...the name you can BANK upon!

Azadi Ka Amrit Mahotsav

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Share Department, Board & Coordination Division, HO Plot No.4 Sector 10, Dwarka, New Delhi-110075 Tel No. : 011-28044857, E-mail: hosd@pnb.co.in

Scrip Code : PNB	**Scrip Code : 532461**
National Stock Exchange of India Limited "Exchange Plaza" Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

Date: 10.08.2023

Dear Sir(s),

Reg.: Rating Action by ICRA Ratings

The Exchange is hereby informed that ICRA Ratings vide its rating action dated 10.08.2023 has **reaffirmed** the ratings and **revised** the Outlook as given below:

Instrument Type	**Rating / Outlook**
Basel III Tier I Bonds	ICRA AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Fixed Deposits	ICRA AA+/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Infrastructure Bonds	ICRA AA+/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Basel II Lower Tier II Bonds	ICRA AA+/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Basel II Lower Tier II Bonds	ICRA AA+/Positive (Outlook revised from 'Stable'; Rating reaffirmed and withdrawn)
Basel III Tier II Bonds	ICRA AA+/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Certificate of Deposits	ICRA A1+ (Reaffirmed)

A copy of the detailed rating rationale is enclosed.

The above is submitted in compliance with Regulation 30 and 51 of SEBI (LODR) Regulations, 2015.

Thanking You,

Yours faithfully,

EKTA PASRICHA

Digitally signed by EKTA PASRICHA
DN: cn=EKTA PASRICHA, c=IN, st=Delhi, o=Personal, title=5725, serialNumber=BEE4AE6E829EEEE60E0B52E2EF065410CCB94EC654442F55DAEC24909CCAF6C9
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पंजाब नैशनल बैंक P.N.B. शेयर विभाग बोर्ड व समन्वय प्रभाग H.O. Share Department Board & Coord. Division New Delhi-110075 प्र.का. नई दिल्ली

(Ekta Pasricha)
Company Secretary

Encl.: A/a

August 10, 2023

Punjab National Bank: Ratings reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier I Bonds	4,000.00	4,000.00	[ICRA]AA (Positive); reaffirmed and outlook revised to Positive from Stable
Fixed Deposits	-	-	[ICRA]AA+ (Positive); reaffirmed and outlook revised to Positive from Stable
Infrastructure Bonds	3,000.00	3,000.00	[ICRA]AA+ (Positive); reaffirmed and outlook revised to Positive from Stable
Basel II Lower Tier II Bonds	175.00	175.00	[ICRA]AA+ (Positive); reaffirmed and outlook revised to Positive from Stable
Basel II Lower Tier II Bonds	1,025.00	-	[ICRA]AA+ (Positive); reaffirmed and withdrawn; outlook revised to Positive from Stable
Basel III Tier II Bonds	3,000.00	3,000.00	[ICRA]AA+ (Positive); reaffirmed and outlook revised to Positive from Stable
Certificates of Deposit	60,000.00	60,000.00	[ICRA]A1+; reaffirmed
Total	**71,200.00**	**70,175.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook factors in the steady improvement in Punjab National Bank's (PNB's) asset quality levels, driven by the moderation in fresh non-performing advances (NPA) generation along with healthy recoveries/upgrades, resulting in an improvement in the headline asset quality levels. As the bank continues to shore up the provision cover on legacy NPAs, its solvency[1] profile has also improved steadily. While this has resulted in relatively muted net profitability levels in the interim, PNB is expected to see a gradual improvement in the internal capital generation from the current level as the overhang of elevated credit costs gradually subsides. Furthermore, its capitalisation profile and loss-absorption buffers above the regulatory levels remain comfortable and are likely to be reinforced on the back of the expected improvement in the profitability levels. ICRA expects the bank to maintain sufficient capital cushion over the regulatory levels, although the impact of transitioning to provisioning, based on the expected credit loss (ECL) framework, on the capital and profitability levels will remain monitorable.

The ratings continue to factor in PNB's sovereign ownership and the demonstrated track record of capital support from the Government of India (GoI). While the bank is comfortably capitalised and likely to remain self-sufficient for its capital requirements, ICRA expects it to continue receiving support if required. PNB's systemic importance in the Indian banking sector remains high with a market share of 6.10% in advances and 7.03% in total deposits as on March 31, 2023. Moreover, it is the third largest public sector bank (PSB) and the sixth largest bank in the Indian financial system in terms of net advances. The ratings remain supported by the bank's strong deposit franchise, resulting in a high share of retail deposits and a strong liquidity profile.

