

December 15, 2021

Axis Bank Limited: Ratings reaffirmed/[ICRA]AAA(Stable)/[ICRA]AA+ (Stable) assigned to Infrastructure bonds and Additional Tier I bonds

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds/Debentures	22,205.00	22,205.00	[ICRA]AAA (Stable); reaffirmed
Infrastructure Bonds/Debentures	-	7,500.00	[ICRA]AAA (Stable); assigned
Basel III Compliant Tier II Bonds	16,350.00	16,350.00	[ICRA]AAA (Stable); reaffirmed
Lower Tier II Bonds	4,425.00	4,425.00	[ICRA]AAA (Stable); reaffirmed
Lower Tier II Bonds	1,500.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Basel III Compliant Tier I Bonds	7,000.00	7,000.00	[ICRA]AA+ (Stable); reaffirmed
Basel III Compliant Tier I Bonds	-	2,500.00	[ICRA]AA+ (Stable); assigned
Certificates of Deposit	60,000.00	60,000.00	[ICRA]A1+; reaffirmed
Fixed Deposit	-	-	MAAA (Stable); reaffirmed
Total	1,11,480.00	119,980.00	

*Instrument details are provided in Annexure-1

Rationale

Axis Bank Limited's (Axis Bank) ratings are supported by its strong position in the Indian financial system, with a 6.01% share in advances and a 4.92% share in the deposits of the banking system, along with strong capital cushions, which were supported by successive capital raising in FY2020 and FY2021. Meaningfully large capital raises helped broaden the available capital cushions, which helped offset the relatively sub-optimal internal capital generation because of high slippages and elevated credit costs in the past. Nevertheless, in ICRA's view, the build-up of large floating/prudent provisions over Q4 FY2020-FY2021, coupled with the provision coverage ratio (PCR) of ~70% as on September 30, 2021, provides sufficient support to absorb unforeseen asset quality shocks and improve internal capital generation for sustainable growth.

The bank's gross slippage rate remains at elevated levels, especially in the retail segment, because of the Covid-19 pandemic-induced stress on borrowers. However, the headline asset quality metrics remained on an improving trajectory compared to the weaker levels seen in the past, supported by improved recoveries and upgrades. Furthermore, the overall restructuring under Covid 1.0 and Covid 2.0 remained limited at 0.7% of standard advances as on September 30, 2021, besides a steady moderation in the share of the BB and below book (excluding non-SLR and non-fund based exposures) at 1.1% of standard advances as on September 30, 2021. Asset quality pressure with fresh slippages will remain monitorable, given the uncertainty surrounding the resurgence in Covid infections and the sustained improvement in the operating environment, which would also be key for containing incremental slippages.

Axis Bank's ratings also factor in its strong liability profile, with a steady increase in the granularity, which is reflected in the high share of retail term deposits (RTD) and current account and savings account (CASA) deposits in total deposits. This has also supported an improvement in the liquidity profile with positive gaps in the maturity of assets and liabilities over the 1-year maturity buckets compared to negative gaps in the past. The ability to sustain the improvement in the granularity of the deposit base and deposit cost will remain critical for further improvement in the operating profitability levels while pursuing growth.

The Stable outlook on the ratings reflects ICRA's view that the bank will continue to maintain its strong position in the Indian banking sector with consistent improvement in its customer franchise while maintaining a strong capital and solvency position and generating sufficient capital internally for growth requirements.

ICRA has withdrawn the rating assigned to the Rs. 1,500-crore Basel II Lower Tier II bonds as these are fully redeemed and no amount is outstanding against the rated instrument. The rating was withdrawn in accordance with ICRA's policy on the withdrawal and suspension of ratings [\(click here for the policy\)](#).

Key rating drivers and their description

Credit strengths

Strong position in financial services industry supports share of granular assets – Axis Bank is the third-largest private bank and seventh largest in the overall Indian banking sector, with the relative share of advances witnessing a steady rise in banking sector credit to 6.01% as on September 30, 2021 (against 5.99% as on September 30, 2020, 5.66% as on September 30, 2019 and 5.34% as on September 30, 2018). Furthermore, Axis Bank 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 has also expanded its foothold into the insurance distribution business following the Group's acquisition of a ~13% stake in Max Life Insurance Company Limited, with an option to acquire an additional ~7% stake in future.

