

AXIS/CO/CS/407/2022-23

November 21, 2022

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 S&P GLOBAL RATINGS FOR AXIS BANK LIMITED ("BANK")

REF: REGULATION 30 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

This is to inform you that credit rating agency S&P Global Ratings has upgraded its long-term and short-term issuer credit rating of the Bank to 'BBB-/A-3' from 'BB+/B'. The outlook on the long-term rating is stable.

S&P Global Ratings has also upgraded the long-term issue rating on the Bank's senior unsecured notes to 'BBB-' from 'BB+'.

The rating rationale letter received from S&P Global Ratings is attached herewith.

This is for your information and records.

Thanking you.

Yours sincerely,

For Axis Bank Limited

Sandeep Poddar
Company Secretary

Encl.: As above

CC: London Stock Exchange
Singapore Stock Exchange

Research Update:

Axis Bank Upgraded To 'BBB-/A-3' On Improving Asset Quality; Outlook Stable

November 21, 2022

Overview

- Axis Bank should be able to maintain its good asset quality, supported by stable macroeconomic conditions in India and the bank's well-developed risk management.
- We raised our long-term and short-term issuer credit ratings on the India-based bank to 'BBB-/A-3' from 'BB+/B'. The outlook is stable. We also raised the long-term issue rating on the bank's outstanding notes to 'BBB-' from 'BB+'.
- The stable outlook reflects the bank's strong market position, ample capital buffers, and stable deposit base.

PRIMARY CREDIT ANALYST

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Rating Action

On Nov. 21, 2022, S&P Global Ratings raised its long-term and short-term issuer credit rating on Axis Bank Ltd. to 'BBB-/A-3' from 'BB+/B'. The outlook on the long-term rating is stable. We also raised the long-term issue rating on the bank's senior unsecured notes to 'BBB-' from 'BB+'.

Rationale

Our upgrade reflects Axis Bank's good asset quality and our expectation that the bank will maintain that over the next one to two years. India's robust economic growth should support borrowers' creditworthiness. We forecast Axis Bank's weak loans, defined as nonperforming loans and standard restructured loans (including loans restructured due to COVID), could decline to 2.5%-3.0% of total customer loans by end-March 2023, from 3.7% as of March 31, 2022. COVID restructured loans have also fallen to 0.4% of total loans as of end-September 2022, from 0.6% as of Dec. 31, 2021. Credit costs could likely stay below 1% while asset quality risks remain contained.

In our view, Axis Bank can absorb the impact of higher inflation and interest rates. The small and midsize enterprise sector and low-income households are vulnerable to rising interest rates and high inflation. However, in our base case of moderate interest-rate hikes, these risks are

Research Update: Axis Bank Upgraded To 'BBB-/A-3' On Improving Asset Quality; Outlook Stable

manageable for Axis Bank. The bank's ample provisioning and capital buffers can help absorb a moderate rise in credit stress. The bank's tighter risk management should also support credit quality. Axis Bank's asset quality is likely to stay better than the Indian sector average and comparable to that of similar rated international peers over the next two years. This follows gradual improvements in recent years with a resolution and recovery of legacy weak loans.

Outlook

The stable outlook on Axis Bank reflects our view that the bank will maintain its strong market position in India's banking sector over the next two years. The bank's capitalization should stay comfortable, notwithstanding an expected decline from the acquisition of Citigroup Inc.'s retail portfolio in India. Steady growth in Axis Bank's retail deposit base as well as good access to capital markets should support its funding profile.

Downside scenario

We may lower the ratings on Axis Bank if the bank's asset quality deteriorates sharply. This could happen if economic conditions in India deteriorate, resulting in asset quality stress for the bank.

Upside scenario

An upgrade of Axis Bank is unlikely over the next one to two years. This is because an upgrade will require an improvement in the bank's financial profile as well as the sovereign credit rating on India.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
SACP	bbb-	bb+
Anchor	bb+	bb+
Business position	Strong (+1)	Strong (+1)
Capital and earnings	Adequate (0)	Adequate (0)
Risk position	Adequate (0)	Moderate (-1)
Funding and Liquidity	Adequate and Adequate (0)	Adequate and Adequate (0)
Comparable ratings analysis	0	0
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

SACP--Stand-alone credit profile.

ESG Credit Indicators: E-2, S-2, G-3

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Upgraded; Outlook Action

	To	From
Axis Bank Ltd.		
Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B

Upgraded

	To	From
Axis Bank Ltd. (Dubai International Financial Centre Branch)		
Senior Unsecured	BBB-	BB+
Axis Bank Ltd. (GIFT City Branch)		
Senior Unsecured	BBB-	BB+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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