While the vulnerable book, primarily comprising restructured advances, as well as the overdue book (special mention account (SMA)-1 and SMA-2)[2], will be critical from an asset quality and profitability perspective, it has moderated from the elevated levels in the past. Over and above this, the impact of macro-economic shocks on more vulnerable borrowers will be monitorable. Nevertheless, ICRA expects the bank to absorb a significant part of the credit provisions from its operating profit

[1] Solvency ratio = NNPA / Core capital

[2]SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days. The SMA-level data is for the entire bank including exposures below Rs. 5 crore

if any stress materialises. While PNB has been profitable since FY2021, the return metrics remain relatively modest as it has been increasing the provision cover on its legacy stressed assets. Backed by stronger credit growth, recoveries and increasing provision cover, we expect overall internal capital regeneration to improve steadily from the current level. A sustained improvement in the solvency profile, while ensuring an improvement in the profitability, will be key from a credit perspective.

ICRA has withdrawn the rating assigned to the Rs. 1,025-crore Basel III Lower Tier II bonds as these are fully redeemed and no amount is outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings (click here for the policy).

Key rating drivers and their description

Credit strengths

Sovereign ownership with demonstrated capital support from GoI – The GoI remains PNB's largest shareholder, accounting for a 73.15% equity stake as on June 30, 2023. The GoI's shareholding declined from 85.59% as on September 30, 2020 after two rounds of equity capital raising, totalling Rs. 5,588 crore, from the markets in FY2021 and FY2022. This follows the meaningful capital support received by PNB and other amalgamating banks (erstwhile Oriental Bank of Commerce and United Bank of India) from the GoI during FY2018-FY2020 (Rs. 55,274 crore). This helped improve the provision levels on the stressed assets and drove down its net NPA (NNPA) level and improved its capital levels. While the bank has raised capital over the last two years, its internal capital generation is expected to improve, thereby limiting its capital dependence on the GoI. ICRA expects PNB to continue receiving support from the GoI if required.

Comfortable capitalisation levels; solvency profile improves – The bank's core equity capital (CET-I) and Tier I capital stood at 10.85% and 12.29%, respectively, as on June 30, 2023 (10.94% and 12.10%, respectively, as on June 30, 2022). While the capitalisation profile was supported by infusions in the past, PNB remained profitable during FY2021-Q1 FY2024 after incurring huge losses in prior years, which led to capital erosion. With the increase in the provision cover ratio on stressed assets, the solvency level improved to 23.58% as on June 30, 2023 from 47.75% as on June 30, 2022. Going forward, ICRA expects the bank to sustain the improvement in the solvency level, which will also be key from a credit perspective.

The Reserve Bank of India (RBI) recently issued a discussion paper for transitioning to the expected loss framework for credit exposures. As highlighted by ICRA, banks with a high share of overdue/restructured loans could see a one-time impact on their capital position upon transitioning. While the RBI has proposed that these provisions should be spread over a five-year period for the computation of the regulatory capital ratios, the impact on the capital position (without taking regulatory forbearance) will remain monitorable.

Well-developed deposit franchise – PNB's overall deposit base grew by 14.18% year-on-year (YoY) to Rs. 12.98 lakh crore as on June 30, 2023. The share of PNB's deposits in the banking system stood at 7.03% as on March 31, 2023, which was supported by its extensive network of 10,080 branches. Further, its current account and savings account (CASA) base stood at 42.99% of the total deposits as on March 31, 2023, which is slightly higher than the PSB average of 40.09% during this period.

Besides the reasonably high share of CASA deposits, the share of the top 20 depositors in total deposits remained low at 4.86% as on March 31, 2023. The granular deposit base and the high share of CASA deposits continue to strengthen the resource and liquidity profile of the bank while keeping the overall cost of interest-bearing funds in line with the PSB average at 4.01% in FY2023 (PSB average – 4.04%). Given its strong core deposit base, widespread branch network, and robust retail franchise, ICRA expects PNB's liability profile to remain a significant positive for supporting its credit growth while maintaining strong liquidity and profitability.