Axis Bank's net advances grew by 10.1% YoY to Rs. 6.21 lakh crore as on September 30, 2021 (Rs. 5.65 lakh crore as on September 30, 2020). While the growth remained relatively weaker than the private sector average of 11.5% during the same period, the granular retail book continued to grow at a comparatively higher pace of ~16% YoY as on September 30, 2021, while the corporate and small and medium size (SME) segments grew by ~1% and 18%, respectively. Accordingly, the share of the retail book increased to 56% as on September 30, 2021 (against 53% as on September 30, 2020), while the share of the corporate segment moderated to 34% (against 36% as on September 30, 2020) and the SME segment to 10% (against 11% as on September 30, 2020). 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 remains strong – Axis Bank's capitalisation profile remains strong with common equity Tier I (CET-I), Tier-I and CRAR (as a percentage of risk-weighted assets; RWAs) at 15.8%, 17.5% and 20.0%, respectively, as on September 30, 2021 against 15.4%, 16.5% and 19.1%, respectively, as on March 31, 2021. The bank's capital position was strengthened by equity capital raises, totalling ~Rs. 33,740 crore over FY2018-FY2021. Additionally, it raised dollar-denominated Additional Tier-I (AT-I) bonds amounting to USD 600 million (~Rs. 4,400 crore) in Q2 FY2022, which led to an increase in its Tier-I capital. The meaningfully large capital raise in recent years has helped widen the capital cushions, which helped offset the impact of weak internal capital generation due to elevated credit costs.

Further, the bank has steadily built up prudent asset provisions for potential future stress. This, along with the improving profitability outlook, is expected to help support the bank's overall capital profile in the medium term. 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 maintaining 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 – Axis Bank's overall deposit base grew by a strong 18% YoY to Rs. 7.36 lakh crore as on September 30, 2021. This was driven by the ~17% YoY growth in the lower-cost CASA deposits, while term deposits grew by ~19% YoY during the same period. The muted credit growth limited reliance on bulk deposits, leading to satisfactory deposit granularity, with CASA to total deposits at ~44% as on September 30, 2021. This largely remained at similar levels compared to the corresponding period last year. Furthermore, the bank continues to steadily grow its granular RTD base, which accounted for ~71% of the total term deposits as on September 30, 2021 (against ~75% as on September 30, 2020). Together, CASA and RTD dominate the deposit profile at ~84% of the total deposits, which, to an extent, helped narrow the asset-liability gaps for the bank over time.

While the growth in deposits was supported by efforts to expand its geographical footprint with the addition of new branches, Axis Bank's interest rate proposition remains relatively higher than peer banks, resulting in a relatively higher cost of interest-bearing funds for the bank compared to peer private sector banks. The cost of interest-bearing funds moderated to 4.20% in FY2021 and further to 3.82% in H1 FY2022 from 5.03% in FY2020 amid the soft interest rate environment. The differential with the private sector bank average narrowed to ~18 bps (Axis Bank's cost of funds is lower by 18 bps) in H1 FY2022 compared to ~28 bps in FY2021. Going forward, the bank's ability to achieve stronger growth while maintaining or improving the cost differential will remain key to support an improvement in its operating profitability.

Improved profitability; sizeable Covid-19 provisions provide cushion against incremental asset quality impact on profitability – The net interest income (NII) grew 16% to Rs. 29,239 crore in FY2021 from Rs. 25,206 crore in FY2020, supported by the steady expansion of the lending spreads. This was driven by the change in the book mix with the increasing share of retail loans, equity capital raise and comparatively lower slippages leading to lower interest reversals. While the NII witnessed steady traction, the relatively high share of low-yielding priority sector lending (PSL) deposits and the high liquidity levels remained a drag on net interest margin (NIM)/average total assets (ATA), which limited improvement to 3.07% in H1 FY2022 (against 3.06% in FY2021 and 2.94% in FY2020). Further, the impact of Covid-19 on origination and transaction banking fees as well as the change in the accounting for recoveries from written-off accounts (now netted off from credit provisions) led to a moderation in the non-interest income/ATA to 1.21% in H1 FY2022 from 1.31% in FY2021 and the pre-Covid level of 1.51% in FY2020.

