December 07, 2022(Revised)

Axis Bank Limited: [ICRA]AAA (Stable) assigned to infrastructure bonds/debentures and Basel III Tier II bonds; ratings reaffirmed

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds/Debentures	29,705.00	29,705.00	[ICRA]AAA (Stable); reaffirmed
Infrastructure Bonds/Debentures	-	3,775.00	[ICRA]AAA (Stable); assigned
Basel III Tier II Bonds	16,350.00	16,350.00	[ICRA]AAA (Stable); reaffirmed
Basel III Tier II Bonds	-	7,230.00	[ICRA]AAA (Stable); assigned
Basel II Lower Tier II Bonds	2,500.00	2,500.00	[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	**1,11,555.00**	**1,22,560.00**	

**Instrument details are provided in Annexure I*

Rationale

Axis Bank Limited's (Axis Bank) ratings are supported by its strong position in the Indian financial system by virtue of being the third-largest private sector bank with a 5.7% share in advances and a 4.7% share in the deposits of the banking system as on June 30, 2022. Further, the overall capitalisation levels remain strong, while internal capital generation witnessed a steady improvement with the gradual decline in pressure on the asset quality and credit costs. Additionally, Axis Bank continues to operate with large prudent provisions. This, coupled with the provision coverage ratio (PCR; excluding technical write-offs) of ~80% as on September 30, 2022, provides sufficient cushion to absorb unforeseen asset quality shocks and to support the improvement seen in the internal capital generation.

The gross slippage rate remained relatively high in the retail segment during FY2021-FY2022, but witnessed a gradual moderation in H1 FY2023. The headline asset quality metrics continued on an improving trajectory, supported by strong recoveries and upgrades. Incrementally, the overall standard restructured book at 0.3% and the book rated BB & below stood at 0.7% of standard advances as on September 30, 2022 could remain a source of future stress, although the same remains at a manageable level. However, macroeconomic factors, including elevated input and commodity prices, and their associated impact on a wider set of customers and their servicing abilities, will remain monitorable. Nevertheless, the overall asset quality metrics are expected to remain at much better levels compared to the weaker levels seen in past years.

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. 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 sustaining the improvement in its solvency position. Although the capitalisation profile is likely to moderate from the current levels upon the acquisition of Citibank's Indian consumer business, the capital cushions above the regulatory levels are expected to remain well above the negative rating triggers. The improvement in internal capital generation is also expected to support the growth, which will aid the capitalisation profile as well.

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 witnessing a steady rise in banking sector credit to 6.2% as on March 31, 2022 (against 6.1% as on March 31, 2021, 5.9% as on March 31, 2020 and 5.4% as on March 31, 2019). Furthermore, Axis Bank through its subsidiaries, namely Axis Capital Limited, Axis Asset Management Company Limited, Axis Finance Limited and Axis Securities Limited, offers various financial services across investment banking, asset management, securities broking and lending. It has also expanded its foothold in the insurance distribution business following the Group's ~13% stake acquisition in Max Life Insurance Company Limited, with the option to acquire an additional ~7% stake in the 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 15%. This supported the growth in net advances to Rs. 7.31 lakh crore as on September 30, 2022. The growth momentum was largely driven by the granular retail book, which continued to grow at a comparatively higher pace of ~22% YoY as on September 30, 2022. 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 expected to remain strong even on conclusion of planned purchase of Citibank's Indian consumer business – Axis Bank's capitalisation profile remains strong with CET I, Tier I and CRAR (as a percentage of risk-weighted assets; RWAs) at 15.1%, 17.1% and 17.7%, respectively, as on September 30, 2022 against 15.4%, 16.5% and 19.1%, respectively, as on March 31, 2021. The capital position was strengthened by equity capital raises, totalling ~Rs. 33,700 crore over FY2018-FY2021. Additionally, Axis Bank 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 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.

Furthermore, ICRA notes that the bank is likely to recognise the consideration paid for the acquisition of Citibank's Indian consumer business as goodwill and write off the same when the acquisition is completed. This would lead to a moderation in the capitalisation levels as well as the capital charge representing the risk-adjusted value of the assets acquired by the bank. In ICRA's view, despite the one-time impact of the acquisition, the overall capital cushions above the regulatory levels are expected to remain better than our negative rating trigger of 4%. Moreover, given the expectation of a continued improvement in the profitability, the internal capital generation will support the near-to-medium-term growth, although Axis Bank may consider raising growth capital over the medium term.

