over the years, which highlights its sensitivity to such risks. It is seen to be operating responsibly in terms of its selling practices with no instances of fines being imposed by the regulatory authorities because of misconduct. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. Axis Bank has been at the forefront of making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the under-served segments, its lending practices remain prudent, as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

Axis Bank's liquidity remains strong with the daily average liquidity coverage ratio (LCR) at 118% in Q2 FY2024 against the regulatory requirement of 100%. Besides this, the bank's reported net stable funding ratio (NSFR) stood at 133% as on September 30, 2023, above the regulatory ask of 100%. The excess statutory liquidity ratio (SLR) holding above the regulatory levels can be utilised to avail liquidity support from the Reserve Bank of India (RBI; through reverse repo) apart from the marginal standing facility of the RBI in case of urgent liquidity requirement.

Rating sensitivities

Positive factors – Not applicable as all the ratings are at the highest possible levels

Negative factors – ICRA could assign a Negative outlook or downgrade the ratings if there is a material weakening in the bank's liability franchise, thereby impacting its resource profile. This apart, a deterioration in the asset quality or capital position, leading to the weakening of the solvency profile with net NPA/core capital of more than 15% on a sustained basis, could be a negative trigger. Further, a sustained RoA of less than 1.0% and/or a fall in the capital cushions over the regulatory levels to less than 4% at the CET I level, on a sustained basis, will remain negative triggers. Additionally, the weakening of the distributable reserves (DRs) eligible for the coupon payment on the AT-I bonds will be a negative trigger for the rating for these bonds.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions ICRA's Policy on Withdrawal of Credit Ratings ICRA's Rating Methodology on Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Axis Bank. However, in line with ICRA's consolidation approach, the capital/funding requirement of the Group's various subsidiaries/joint ventures, going forward, has been factored in.

About the company

Incorporated in December 1993, Axis Bank Limited is a private sector bank. Its promoter group includes Life Insurance Corporation of India (LIC), which held 7.95% of the shares as on September 30, 2023 compared to 7.96% as on March 31, 2023, 7.98% as on March 31, 2022 and 7.99% as on March 31, 2021. As on September 30, 2023, Axis Bank had the third-largest network of branches among private sector banks with 5,152 branches and an international presence through branches in DIFC (Dubai) and Singapore along with representative offices in Abu Dhabi, Sharjah, Dhaka and Dubai and an offshore banking unit in GIFT City.

Key financial indicators (standalone)

Axis Bank Limited	FY2022	FY2023	H1 FY2023	H1 FY2024
Net interest income	33,132	42,946	19,744	24,273
Profit before tax	17,383	16,906	12,694	15,597
Profit after tax	13,025	9,580 [^]	9,455	11,661
Net advances (Rs. lakh crore)	7.08	8.45	7.31	8.97
Total assets (Rs. lakh crore)	11.75	13.17	11.85	13.39
CET I	15.24%	14.02%	15.14%*	14.56%*
Tier I	16.34%	14.57%	15.75%*	15.08%*
CRAR	18.54%	17.64%	17.72%*	17.84%*
Net interest margin / ATA	3.06%	3.45%	3.35%	3.66%
PAT / ATA	1.20%	0.77%	1.60%	1.76%
Return on net worth	12.02%	7.64%	15.76%	17.75%
Gross NPAs	3.01%	2.16%	2.66%	1.84%
Net NPAs	0.78%	0.42%	0.55%	0.38%
Provision coverage excl. technical write-offs	74.74%	80.87%	79.92%	79.46%
Net NPA / Core equity capital	4.97%	2.98%	3.35%	2.63%

Source: Axis Bank, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise

* Includes 6M profits; [^]including one-time impact of acquisition of Citibank's India consumer business