Axis Bank's operating profitability remained steady at 2.45-2.48% during FY2020-FY2021, although it moderated to 2.19% in H1 FY2022 largely due to higher operating expenses with the normalisation of business activities and franchise expansion related costs. While elevated credit costs weighed down the return on assets (RoA) in the past, the same improved steadily to 1.04% in H1 FY2022 (against 0.69% in FY2021 and 0.19% in FY2020). Furthermore, the bank holds Covid-19 and restructuring provisions totalling ~Rs.6,468 crore or 1.1% of standard assets as on September 30, 2021, which, in turn, is expected to provide a cushion against unforeseen asset quality pressures. ICRA expects the bank to maintain RoA >1.0% over the medium term, which shall suffice for its growth capital requirements during this period.

Credit challenges

Near-term asset quality remains monitorable, although prudent provisions remain a source of comfort – The gross fresh non-performing advances (NPA) generation rate remained elevated at 3.9% (annualised) in H1 FY2022, aggravated by the impact of the second Covid-19 wave on borrowers. It remained above the FY2021 level (3.07% in FY2021 and 4.12% in FY2020). Various relief measures, including a moratorium on debt servicing, loan restructuring and ECLGS¹, together prevented a spike in NPA generation in FY2021. Further, slippages in FY2021 and H1 FY2022 were largely from the retail segment as this segment was relatively more severely impacted by Covid-19, while lumpy slippages in the corporate book remained limited compared to past levels. Despite high slippages, the gross and net NPA% remained steady at 3.78% and 1.16%, respectively, as on September 30, 2021 (against 4.49% and 1.06%, respectively, as on September 30, 2020) supported by strong recoveries as the slippages were relatively granular in FY2021 and H1 FY2022.

Axis Bank's overall restructured book (0.7% of standard advances) and the BB and below corporate book of Rs.11,746 crore (which includes a large part of the corporate restructured advances) remain a potential source of near to medium term stress although the same is expected to be manageable, considering the bank's healthy operating profitability and sizeable prudent provisions. Moving forward, ICRA expects the NPA generation to moderate gradually as the operating environment improves, leading to lower credit costs and better profitability and return metrics.

¹ [Emergency Credit Line Guarantee Scheme](#)

Liquidity position: Strong

Axis Bank's liquidity remains strong with the daily average liquidity coverage ratio (LCR) at 121% in Q2 FY2022 and 115% in Q1 FY2022 against the regulatory requirement of 100%. Further, the asset-liability mismatches (as per the structural liquidity statement as on September 30, 2021) were positive across all short-term buckets, partly supported by the excess statutory liquidity ratio (SLR) holding of the bank at ~Rs. 85,580 crore, translating to ~12% of net demand and time liabilities (above the regulatory requirement of 18%). The SLR holding above the regulatory level can be utilised to avail liquidity support from the RBI (through reverse repo) apart from the marginal standing facility of the RBI in case of urgent liquidity needs.

Rating sensitivities

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

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 >15% on a sustained basis, could be a negative trigger. Further, a sustained RoA <1.0% and/or a decline in the capital cushions over the regulatory levels to less than 4% on a sustained basis will remain negative triggers. Additionally, weakening of the distributable reserves eligible for the coupon payment on the AT-I bonds will be a negative trigger for the rating on these bonds.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Rating Methodology for Banks
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 limited consolidation approach, the capital requirement of the key subsidiaries of the Group, going forward, has been factored in. In ICRA's view, Axis Bank's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near to medium term and the bank will continue to comfortably meet the regulatory capital requirements at the consolidated level

About the company

Incorporated in December 1993, Axis Bank Limited is a private sector bank. The bank's promoter group includes Life Insurance Corporation of India (LIC) and Specified Undertaking of the Unit Trust of India (SUUTI), which collectively held 9.75% of the shares as on September 30, 2021 compared to 11.64% as on March 31, 2021 and 13.88% as on March 31, 2020.