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 10% YoY to Rs. 8.10 lakh crore as on September 30, 2022. This was driven by the ~14% YoY growth in the lower-cost CASA deposits, while term deposits grew by ~7% YoY during this period. Accordingly, CASA/total deposits stood at 46.2%, which remains higher than the private sector average, although it remains lower than the >50% levels seen in the past. Nevertheless, the bank continues to steadily grow its granular RTD base, which accounted for ~66% of the total term deposits as on September 30, 2022 (~73% as on March 31, 2021). Together, CASA and RTD dominate the deposit profile at ~82% of the total deposits, which, to an extent, helped narrow the asset-liability gaps for the bank over time.

However, 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. Further, with an increase in policy rates, the cost of interest-bearing funds increased to 3.85% in H1 FY2023 (3.71% in FY2022 and 4.22% in FY2021), although it is likely to rise further in the near to medium term. 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 continues to improve; sizeable prudent provisions provide cushion to profitability – While net interest margin (NIM)/average total assets remained steady at 3.06% in FY2022 (3.07% in FY2021 and 2.94% in FY2020), it improved

to 3.35% in H1 FY2023 largely led by the expansion in spreads. As the impact of the Covid-19 pandemic subsided and the growth momentum improved, non-interest income also witnessed an improvement. However, this was offset by the sharper rise in the overall operating expense level as the bank continues to grow its franchise. As a result, the operating profitability remained between 2.1% and 2.4% during FY2021-H1 FY2023. While elevated credit costs had weighed down the return on assets (RoA) in the past, it improved steadily to 1.2% in FY2022 (0.7% in FY2021) and further to 1.6% in H1 FY2023 despite the mark-to-market (MTM) losses on the investment book. Furthermore, the bank continues to hold prudent provisions, excluding standard asset provisions and including provision on restructured assets, of ~Rs. 6,000 crore or 0.8% of standard assets as September 30, 2022. This is expected to provide a cushion against unforeseen asset quality pressures while supporting the continued improvement in the RoA. Going forward, ICRA expects Axis Bank to maintain RoA >1.0%, which shall be sufficient for the growth capital requirements over the medium term.

Credit challenges

Tail risk of Covid-19 and impact of macroeconomic factors on asset quality remain monitorable – The gross fresh non-performing advances (NPA) generation rate moderated to 2.0% (annualised) in H1 FY2023 from 2.9-3.3% during FY2021-FY2022, and was meaningfully lower than the levels seen prior to the onset of the pandemic. Further, slippages have largely been from the retail segment, as these segments were relatively more severely impacted by Covid-19, while lumpy slippages in the corporate book remained limited in relation to earlier levels. Led by lower slippages as well as strong recoveries and upgrades, the gross NPA% and net NPA% improved to 2.7% and 0.6%, respectively, as on September 30, 2022 (3.8% and 1.2%, respectively, as on September 30, 2021). Axis Bank's overall restructured book remains manageable (0.3% of standard advances), while the corporate book rated BB and below (excluding restructured accounts; 0.6% of standard advances) could remain a potential source of near-to-medium-term stress although it is expected to be manageable for the bank, considering the healthy operating profitability and sizeable prudent provisions. Going forward, the impact of various macroeconomic factors including rising input and commodity prices, which could pressurise the servicing abilities of certain vulnerable borrowers, will remain a monitorable.