Credit challenges

Asset quality remains monitorable – The annualised fresh NPA generation rate moderated to 1.18% of standard advances in Q1 FY2024 (2.51% of standard advances in FY2023, 3.89% in FY2022, 4.21% in FY2021). Apart from this, the bank's GNPA declined steeply to 7.73% as on June 30, 2023 from 11.27% as on June 30, 2022 on account of healthy recoveries/upgrades and significant write-offs in FY2023 and Q1 FY2024. Further, the increase in PNB's provision coverage ratio to 75.84% (excluding written-off accounts) as on June 30, 2023 from 64.79% as on June 30, 2022 led to an improvement in its NNPA level to 1.98% from 4.28% during this period.

While PNB's vulnerable pool has seen a gradual moderation, the standard restructured book stood at 1.29% of standard advances as on March 31, 2023 (1.87% as on September 30, 2022). In addition, the total SMA-1 and SMA-2 loan book stood at 2.14% of standard advances as on June 30, 2023 (2.67% as on September 30, 2022). The performance of the residual vulnerable book, which stood at 40.02% of the core equity capital as on June 30, 2023 (45.51% as on September 30, 2022), and the impact of macro-economic shocks on the servicing abilities of many borrowers will be key monitorable factors where the asset quality is concerned.

Modest earnings profile, although expected to improve – With better asset quality levels leading to lower interest reversals compared to the past as well as the improving scale, PNB's operating profit grew steadily to 1.71% of average total assets (ATA) in FY2023 from 1.46% in FY2022 and was largely comparable with the PSB average of 1.80% in FY2023. Despite the recoveries/upgrades being higher than the overall slippages in Q1 FY2024 and FY2023, the credit cost remained elevated as the bank continued to shore up its provision cover on stressed assets/legacy NPAs. This led to a modest return on assets (RoA) of 0.34% in Q1 FY2024 (0.09% in Q1 FY2023) and 0.18% in FY2023 (0.27% in FY2022). ICRA expects the credit cost to remain elevated and the profitability to remain modest in FY2024 as PNB continues to progressively provide for its existing NPAs, even as fresh NPA addition has moderated to lower levels compared to the past. ICRA, however, expects the RoA to strengthen gradually and surpass 0.5% in FY2025 with the higher provision cover on legacy NPAs leading to comparatively lower credit costs.

Environmental and social risks

While banks like PNB 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 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 PNB 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 fewer 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. PNB has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. PNB has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segments, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

The bank continues to have a strong liquidity profile as depicted by the positive cumulative mismatches of 13% of the total outflows in the up to 1-year maturity bucket, as per its structural liquidity statement for March 31, 2023. This is supported by the high share of core deposits and the excess statutory liquidity ratio (SLR) position of 5.73% as on March 24, 2023. The liquidity coverage ratio remained strong at 162% (daily average for FY2023) while the reported net stable funding ratio (NSFR) stood at 149.16% against the regulatory requirement of 100% in FY2023. Supported by its sovereign ownership, healthy liabilities profile and excess SLR holdings, ICRA expects PNB to continue to maintain a strong liquidity profile.

Rating sensitivities

Positive factors – The long-term rating could be upgraded if the bank is able to maintain its profitability with RoA of more than 0.5% and Tier-I cushions of more than 100 basis points (bps) over the regulatory Tier-I levels (including capital conservation buffers) on a sustained basis.

Negative factors – ICRA could revise the outlook to Stable and/or downgrade the ratings if the asset quality or capitalisation profile deteriorates on a sustained basis. Further, a sustained RoA of less than 0.3% and/or a decline in the capital cushions over the regulatory levels to less than 100 bps on a sustained basis will remain negative triggers. The ratings will also be reassessed in case of a change in the sovereign ownership. A sharp deterioration in the profitability, leading to a weakening in the distributable reserves (DRs) eligible for the coupon payment on the Additional Tier-1 (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 and Financial Institutions Impact of Parent or Group Support on an Issuer's Credit Rating Rating approach - consolidation Policy on Withdrawal of Credit Ratings
Parent/Group support	The ratings factor in PNB's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions, if required.
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the standalone financials of PNB. However, in line with ICRA's limited consolidation approach, the capital requirement of the PNB Group's key subsidiaries/associates/joint ventures, going forward, has been factored in.