As on September 30, 2021, Axis Bank had the third-largest network of branches among private sector banks with 4,679 branches and an international presence through branches in DIFC (Dubai) and Singapore and representative offices in Abu Dhabi, Sharjah, Dhaka and Dubai and an offshore banking unit in GIFT City.

Key financial indicators (standalone)

Axis Bank Limited		FY2020	FY2021	6M FY2021	6M FY2022
Net interest income	Rs. Crore	25,206	29,239	14,311	15,661
Profit before tax	Rs. Crore	4,904	8,806	3,745	7,077
Profit after tax	Rs. Crore	1,627	6,588	2,795	5,293
Net advances	Rs. Crore	5,71,424	6,23,720	5,76,372	6,21,719
Total assets	Rs. Crore	9,15,165	9,96,118	9,09,463	10,50,738
% CET	%	13.3%	15.4%	15.4%	15.8%
% Tier-I	%	14.5%	16.5%	16.5%	17.5%
% CRAR	%	17.5%	19.1%	19.4%	20.0%
% Net interest margin / Average total assets	%	2.94%	3.06%	3.14%	3.07%
% Net profit / Average total assets	%	0.19%	0.69%	0.61%	1.04%
% Return on net worth	%	1.92%	6.48%	6.12%	10.14%
% Gross NPAs	%	5.10%	3.94%	4.49%	3.78%
% Net NPAs	%	1.64%	1.12%	1.06%	1.16%
% Provision coverage excl. technical write-offs	%	69%	72%	77%	70%
% Net NPA/ Core capital	%	13.8%	7.6%	6.5%	7.0%

Source: Axis Bank Limited, ICRA Research; All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Sr. No.	Name of Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years					
		Type	Rated Amount	Amount Outstanding [^]	December 15, 2021	FY2021	FY2020		FY2019		
			(Rs. crore)	(Rs. crore)		Feb 19, 2021	Jan 23, 2020	Sep 26, 2019	Dec 27, 2018	Oct 10, 2018	Jun 29, 2018
1	Infrastructure Bonds/Debentures Programme	Long Term	22,205	20,880 [#]	[ICRA]AAA (Stable); reaffirmed	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2	Infrastructure Bonds/Debentures Programme	Long Term	7,500	-	[ICRA]AAA (Stable); assigned	-	-	-	-	-	-
3	Certificates of Deposit Programme	Short Term	60,000	36,775	[ICRA]A1+; reaffirmed	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Basel III Compliant Tier I Bond Programme	Long Term	7,000	7,000	[ICRA]AA+ (Stable); reaffirmed	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)
5	Basel III Compliant Tier I Bond Programme	Long Term	2,500	-	[ICRA]AA+ (Stable); assigned	-	-	-	-	-	-
6	Basel III Compliant Tier II Bond Programme	Long Term	16,350	11,580 [#]	[ICRA]AAA (Stable); reaffirmed	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
7	Lower Tier II Bond Programme	Long Term	4,425	4,425	[ICRA]AAA (Stable); reaffirmed	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
8	Lower Tier II Bond Programme	Long Term	1,500	-	[ICRA]AAA (Stable); reaffirmed and withdrawn	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
9	Fixed Deposit Programme	Medium Term	-	-	MAAA (Stable); reaffirmed	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	-	-	-

[^] Outstanding as on December 13, 2021

[#] Balance yet to be placed

Removal of (hyb) suffix from Basel III instruments

In compliance with the [circular](#) issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 for standardising the rating scales used by credit rating agencies, ICRA has discontinued its practice of affixing the (hyb) suffix alongside the rating symbols for hybrid instruments.

Accordingly, ICRA has removed the (hyb) suffix that was earlier being placed alongside the rating symbol for the hybrid instruments issued by Axis Bank. The earlier and revised denotation of the rating for various instruments can be seen in the table above. This rating action only involves the removal of the (hyb) suffix and should not be construed as a change in the credit rating.