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 whom banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such 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 any 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 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 121% in Q2 FY2023 against the regulatory requirement of 100%. Besides this, the bank's reported net stable funding ratio (NSFR) stood at 134% in Q2 FY2023, above the regulatory ask of 100%. Further, it reported excess statutory liquidity ratio (SLR) holding of ~Rs. 56,000 crore, translating into ~7% of net demand and time liabilities, which is above the regulatory requirement of 18%. The excess 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 >15% on a sustained basis, could be a negative trigger. Further, a sustained RoA <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 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 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 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 9.69% of the shares as on September 30, 2022 compared to 9.70% of the shares as on March 31, 2022, 11.64% as on March 31, 2021 and 13.88% as on March 31, 2020. As on September 30, 2022, Axis Bank had the third-largest network of branches among private sector banks with 4,760 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	FY2021	FY2022	H1 FY2022	H1 FY2023
Net interest income	29,239	33,132	15,661	19,744
Profit before tax	8,806	17,383	7,077	12,694
Profit after tax	6,588	13,025	5,293	9,455
Net advances (Rs. lakh crore)	6.14	7.08	6.22	7.31
Total assets (Rs. lakh crore)	9.87	11.75	10.51	11.85
CET I	15.40%	15.24%	15.81%*	15.14%*
Tier I	16.47%	16.34%	17.54%*	17.11%*
CRAR	19.12%	18.54%	20.04%*	17.72%*
Net interest margin / ATA	3.07%	3.06%	3.07%	3.35%
PAT / ATA	0.69%	1.20%	1.04%	1.60%
Return on net worth	7.06%	12.02%	10.14%	15.76%
Gross NPAs	4.00%	3.01%	3.78%	2.66%
Net NPAs	1.14%	0.78%	1.16%	0.55%
Provision coverage excl. technical write-offs	72.37%	74.74%	70.18%	79.92%
Net NPA / Core equity capital	7.14%	4.97%	6.98%	3.50%

*Source: Axis Bank, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise; * Incl. H1 profits*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument		Type	Current rating (FY2023)						Chronology of rating history for the past 3 years			
			Amount rated	Amount outstanding as of Dec 05, 2022	Date & rating in FY2023				Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
			(Rs. crore)	(Rs. crore)	Dec-07-2022	Sep-19-2022	May-31-2022	Apr-7-2022	Dec-15-2021	Feb-19-2021	Jan-23-2020	Sep-26-2019
1	Fixed Deposit	Long Term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
2	Infrastructure Bonds/Debentures	Long Term	29,705	23,480^	[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	3,775	-	[ICRA]AAA (Stable) assigned							
4	Basel III Tier II Bonds	Long Term	16,350	11,580^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
5	Basel III Tier II Bonds	Long Term	7,230	-	[ICRA]AAA (Stable) assigned							
6	Basel II Lower Tier II Bonds	Long Term	2,500	2,500	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
7	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+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)
8	Certificates of Deposit	Short Term	60,000	39,140^	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