About the company

Incorporated in 1894, Punjab National Bank merged with erstwhile United Bank of India (e-UB) and erstwhile Oriental Bank of Commerce (e-OBC) on April 1, 2020 to form the third largest PSB and the sixth largest bank in the Indian banking system in terms of net advances as on March 31, 2023. The bank had a market share of 6.10% and 7.03% in net advances and total deposits, respectively, as on March 31, 2023, with the GoI holding a majority stake (73.15% as on June 30, 2023). It had a network of 10,080 branches and 12,820 ATMs as on June 30, 2023.

Key financial indicators (standalone)

Punjab National Bank	FY2022	FY2023	Q1 FY2023	Q1 FY2024
Net interest income	28,694	34,492	7,543	9,504
Profit before tax	4,316	4,288	589	2,003
Profit after tax	3,457	2,507	308	1,255
Net advances (Rs. lakh crore)	7.28	8.31	7.42	8.63
Total assets* (Rs. lakh crore)	13.08	14.53	13.12	14.75
CET-I	10.56%	11.22%	10.94%	10.85%
Tier I	11.73%	12.69%	12.10%	12.29%
CRAR	14.50%	15.50%	14.82%	15.54%
Net interest margin / Average total assets	2.24%	2.50%	2.30%^	2.60%^
Net profit / Average total assets	0.27%	0.18%	0.09%^	0.34%^
Return on net worth	4.02%	2.79%	1.39%^	5.46%^
Gross NPAs	11.78%	8.73%	11.27%	7.73%
Net NPAs	4.79%	2.72%	4.28%	1.98%
Provision coverage excl. technical write-offs	62.24%	70.79%	64.79%	75.84%
Net NPA / Core equity	55.04%	30.55%	47.75%	23.58%

**Total assets and net worth exclude revaluation reserves; Amount in Rs. crore unless mentioned otherwise*
Source: PNB, ICRA Research
^ Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	
					Aug-10-2023	Nov-22-2022	Jun-08-2022	Nov-26-2021	Nov-03-2021	Nov-20-2020	Aug-14-2020
1	Certificates of Deposit Programme	ST	60,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Fixed Deposits Programme	LT	-	-	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	MAAA (Stable)	MAAA (Stable)	MAA+ (Stable)	MAA (Stable)
3	Infrastructure Bonds Programme	LT	3,000.00	1,800.00^	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)
4	Basel II Lower Tier II Bonds Programme	LT	175.00	-	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)
5	Basel II Lower Tier II Bonds Programme	LT	1,025.00	-	[ICRA]AA+ (Positive) withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)
6	Basel III Tier II Bonds Programme	LT	3,000.00	3,000.00	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA(hyb) (Stable)	[ICRA]AA-(hyb) (Stable)
7	Basel III Tier I Bonds	LT	4,000.00	2,658.00^	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-

^Balance yet to be placed

LT – Long term; ST – Short term

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

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fixed Deposits	Very Simple
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