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years						
		Amount rated	Amount outstanding	Date & rating in FY2024	Date & rating in FY2023					Date & rating in FY2022	Date & rating in FY2021
		(Rs. crore)	(Rs. crore)	Nov 22, 2023	Mar 13, 2023	Dec 07, 2022	Sep 19, 2022	May 31, 2022	Apr 7, 2022	Dec 15, 2021	Feb 19, 2021
1 Fixed Deposit	Long Term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
2 Infrastructure Bonds/Debentures	Long Term	28,480	18,480^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3 Infrastructure Bonds/Debentures	Long Term	5,000	-	[ICRA]AAA (Stable); withdrawn	-	-	-	-	-	-	-
4 Infrastructure Bonds/Debentures	Long Term	5,000	-^	[ICRA]AAA (Stable)	-	-	-	-	-	-	-
5 Basel III Tier II Bonds	Long Term	23,580	23,580	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)
6 Basel III Tier I Bonds	Long Term	3,000	-^	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (hyb) (Stable)
7 Certificates of Deposit	Short Term	60,000	46,706^	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
8 Basel II Lower Tier II Bonds	Long term	-	-	-	[ICRA]AAA (Stable); withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

^ Balance yet to be placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Infrastructure Bonds	Very Simple
Basel III Tier II Bonds	Highly Complex
Basel III Tier I Bonds	Highly Complex
Certificates of Deposit	Very Simple
Fixed Deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Basel III Tier I Bonds	Yet to be placed			3,000	[ICRA]AA+ (Stable)
INE238A08435	Basel III Tier II Bonds	Jun-15-2017	7.66%	Jun-15-2027	5,000	[ICRA]AAA (Stable)
INE238A08369	Basel III Tier II Bonds	Feb-12-2015	8.45%	Feb-12-2025	850	[ICRA]AAA (Stable)
INE238A08377	Basel III Tier II Bonds	Sep-30-2015	8.50%	Sep-30-2025	1,500	[ICRA]AAA (Stable)
INE238A08393	Basel III Tier II Bonds	May-27-2016	8.50%	May-27-2026	2,430	[ICRA]AAA (Stable)
INE238A08419	Basel III Tier II Bonds	Nov-23-2016	7.84%	Nov-23-2026	1,800	[ICRA]AAA (Stable)
INE238A08435	Basel III Tier II Bonds	Dec-13-2022	7.88%	Dec-13-2032	12,000	[ICRA]AAA (Stable)
INE238A08450	Infrastructure Bonds	Dec-28-2018	8.60%	Dec-28-2028	3,000	[ICRA]AAA (Stable)
INE238A08351	Infrastructure Bonds	Dec-05-2014	8.85%	Dec-05-2024	5,705	[ICRA]AAA (Stable)
INE238A08385	Infrastructure Bonds	Oct-30-2015	8.25%	Oct-30-2025	3,000	[ICRA]AAA (Stable)
INE238A08401	Infrastructure Bonds	Oct-20-2016	7.60%	Oct-20-2023	5,000	[ICRA]AAA (Stable); reaffirmed and withdrawn
INE238A08468	Infrastructure Bonds	Jan-30-2020	7.65%	Jan-30-2027	4,175	[ICRA]AAA (Stable)
INE238A08476	Infrastructure Bonds	Dec-22-2021	6.99%	Dec-22-2031	2,600	[ICRA]AAA (Stable)
NA	Infrastructure Bonds	Yet to be placed			15,000	[ICRA]AAA (Stable)
NA	Fixed Deposit	-	-	-	-	[ICRA]AAA (Stable)
NA	Certificates of Deposit	Yet to be placed		7-365 days	13,294	[ICRA]A1+
INE238AD6157	Certificates of Deposit	Nov-23-2022	7.65%	Nov-23-2023	2,575	[ICRA]A1+
INE238AD6157	Certificates of Deposit	Nov-24-2022	7.65%	Nov-23-2023	125	[ICRA]A1+
INE238AD6157	Certificates of Deposit	Nov-25-2022	7.65%	Nov-23-2023	350	[ICRA]A1+
INE238AD6157	Certificates of Deposit	Nov-28-2022	7.65%	Nov-23-2023	675	[ICRA]A1+
INE238AD6173	Certificates of Deposit	Nov-29-2022	7.65%	Nov-29-2023	800	[ICRA]A1+
INE238AD6199	Certificates of Deposit	Dec-02-2022	7.65%	Dec-01-2023	1,355	[ICRA]A1+
INE238AD6199	Certificates of Deposit	Dec-05-2022	7.65%	Dec-01-2023	100	[ICRA]A1+
INE238AD6207	Certificates of Deposit	Dec-05-2022	7.65%	Dec-05-2023	675	[ICRA]A1+
INE238AD6215	Certificates of Deposit	Dec-06-2022	7.65%	Dec-06-2023	2,000	[ICRA]A1+
INE238AD6280	Certificates of Deposit	Jan-11-2023	7.75%	Jan-11-2024	2,125	[ICRA]A1+
INE238AD6298	Certificates of Deposit	Jan-12-2023	7.75%	Jan-10-2024	1,177	[ICRA]A1+
INE238AD6298	Certificates of Deposit	Jan-13-2023	7.75%	Jan-10-2024	625	[ICRA]A1+
INE238AD6306	Certificates of Deposit	Jan-20-2023	7.75%	Jan-19-2024	1,505	[ICRA]A1+
INE238AD6322	Certificates of Deposit	Feb-08-2023	7.70%	Feb-08-2024	235	[ICRA]A1+
INE238AD6348	Certificates of Deposit	Feb-16-2023	7.78%	Feb-14-2024	2,175	[ICRA]A1+
INE238AD6355	Certificates of Deposit	Feb-17-2023	7.78%	Feb-16-2024	525	[ICRA]A1+
INE238AD6355	Certificates of Deposit	Aug-10-2023	7.19%	Feb-16-2024	500	[ICRA]A1+
INE238AD6389	Certificates of Deposit	Mar-15-2023	7.75%	Mar-14-2024	3,130	[ICRA]A1+
INE238AD6397	Certificates of Deposit	Mar-28-2023	7.73%	Mar-20-2024	312	[ICRA]A1+
INE238AD6405	Certificates of Deposit	Mar-28-2023	7.73%	Mar-28-2024	350	[ICRA]A1+
INE238AD6405	Certificates of Deposit	Mar-29-2023	7.73%	Mar-28-2024	950	[ICRA]A1+
INE238AD6405	Certificates of Deposit	Mar-31-2023	7.73%	Mar-28-2024	525	[ICRA]A1+
INE238AD6413	Certificates of Deposit	May-18-2023	7.45%	May-17-2024	1,000	[ICRA]A1+
INE238AD6413	Certificates of Deposit	May-19-2023	7.45%	May-17-2024	1,100	[ICRA]A1+
INE238AD6421	Certificates of Deposit	May-19-2023	7.45%	May-15-2024	2,050	[ICRA]A1+
INE238AD6447	Certificates of Deposit	Jun-21-2023	7.40%	Jun-20-2024	2,100	[ICRA]A1+
INE238AD6454	Certificates of Deposit	Jun-21-2023	7.40%	Jun-19-2024	2,100	[ICRA]A1+
INE238AD6462	Certificates of Deposit	Jul-27-2023	7.19%	Feb-27-2024	2,000	[ICRA]A1+

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE238AD6470	Certificates of Deposit	Jul-27-2023	7.19%	Feb-28-2024	660	[ICRA]A1+
INE238AD6470	Certificates of Deposit	Aug-23-2023	7.30%	Feb-28-2024	200	[ICRA]A1+
INE238AD6470	Certificates of Deposit	Aug-24-2023	7.30%	Feb-28-2024	150	[ICRA]A1+
INE238AD6470	Certificates of Deposit	Oct-13-2023	7.28%	Feb-28-2024	1,150	[ICRA]A1+
INE238AD6470	Certificates of Deposit	Oct-16-2023	7.28%	Feb-28-2024	175	[ICRA]A1+
INE238AD6488	Certificates of Deposit	Aug-03-2023	7.35%	Jun-03-2024	100	[ICRA]A1+
INE238AD6496	Certificates of Deposit	Aug-23-2023	7.30%	Mar-11-2024	1,835	[ICRA]A1+
INE238AD6496	Certificates of Deposit	Aug-24-2023	7.30%	Mar-11-2024	150	[ICRA]A1+
INE238AD6504	Certificates of Deposit	Sep-01-2023	7.50%	Aug-30-2024	275	[ICRA]A1+
INE238AD6504	Certificates of Deposit	Sep-06-2023	7.50%	Aug-30-2024	150	[ICRA]A1+
INE238AD6504	Certificates of Deposit	Sep-08-2023	7.50%	Aug-30-2024	600	[ICRA]A1+
INE238AD6504	Certificates of Deposit	Sep-22-2023	7.50%	Aug-30-2024	67	[ICRA]A1+
INE238AD6512	Certificates of Deposit	Sep-21-2023	7.50%	Jul-18-2024	500	[ICRA]A1+
INE238AD6512	Certificates of Deposit	Sep-29-2023	7.51%	Jul-18-2024	750	[ICRA]A1+
INE238AD6520	Certificates of Deposit	Oct-17-2023	7.70%	Sep-16-2024	3,150	[ICRA]A1+
INE238AD6538	Certificates of Deposit	Oct-17-2023	7.70%	Sep-18-2024	1,500	[ICRA]A1+
INE238AD6546	Certificates of Deposit	Oct-17-2023	7.70%	Sep-19-2024	1,525	[ICRA]A1+
INE238AD6553	Certificates of Deposit	Oct-19-2023	7.70%	Sep-30-2024	500	[ICRA]A1+
INE238AD6140	Certificates of Deposit	Nov-18-2022	7.55%	Nov-15-2023	130	[ICRA]A1+

Source: Axis Bank; Certificates of deposit outstanding as on November 14, 2023

Key features of the rated instruments

The servicing of the Basel III Tier II bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II bonds and Basel III Tier I bonds (AT-I bonds) are expected to absorb losses once the point of non-viability (PONV) trigger is invoked.

Further, the exercise of the call option on the Basel III Tier II and Tier I bonds is contingent upon the prior approval of the RBI. Moreover, the bank will need to demonstrate that the capital position is well above the minimum regulatory requirement, post the exercise of the said call option.

The rated Tier I bonds have the following loss-absorption features that make them riskier:

- Coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel coupon payments. Cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. If the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses² created via the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for the CET I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times as prescribed by the RBI under the Basel III regulations.

These Tier I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's CET I ratio as prescribed by the RBI, i.e. 6.125% of the total RWAs of the bank or when the PONV trigger is breached in the RBI's opinion.

Given the above distinguishing features of the Tier I bonds, ICRA has assigned a one notch lower rating on these than the rating on the Tier II instruments. The DRs that can be used for servicing the coupon in a situation of inadequate profit or a loss during the year stood at a comfortable 8.2% of RWAs as on September 30, 2023.

² Calculated as per the amendment in Basel III capital regulations for Tier I bonds by the RBI, vide its circular dated February 2, 2017. As per the amended definition, DRs include all reserves created through appropriations from the profit and loss account

The rating on the Tier I bonds continues to be supported by the bank's capital profile, which is likely to remain comfortable, given the outlook on its profitability. However, the transition to the expected credit loss (ECL) framework and its impact on the capital and DRs remain monitorable.

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
Axis Capital Limited	100.00%	Full Consolidation
Axis Trustee Services Limited	100.00%	Full Consolidation
Axis Mutual Fund Trustee Limited	75.00%	Full Consolidation
Axis Asset Management Company Limited	75.00%	Full Consolidation
Axis Bank UK Ltd	100.00%	Full Consolidation
Axis Finance Limited	100.00%	Full Consolidation
Axis Securities Limited	100.00%	Full Consolidation
A.Treds Ltd	67.00%	Full Consolidation
Freecharge Payment Technologies Pvt Ltd	100.00%	Full Consolidation
Max Life Insurance Company Limited	9.99%	Full Consolidation

Source: Axis Bank; *As on March 31, 2023

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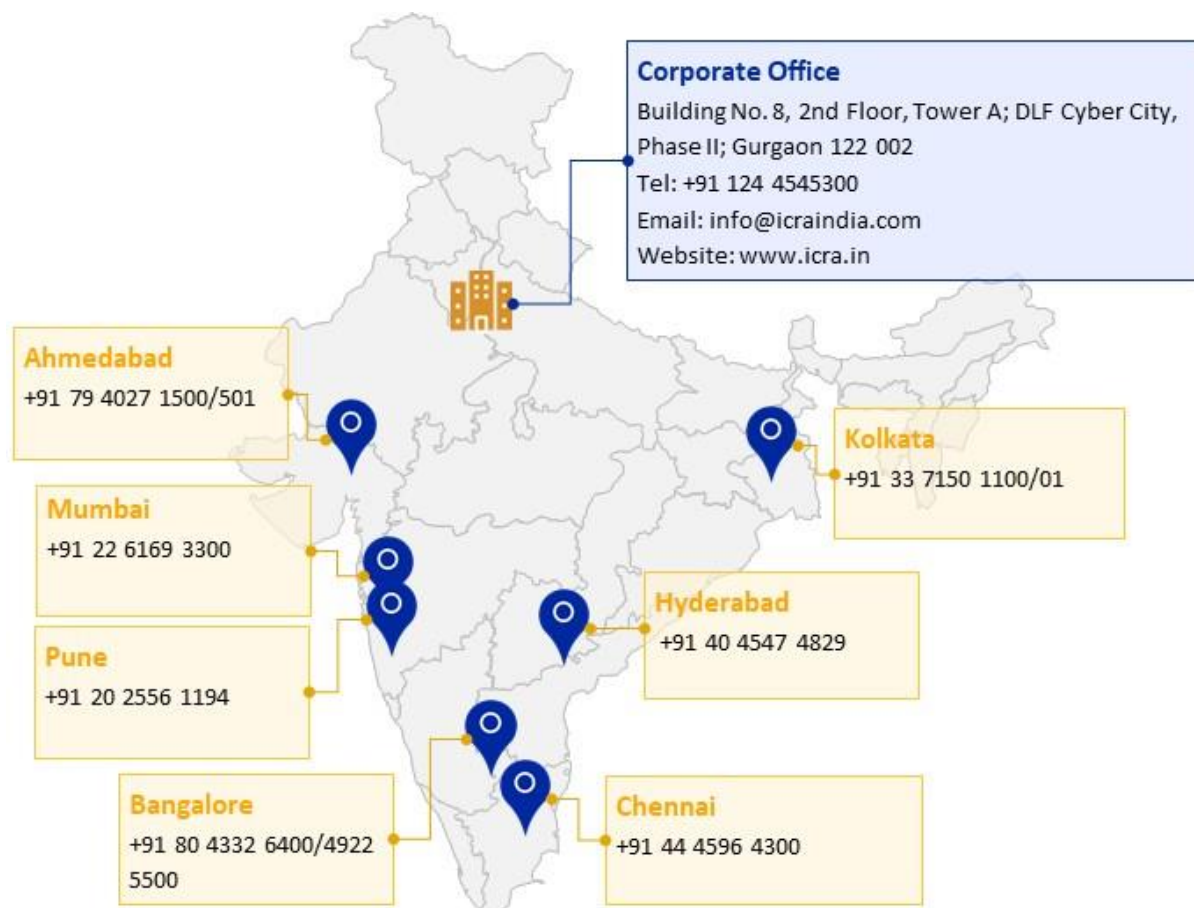


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Branches



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