Complexity level of the rated instruments

Instrument	Complexity Indicator
Infrastructure Bond Programme	Very Simple
Basel II Lower Tier II Bond Programme	Simple
Basel III Tier II Bond Programme	Highly Complex
Basel III Additional Tier I Bond Programme	Highly Complex
Certificates of Deposit	Very Simple
Fixed Deposits	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: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Basel III Tier II Bonds	Yet to be placed			4,770	[ICRA]AAA (Stable)
INE238A08443	Basel III Tier I Bonds	June 28, 2017	8.75%	Perpetual [^]	3,500	[ICRA]AA+ (Stable)
INE238A08427	Basel III Tier I Bonds	December 14, 2016	8.75%	Perpetual [§]	3,500	[ICRA]AA+ (Stable)
NA	Basel III Tier I Bonds	Yet to be placed			2,500	[ICRA]AA+ (Stable)
INE238A08435	Basel III Tier II Bonds	June 15, 2017	7.66%	June 15, 2027	5,000	[ICRA]AAA (Stable)
INE238A08369	Basel III Tier II Bonds	February 12, 2015	8.45%	February 12, 2025	850	[ICRA]AAA (Stable)
INE238A08377	Basel III Tier II Bonds	September 30, 2015	8.50%	September 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	November 23, 2016	7.84%	November 23, 2026	1,800	[ICRA]AAA (Stable)
INE238A08450	Infrastructure Bonds	December 28, 2018	8.60%	December 28, 2028	3,000	[ICRA]AAA (Stable)
INE238A08351	Infrastructure Bonds	December 5, 2014	8.85%	December 5, 2024	5,705	[ICRA]AAA (Stable)
INE238A08385	Infrastructure Bonds	October 30, 2015	8.25%	October 30, 2025	3,000	[ICRA]AAA (Stable)
INE238A08401	Infrastructure Bonds	October 20, 2016	7.60%	October 20, 2023	5,000	[ICRA]AAA (Stable)
INE238A08468	Infrastructure Bonds	January 30, 2020	7.65%	January 30, 2027	4,175	[ICRA]AAA (stable)
NA	Infrastructure Bonds	Yet to be placed			8,825	[ICRA]AAA (Stable)
INE238A08328	Lower Tier II Bonds	December 1, 2011	9.73%	December 1, 2021	1,500	[ICRA]AAA (Stable); withdrawn
INE238A08336	Lower Tier II Bonds	March 20, 2012	9.30%	March 20, 2022	1,925	[ICRA]AAA (Stable)
INE238A08344	Lower Tier II Bonds	December 31, 2012	9.15%	December 31, 2022	2,500	[ICRA]AAA (Stable)
NA	Fixed Deposit	-	-	-	-	MAAA (Stable)
NA	Certificates of Deposit	Yet to be placed		7-365 days	23,225	[ICRA]A1+
INE238A160V4	Certificates of Deposit	December 23, 2020	3.80%	December 17, 2021	1,425	[ICRA]A1+
INE238A160X0	Certificates of Deposit	November 23, 2021	4.40%	September 19, 2022	2,000	[ICRA]A1+
INE238A161V2	Certificates of Deposit	December 18, 2020	*	December 21, 2021	2,300	[ICRA]A1+
INE238A161W0	Certificates of Deposit	May 12, 2021	4.20%	May 13, 2022	1,750	[ICRA]A1+
INE238A161X8	Certificates of Deposit	November 24, 2021	4.40%	September 20, 2022	1,850	[ICRA]A1+
INE238A162V0	Certificates of Deposit	December 21, 2020	*	December 22, 2021	500	[ICRA]A1+
INE238A162W8	Certificates of Deposit	May 12, 2021	4.20%	May 11, 2022	1,750	[ICRA]A1+
INE238A162X6	Certificates of Deposit	November 25, 2021	4.20%	June 17, 2022	475	[ICRA]A1+
INE238A163W6	Certificates of Deposit	May 28, 2021	3.80%	January 28, 2022	2,485	[ICRA]A1+
INE238A163X4	Certificates of Deposit	November 24, 2021	4.20%	June 15, 2022	2,350	[ICRA]A1+
INE238A164V6	Certificates of Deposit	December 22, 2020	*	December 23, 2021	60	[ICRA]A1+
INE238A164W4	Certificates of Deposit	May 28, 2021	3.80%	January 31, 2022	500	[ICRA]A1+
INE238A164X2	Certificates of Deposit	November 25, 2021	4.20%	June 16, 2022	1,305	[ICRA]A1+