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE160A08019	**Basel III Tier II Bonds**	Feb-24-2014	9.65%	Feb-24-2024	1,000.00	[ICRA]AA+ (Positive)
INE141A08019	**Basel III Tier II Bonds**	Oct-27-2014	9.20%	Oct-27-2024	1,000.00	[ICRA]AA+ (Positive)
INE141A08035	**Basel III Tier II Bonds**	Oct-26-2015	8.34%	Oct-26-2025	1,000.00	[ICRA]AA+ (Positive)
INE160A08209	**Basel III Tier I Bonds**	Dec-09-2021	8.40%	Dec-09-2026^	2,000.00	[ICRA]AA (Positive)
INE160A08233	**Basel III Tier I Bonds**	Sep-21-2022	8.30%	Sep-21-2027^	658.00	[ICRA]AA (Positive)
Unplaced	**Basel III Tier I Bonds**	-	-	-	1,342.00	[ICRA]AA (Positive)
INE141A09132	**Basel II Lower Tier II Bonds**	Nov-30-2012	8.93%	Nov-30-2022	1,025.00	[ICRA]AA+ (Positive) and withdrawn
Unplaced	**Basel II Lower Tier II Bonds**	-	-	-	175.00	[ICRA]AA+ (Positive)
INE160A08084	**Infrastructure Bonds**	Mar-24-2015	8.35%	Mar-24-2025	1,800.00	[ICRA]AA+ (Positive)
Unplaced	**Infrastructure Bonds**	-	-	-	1,200.00	[ICRA]AA+ (Positive)
-	**Fixed Deposits**	-	-	-	-	[ICRA]AA+ (Positive)
INE160A16MM2	**Certificates of Deposit**	Aug-25-2022	6.75%	Aug-24-2023	250.00	[ICRA]A1+
INE160A16MO8	**Certificates of Deposit**	Sep-08-2022	6.90%	Sep-07-2023	175.00	[ICRA]A1+
INE160A16MZ4	**Certificates of Deposit**	Feb-16-2023	7.24%	Feb-16-2024	200.00	[ICRA]A1+
INE160A16NA5	**Certificates of Deposit**	Feb-16-2023	7.33%	Feb-14-2024	25.00	[ICRA]A1+
INE160A16NF4	**Certificates of Deposit**	May-09-2023	6.70%	Aug-09-2023	50.00	[ICRA]A1+
INE160A16NH0	**Certificates of Deposit**	May-12-2023	7.19%	Mar-07-2024	175.00	[ICRA]A1+
INE160A16NJ6	**Certificates of Deposit**	May-17-2023	6.75%	Aug-17-2023	1,300.00	[ICRA]A1+
INE160A16NI8	**Certificates of Deposit**	May-18-2023	6.80%	Aug-18-2023	225.00	[ICRA]A1+
Unplaced	**Certificates of Deposit**	-	-	-	57,600.00*	[ICRA]A1+

Source: Punjab National Bank

*^Call option due date; *As on August 03, 2023*

Key features of rated debt instruments

The servicing of the Basel III Tier II bonds, infrastructure bonds and certificates of deposit 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 invoked.

The rated Basel III Tier I Bonds (AT-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. 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). 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 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 risk-weighted assets (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 to 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 4.61% of RWAs as on June 30, 2023. The rating on the Tier I bonds continues to be supported by the bank's capital profile which is likely to remain comfortable, given its healthy capital-raising ability and the expectation that it will remain profitable. However, the transition to the 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
PNB Cards & Services Ltd.	100.00%	Limited Consolidation
PNB Investment Services Ltd.	100.00%	Limited Consolidation
PNB International Ltd.	100.00%	Limited Consolidation
PNB Gilts Ltd.	74.07%	Limited Consolidation
Druk PNB Bank Ltd.	51.00%	Limited Consolidation
JSC Tengri Bank*	41.64%	Limited Consolidation
Dakshin Bihar Gramin Bank, Patna	35.00%	Limited Consolidation
Sarva Haryana Gramin Bank, Rohtak	35.00%	Limited Consolidation
Himachal Pradesh Gramin Bank, Mandi	35.00%	Limited Consolidation
Punjab Gramin Bank, Kapurthala	35.00%	Limited Consolidation
Prathama UP Gramin Bank, Moradabad	35.00%	Limited Consolidation
Assam Gramin Vikas Bank, Guwahati	35.00%	Limited Consolidation
Bangiya Gramin Vikash Bank, Murshidabad	35.00%	Limited Consolidation
Manipur Rural Bank, Imphal	35.00%	Limited Consolidation
Tripura Gramin Bank, Agartala	35.00%	Limited Consolidation
PNB Housing Finance Ltd.	28.15%	Limited Consolidation
PNB Metlife India Insurance Ltd.	30.00%	Limited Consolidation
Canara HSBC OBC Life Insurance Ltd.	23.00%	Limited Consolidation
India SME ARC Ltd. (ISARC)	20.90%	Limited Consolidation
Everest Bank Ltd.	20.03%	Limited Consolidation

Source: PNB, ICRA Research; ^ Ownership as on June 30, 2023

** Under liquidation*

ANALYST CONTACTS

Mr. Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

Mr. Anil Gupta
+91 124 4545 314
anilg@icraindia.com

Mr. Aashay Choksey
+91 22 6114 3430
aashay.choksey@icraindia.com

Mr. Vaibhav Arora
+91 124 4545 864
vaibhav.arora@icraindia.com

Mr. Sohil Mehta
+91 22 6114 3449
sohil.mehta@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches