

## Punjab National Bank — 08 Dec 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd. (CareEdge)
Rating Change	Reaffirmed (AAA for Tier-II/Infra; AA+ for Tier-I). No notches moved.
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Capital Infusion:</b> ₹5,000 Cr QIP in FY25 + internal accruals boosted CET-I to 12.75% (Sep-25).</li> <li><b>Asset Quality Recovery:</b> GNPA fell to 3.45% (Sep-25) from 5.73% (Mar-24) via ₹44,994 Cr write-offs over 3 years.</li> <li><b>Systemic Status:</b> 2nd largest PSB; Gov holds 70.08%, ensuring sovereign-backed support.</li> <li><b>Credit Cost Reduction:</b> Massive drop in provisioning (₹1,675 Cr in FY25 vs ₹11,737 Cr in FY24) doubled PAT.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li><b>Certificate of Deposit:</b> ₹60,000 Cr</li> </ul>
Key Observations	<ol style="list-style-type: none"> <li><b>Asset Quality:</b> NNPA at a record low of 0.36% (Sep-25) with high PCR of 90.27%.</li> <li><b>Liability Pressure:</b> CASA ratio slipped to 36.06% (Sep-25) from 40.34% (Mar-24) due to term deposit migration.</li> <li><b>NIM Contraction:</b> NIM fell from 2.58% (FY25) to 2.28% (H1FY26) as loans repriced faster than deposits.</li> <li><b>Growth Engine:</b> RAM (Retail, Agri, MSME) grew 15.89% YoY; Corporate grew slower at 10.94%.</li> <li><b>Tax Headwinds:</b> Shift to new tax regime caused DTA remeasurement, impacting H1FY26 ROTA (0.71%).</li> <li><b>Liquidity:</b> Strong buffer with excess SLR of ₹50,062 Cr and LCR of 141.67%.</li> </ol>
Investor Impact	<ul style="list-style-type: none"> <li><b>Growth:</b> Healthy capital cushion (CAR 17.19%) allows ~13-15% credit growth without immediate equity dilution.</li> <li><b>Margins:</b> Near-term earnings risk as NIMs remain under pressure from rate cuts.</li> <li><b>Leverage/Asset Risk:</b> Structural risk is lower as stressed assets to net worth dropped to 10.79% (from 16.69%).</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency:</b> Ratings were previously upgraded (e.g., Tier II from AA+ to AAA) in 2023-24. This review validates those upgrades despite a recent dip in ROTA, citing that the "clean-up" (Asset Quality) is now sustainable.</p> <p><b>Conclusion: Structural Improvement.</b> The rating stability reflects a shift from a "troubled lender" to a "stabilized giant."</p>
Final Inference	<p><b>Real Improvement.</b> PNB has successfully swapped "Asset Quality Risk" for "Margin Risk." While profitability is currently subpar vs. peers due to tax shifts and NIM pressure, the fortress balance sheet (high PCR/Capital) makes it a safer, though lower-yield, equity bet.</p>