

Punjab National Bank — 15 Dec 2025 Credit Rating Summary

Section	Details
Agency	Brickwork Ratings (BWR)
Rating Change	BWR AA+ / Stable (Reaffirmed; no notches moved)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> Asset Quality Recovery: GNPA fell to 3.45% (from 4.48% YoY); Net NPA at 0.36%. Reduces credit cost drag on equity. Capital Strengthening: CRAR improved to 17.19% (from 16.36% YoY) following a ₹5,000 Cr QIP. Systemic Importance: 3rd largest PSB with ₹27.87 Lakh Cr total business; 70.08% GoI ownership ensures sovereign floor. Margin Compression: NIM (Global) compressed to 2.65% (from 2.99% YoY). Limits immediate ROE expansion.
Rated Instruments	<ol style="list-style-type: none"> AT1 Bonds (Outstanding): ₹495 Cr (BWR AA+/Stable) AT1 Bonds (Proposed): ₹2,505 Cr (BWR AA+/Stable)
Key Observations	<ul style="list-style-type: none"> Business Growth: Global advances/deposits grew 11.11% YoY to ₹27.87 Lakh Cr. Provisioning: PCR (excl. TWO) is high at 90.02%, creating a massive loss-absorption buffer. One-time Hit: Profitability impacted by ₹3,324 Cr charge due to shifting to a lower tax regime. CASA Decline: Domestic CASA ratio dropped to 37.29% (from 39.31%), increasing cost of funds. Yield Pressure: Yield on advances fell to 8.02% (from 8.32%) as assets repriced faster than liabilities. Liquidity: Strong LCR at 141.67% and excess SLR of ₹0.92 Lakh Cr.
Investor Impact	<ul style="list-style-type: none"> Growth: Healthy double-digit business growth; capital is sufficient to fund the next cycle without immediate dilution. Margins: Negative; NIM contraction and rising cost of deposits (5.25%) will likely cap short-term earnings growth. Leverage: Standalone leverage ratio improved to 6.16% (vs 5.96% YoY). Dilution Risk: Low in the near term given the recent ₹5,000 Cr QIP and comfortable 12.75% CET-1.
Agency / Cross Analysis	<p>Same Agency: Reaffirmation confirms the structural turnaround is sustainable. Key shift vs Dec 2024 is the acknowledgment of much stronger capital (CET-1) but higher pressure on spreads.</p> <p>Alignment: The rating remains "notched down" by one level from senior debt to reflect the discretionary nature of AT1 coupon payments and the bank's "moderate" (though improving) profitability.</p> <p>Conclusion: Structural Improvement (Asset quality and Capitalization are now "Comfortable" rather than just "Adequate").</p>
Final Inference	Real balance sheet cleaning is complete. The transition to the new tax regime and the QIP have "de-risked" the bank. While margin pressure is a valuation headwind, the credit profile is now robust enough to support a higher valuation multiple once NIMs stabilize.