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE238A165V3	Certificates of Deposit	December 24, 2020	*	December 28, 2021	750	[ICRA]A1+
INE238A165W1	Certificates of Deposit	June 11, 2021	3.80%	February 10, 2022	1,650	[ICRA]A1+
INE238A165X9	Certificates of Deposit	December 9, 2021	4.60%	December 7, 2022	2,000	[ICRA]A1+
INE238A166V1	Certificates of Deposit	March 9, 2021	4.20%	March 10, 2022	2,185	[ICRA]A1+
INE238A166W9	Certificates of Deposit	June 11, 2021	3.80%	February 8, 2022	1,850	[ICRA]A1+
INE238A166X7	Certificates of Deposit	December 9, 2021	4.60%	December 9, 2022	1,225	[ICRA]A1+
INE238A167V9	Certificates of Deposit	March 9, 2021	*	March 9, 2022	215	[ICRA]A1+
INE238A167W7	Certificates of Deposit	July 2, 2021	4.20%	April 28, 2022	1,700	[ICRA]A1+
INE238A167X5	Certificates of Deposit	December 9, 2021	4.60%	December 8, 2022	1,775	[ICRA]A1+
INE238A160V4	Certificates of Deposit	December 23, 2020	3.80%	December 17, 2021	1,425	[ICRA]A1+
INE238A168W5	Certificates of Deposit	July 2, 2021	4.20%	April 27, 2022	1,600	[ICRA]A1+
INE238A169W3	Certificates of Deposit	November 16, 2021	4.40%	November 16, 2022	1,650	[ICRA]A1+

Source: Axis Bank Limited; ^ Call option due on June 28, 2022; ⁵ Call option due on December 14, 2021; Certificates of deposit outstanding as on December 9, 2021, *floating rate

Key features of the rated instruments

The servicing of the Basel II Lower Tier II Bonds and infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is breached in the RBI's opinion. The rated Basel III Tier I (AT-I) and Basel III Tier II instruments are hybrid subordinated debt instruments with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

The rating for the Basel III Compliant Additional Tier-I Bonds is one notch lower than the rating for the Basel III Compliant Tier II Bonds as these instruments have the following loss-absorption features that make them riskier.

- The coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel the same. The cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. However, 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 surpluses created through the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for CET-I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times, as prescribed by the RBI under 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 (w.e.f. October 1, 2021) of the bank or when the PONV trigger is breached in the RBI's opinion.

The distributable reserves² that can be used for servicing the coupon in a situation of inadequate profits or a loss during the year, stood at a comfortable 8.3% of RWAs as on September 30, 2021. The rating on the Tier I bonds continues to be supported by the bank's sound capitalisation profile and expectations of improved profitability going forward.

Annexure-2: List of entities considered for limited consolidated analysis

Company Name	Axis Bank Ownership	Consolidation Approach
Axis Capital Limited	100%	Limited Consolidation
Axis Trustee Services Limited	100%	Limited Consolidation
Axis Mutual Fund Trustee Limited	75%	Limited Consolidation
Axis Asset Management Company Limited	75%	Limited Consolidation
Axis Bank UK Ltd	100%	Limited Consolidation
Axis Finance Limited	100%	Limited Consolidation
Axis Securities Limited	100%	Limited Consolidation
A.Treds Ltd	67%	Limited Consolidation
Freecharge Payment Technologies Pvt Ltd	100%	Limited Consolidation
Axis Capital USA LLC	100%	Limited Consolidation
Max Life Insurance Company Limited	13%	Limited Consolidation

Source: Axis Bank Limited

² As defined in [RBI circular](#)

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