^ Balance yet to be placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Infrastructure Bonds	Very Simple
Basel II Lower Tier II Bonds	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)
NA	Basel III Tier II Bonds	Yet to be placed			7,230	[ICRA]AAA (Stable) assigned
NA	Basel III Tier II Bonds	Yet to be placed			4,770	[ICRA]AAA (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)
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)
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			6,225	[ICRA]AAA (Stable)
NA	Infrastructure Bonds	Yet to be placed			3,775	[ICRA]AAA (Stable) assigned
INE238A08344	Lower Tier II Bonds	Dec-31-2012	9.15%	Dec-31-2022	2,500	[ICRA]AAA (Stable)
NA	Fixed Deposit	-	-	-	-	[ICRA]AAA (Stable)
NA	Certificates of Deposit	Yet to be placed		7-365 days	20,860	[ICRA]A1+
INE238A161Z3	Certificates of Deposit	Mar-17-2022	4.92%	Mar-07-2023	2,300	[ICRA]A1+
INE238A162Z1	Certificates of Deposit	Mar-17-2022	4.92%	Mar-08-2023	1,750	[ICRA]A1+
INE238A163Z9	Certificates of Deposit	Mar-17-2022	4.92%	Mar-09-2023	200	[ICRA]A1+
INE238A165X9	Certificates of Deposit	Dec-10-2021	4.57%	Dec-07-2022	2,000	[ICRA]A1+
INE238A165Y7	Certificates of Deposit	Feb-11-2022	4.90%	Feb-10-2023	2,500	[ICRA]A1+
INE238A166X7	Certificates of Deposit	Dec-10-2021	4.57%	Dec-09-2022	1,550	[ICRA]A1+
INE238A167X5	Certificates of Deposit	Dec-10-2021	4.57%	Dec-08-2022	1,775	[ICRA]A1+
INE238A167Y3	Certificates of Deposit	Mar-03-2022	4.95%	Mar-03-2023	675	[ICRA]A1+
INE238A166Z2	Certificates of Deposit	May-18-2022	5.99%	Jan-16-2023	1,785	[ICRA]A1+
INE238A160Z5	Certificates of Deposit	Sep-07-2022	6.80%	Sep-07-2023	675	[ICRA]A1+
INE238A169Z6	Certificates of Deposit	Jun-14-2022	6.30%	Feb-14-2023	1,300	[ICRA]A1+
INE238AD6017	Certificates of Deposit	Jun-16-2022	6.49%	Jun-16-2023	305	[ICRA]A1+
INE238AD6025	Certificates of Deposit	Sep-07-2022	6.80%	Sep-07-2023	980	[ICRA]A1+
INE238AD6017	Certificates of Deposit	Nov-10-2022	7.40%	Jun-16-2023	75	[ICRA]A1+
INE238AD6033	Certificates of Deposit	Sep-22-2022	6.25%	Dec-21-2022	515	[ICRA]A1+
INE238AD6041	Certificates of Deposit	Sep-22-2022	7.07%	Jul-19-2023	2,460	[ICRA]A1+
INE238AD6058	Certificates of Deposit	Sep-29-2022	6.50%	Dec-28-2022	550	[ICRA]A1+
INE238AD6066	Certificates of Deposit	Sep-29-2022	6.80%	Feb-28-2023	2,525	[ICRA]A1+
INE238AD6074	Certificates of Deposit	Oct-03-2022	6.40%	Jan-02-2023	2,500	[ICRA]A1+
INE238AD6082	Certificates of Deposit	Oct-03-2022	6.40%	Jan-03-2023	1,000	[ICRA]A1+
INE238AD6090	Certificates of Deposit	Oct-04-2022	7.20%	Oct-06-2023	350	[ICRA]A1+
INE238AD6108	Certificates of Deposit	Oct-07-2022	7.40%	Oct-10-2023	1,360	[ICRA]A1+
INE238AD6116	Certificates of Deposit	Nov-01-2022	7.60%	Nov-02-2023	415	[ICRA]A1+
INE238AD6124	Certificates of Deposit	Nov-10-2022	7.40%	Jun-20-2023	285	[ICRA]A1+
INE238AD6132	Certificates of Deposit	Nov-15-2022	7.25%	May-04-2023	200	[ICRA]A1+
INE238AD6140	Certificates of Deposit	Nov-17-2022	7.55%	Nov-15-2023	130	[ICRA]A1+

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE238AD6157	**Certificates of Deposit**	Nov-22-2022	7.65%	Nov-23-2023	3,725	[ICRA]A1+
INE238AD6165	**Certificates of Deposit**	Nov-24-2022	7.30%	Jun-07-2023	2,125	[ICRA]A1+
INE238AD6173	**Certificates of Deposit**	Nov-28-2022	7.65%	Nov-29-2023	800	[ICRA]A1+
INE238AD6181	**Certificates of Deposit**	Nov-29-2022	7.32%	Jun-22-2023	200	[ICRA]A1+
INE238AD6199	**Certificates of Deposit**	Dec-01-2022	7.65%	Dec-01-2023	1,455	[ICRA]A1+
INE238AD6207	**Certificates of Deposit**	Dec-02-2022	7.65%	Dec-05-2023	675	[ICRA]A1+

Source: Axis Bank; Certificates of deposit outstanding as on December 05, 2022

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 AT-I Bonds is one notch lower than the rating for the Basel III 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 the common equity tier I (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 of the bank or when the PONV trigger is breached in the RBI's opinion.

The distributable reserves[1], that can be used for servicing the coupon in a situation of inadequate profits or a loss during the year, stood at a comfortable 7.5% of RWAs as on September 30, 2022. The rating on the Tier I bonds continues to be supported by the bank's sound capitalisation profile and the expectation of improved profitability, going forward.

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership	Consolidation Approach
Axis Capital Limited	100.00%	Limited Consolidation
Axis Trustee Services Limited	100.00%	Limited Consolidation
Axis Mutual Fund Trustee Limited	75.00%	Limited Consolidation
Axis Asset Management Company Limited	51.00%	Limited Consolidation
Axis Bank UK Ltd	100.00%	Limited Consolidation
Axis Finance Limited	100.00%	Limited Consolidation
Axis Securities Limited	100.00%	Limited Consolidation
A.Treds Ltd	67.00%	Limited Consolidation
Freecharge Payment Technologies Pvt Ltd	100.00%	Limited Consolidation
Axis Capital USA LLC	100.00%	Limited Consolidation
Axis Pension Fund Management Limited	9.02%	Limited Consolidation
Max Life Insurance Company Limited	9.99%	Limited Consolidation

[1] *As defined in RBI circular*

Source: Axis Bank

Corrigendum

Rationale dated December 07, 2022, has been revised with changes as below:

- Addition of "ICRA's Rating Methodology on Consolidation" in the analytical approach section

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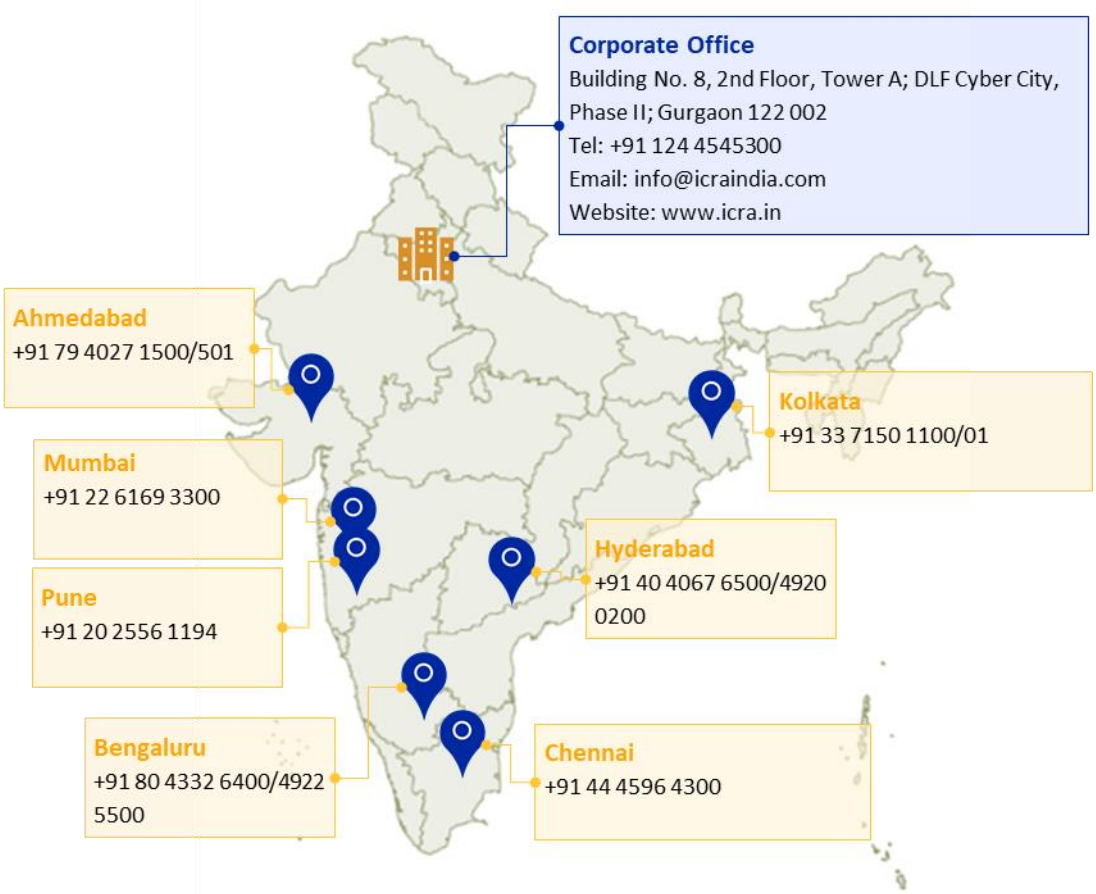
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