Punjab National Bank

April 10, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier-II Bonds (Basel III)	2,500.00	CARE AA+; Positive	Assigned
Infrastructure Bonds	5,000.00	CARE AA+; Positive	Reaffirmed
Additional Tier-I Bonds (Basel III)	5,142.50	CARE AA; Positive	Reaffirmed
Tier-II Bonds (Basel III)	7,890.00	CARE AA+; Positive	Reaffirmed
Certificate of Deposit	60,000.00	CARE A1+	Reaffirmed
Perpetual Bonds (Basel II)	-	-	Withdrawn
Lower Tier-II	-	-	Withdrawn

Details of instruments in Annexure-1.

[&]Tier-II Bonds under Basel-III are characterised by a 'point of non-viability' (PONV) trigger due to which the investor may suffer a loss of principal. The PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in financial losses and raising the Common Equity Tier-I (CET I) capital of the bank should be considered the most appropriate way to prevent the bank from turning non-viable.

[#]CARE Ratings Limited (CARE Ratings) has rated the aforementioned Basel-III Compliant Additional Tier-I Bonds after taking into consideration the following key features:

- The bank has full discretion, at all times, to cancel the coupon payments. The coupon is to be paid out of the current year's profits. However, if the current year's profits are not sufficient, ie, payment of such coupon is likely to result in losses during the current year, the balance of coupon payment may be made out of the revenue reserves including statutory reserves and/or credit balance in profit and loss account and excluding share premium, revaluation reserve, foreign currency translation reserve, investment reserve and reserves created on amalgamation provided the bank meets the minimum regulatory requirements for CET I, Tier-I and total capital ratios and capital buffer frameworks as prescribed by the RBI.
- The instrument may be written-down upon CET I breaching the pre-specified trigger of 5.5% before March 31, 2019, 6.125% on and after March 31, 2019, and 7% on or after October 01, 2021, or written off/converted into common equity shares on the occurrence of the trigger event called PONV. The PONV trigger will be determined by the RBI.

Any delay in the payment of interest or principal (as the case may be) due to invocation of any of the features mentioned above will constitute an event of default as per CARE Ratings' definition of default, and as such these instruments may exhibit somewhat sharper migration of the rating compared with other subordinated debt instruments.

Rationale and key rating drivers

The ratings assigned to the debt instruments of Punjab National Bank (PNB) factor in the majority ownership and the demonstrated and expected continued support from the Government of India (GoI) being its largest shareholder, holding 73.15%; PNB's increased systemic importance and position in the Indian banking sector being the second-largest public sector bank (PSB) in terms of business (advances and deposits); and the asset size post-amalgamation of erstwhile Oriental Bank of Commerce and erstwhile United Bank of India w.e.f. April 01, 2020. The ratings continue to derive strength from its strong and established franchise through its pan-India branch network, which helps it garner a low-cost and stable current account savings account (CASA) deposit base. The ratings also factor in the improvement in the bank's advances and comfortable capitalisation levels, enhancing its ability to absorb asset quality pressures as well as support growth in the near-term, post-equity infusion through QIP in FY22 (refers to the period from April 01 to March 31) and internal accruals due to improved profitability in FY22, although the profitability continued to remain muted. The ratings, however, remain constrained by the moderate but improving asset quality parameters.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to Lower Tier-II Bonds (Basel II) of ₹1,025 crore, and Perpetual Bonds (Basel III) of ₹300 crore with immediate effect, as the bank has repaid the aforementioned debt instruments in full and there is no amount outstanding under the issue as on date.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in the asset quality parameters with gross non-performing assets (GNPA) reducing below 8.5% or net non-performing assets (NNPA) below 3% on a sustained basis.
- Improvement in the capitalisation levels with a significant cushion over the regulatory requirement.
- Continued improvement in profitability and capitalisation while improving its asset quality parameters on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Reduction in government support and ownership below 51%.
- Moderation in the asset quality parameters with GNPA exceeding 12% or an NNPA ratio of over 4% on a sustained basis.
- Decline in profit on a sustained basis, leading to deterioration in the capitalisation levels below 12.5%.

Analytical approach

The ratings are based on the standalone profile of the bank and factor in the strong and continued support from the GoI, which holds the majority shareholding in the bank.

Outlook: Positive

The 'Positive' outlook reflects CARE Ratings' expectation of improvement in profitability and asset quality parameters in the medium term along with comfortable capitalisation by the bank. In the last two years ended March 31, 2022, and 9MFY23, the bank witnessed a significant reduction in both, GNPA and NNPA. CARE Ratings expects the same to continue going forward.

Detailed description of the key rating drivers

Key rating strengths

Majority ownership and expected continued support from the GoI

The GoI continues to be the majority shareholder, holding a 73.15% stake in merged PNB (erstwhile Oriental Bank of Commerce or OBC and erstwhile United Bank of India or UBI) as on December 31, 2022 (73.15% as on March 31, 2022).

The GoI has been supporting public sector banks (PSBs) with regular capital infusions and steps to improve capitalisation, operational efficiency, and asset quality. Given the majority ownership of the GoI, PNB is expected to receive timely and adequate support in the form of capital as and when required. Considering the systemic importance and the dominant position of the PNB in the domestic banking system, the importance of the bank to the GoI has increased and the bank is expected to receive timely and adequate capital and operational support from the GoI as and when required. Furthermore, considering the significance of the bank being one of the large PSBs, the majority shareholding, and the timely and regular support from the GoI to maintain the capitalisation are expected and will remain a key rating sensitivity.

Long track record of operations and position as one of the largest PSBs in India with an established franchise and stable deposit profile

PNB has a long and established operational track record of more than a century and is the second-largest nationalised bank in terms of assets, business (advances + deposits), and outreach. Post the amalgamation of the erstwhile Oriental Bank of Commerce and the erstwhile United Bank of India with PNB with effect from April 01, 2020, the pan-India geographical presence of PNB has risen substantially, thereby furthering its existing strong franchise with a network of 10,049 branches (including two overseas branches) and 12,957 ATMs, catering to a customer base of over 18 crore throughout the country as on December 31, 2022.

PNB has a strong liability profile, as depicted by the high deposit base along with the high proportion of CASA. The low-cost CASA of PNB registered moderate growth of 2.09% y-o-y (March 31, 2022: 8.29% y-o-y), term deposits grew by 11.66% y-o-y (March 31, 2022: -0.16%), whereas the total deposits grew by 7.37% y-o-y as on December 31, 2022 (March 31, 2022: 3.61% y-o-y). The share of CASA deposits to the total deposits stood at 43.72% as on December 31, 2022 (March 31, 2022: 46.56%; March 31, 2021: 44.54%) as compared with 45.65% as on December 31, 2021

Wholesale contributed advance growth

PNB is the third-largest PSB in India in terms of gross advances, which stood at ₹8,56,757 crore as on December 31, 2022 (₹7,85,104 crore as on March 31, 2022, y-o-y growth of 6.18% against degrowth of 3.06% for FY21), registering a growth of 13.43% y-o-y. The entire advance growth as on December 31, 2022, as compared with December 31, 2021, was due to the retail segment, which grew by 33% followed by corporate segment (including overseas credit), which grew by 16%, whereas agriculture which saw a muted growth of 1% and micro, small and medium enterprises (MSME) reported decline of 2%, as the bank deliberately went slow in disbursements as these segments were reeling under the impact of the second wave of COVID-19. The wholesale proportion stood at 48% of gross advances as on December 31, 2022 (March 31, 2022: 52.08%) as compared with 47% as on December 31, 2021. CARE Ratings expects the bank to increase the share of the non-corporate segment going forward.

Comfortable capitalisation levels

The bank has seen steady improvement in its capitalisation levels post its amalgamation with sufficient capital cushion over the regulatory limits. The bank raised equity capital of ₹3,788 crore during FY21 and ₹1,800 crore during FY22 through the qualified institutional placement (QIP) (non-government) route, which led to reduction of the GoI's stake from 83.20% to 73.15%. The bank's capital adequacy ratio (CAR) stood at 15.15%, with Tier-I CAR of 12.21% and CET I Ratio of 10.84% as on December 31, 2022 (March 31, 2022: 14.50%, 11.73% and 10.56%, respectively) and has significant cushion over the minimum regulatory requirement. The comfortable capital cushion has enhanced its ability to absorb asset quality pressures as well as support growth in the near term. The bank has board approval in place to raise up to ₹12,000 crore in FY23 by way of AT-I up to ₹5,500 crore and Tier-II bonds up to ₹6,500 crore against which the bank raised AT-I bonds of ₹3,240 crore and Tier II bonds of ₹4,000 crore respectively. CARE Ratings expects the bank to maintain a CAR cushion of 3% above the regulatory requirement in the near to medium term.

Key rating weaknesses

Moderate asset quality

PNB's asset quality parameters have improved but remain at moderate levels, with a GNPA of 9.76% as on December 31, 2022, as compared with 11.78% as on March 31, 2022, and 14.12% as on March 31, 2021. The moderation in GNPA was mainly on account of lower slippages during FY22 and 9MFY23 and higher write offs as compared with the previous year. Recoveries from non-performing asset (NPA) accounts were lower during FY22. The slippage ratio (on net opening advances) improved to 2.69% for 9MFY23 as against 3.90% for FY22 and 4.40% for FY21. Overall, MSME had the highest NPA at 20.04%, followed by agriculture with 19.28%, corporates including overseas at 6.25%, and retail at 3.38% as on December 31, 2022 (March 31, 2022: MSME – 21.21%, agriculture – 20.58%, corporates including overseas at 8.44%, and retail – 4.98%). PNB kept provisions excluding technical written offs (TWO) of around 68% on the gross NPA as on December 31, 2022. The bank has been focusing on recoveries from NPA accounts. The bank's NNPA ratio and NNPA to net worth ratio improved to 3.30% and 38.95%, as on December 31, 2022, from 4.79% and 55.73% as on March 31, 2022, and 5.72% and 68.44% as on March 31, 2021, respectively.

PNB's standard restructured assets (including the RBI Resolution Framework 1.0 and 2.0) continued to remain high at ₹17,861 crore (2.08% of gross advances) and Emergency Credit Line Guarantee Scheme (ECLGS) outstanding of ₹11,912 crore (1.39% of gross advances) as on December 31, 2022. The gross stressed assets (GNPA + standard restructured assets + security receipts) stood high at 12.02% (March 31, 2022: 14.93%) of the gross advances and net stressed assets (NNPA + standard restructured assets + security receipts) stood at 65% of the net worth as on December 31, 2022 (March 31, 2022: 95%). Going forward, as per the management guidance, the bank expects the recoveries to be more than the slippages with assets quality parameters to improve from the current levels, thereby reducing credit cost and ultimately improving profitability. Therefore, the ability of the bank to improve its asset quality (including standard restructured, ECLGS, and SMA) will be a key rating monitorable.

Muted profitability

The bank saw fall in its yields during FY22, as a result of which its interest income declined to ₹74,880 crore during FY22 from ₹80,818 crore for FY21, despite the gross advances increasing by 6% during FY22. Due to falling interest rates during FY22, the bank was able to reduce its cost of deposits, resulting in its interest expenses to decrease by 8% at ₹46,185 crore during FY22 as compared with ₹50,273 crore for FY21. The net interest income for FY22 decreased to ₹28,694 crore from ₹30,546 crore for FY21, registering a fall of 6% due to a higher fall in yields as compared to its cost of deposit in a decreasing interest rate scenario. As a result, the bank's net interest margin (NIM) fell to 2.29% for FY22 from 2.50% for FY21. Other income for the FY22 improved marginally compared with the previous year due to higher recovery despite reduction in treasury income. The pre-provision operating profit (PPOP) degrew by 6% for the year FY22. The bank made lower provisions due to improvement in asset quality, with credit cost declining by 12% during FY22. The profit-before-tax (PBT) improved to ₹4,316 crore as compared with ₹ 3,479 crore for FY21. The bank reported a profit-after-tax (PAT) of ₹3,457 crore for FY22 against a PAT of ₹2,022 crore for FY21, translating into a return on total assets (ROTA) of 0.28% for FY22 as against 0.20% for FY21.

During 9MFY23, PNB saw improvement in the net interest income due to growth in advances whereas other income fell due to fall in treasury income. The bank reported PPOP of ₹16,662 crore during 9MFY23 as against ₹15,497 crore in 9MFY22. However, due to comparatively higher credit cost, PNB reported a net profit of ₹1,349 crore for 9MFY23 as against a net profit of ₹3,255 crore during 9MFY22. The profitability for FY23 may remain lower due to high provisions made during 9MFY23 and on account of provisioning requirement for its stress book (GNPA, ECLGS, and restructured accounts). CARE Ratings expects the profitability to improve from FY24 due to growth in advances combined with improvement in asset quality requiring lower provisions.

Liquidity: Strong

The bank's liquidity profile is supported by the bank's strong retail and CASA depositor base. According to the structural liquidity statement as on December 31, 2022, there were no negative cumulative mismatches in the time buckets up to 12 months. The liquidity coverage ratio as on December 31, 2022, stood at 158.04%, as against the minimum regulatory requirement of 100%. The bank also had an excess statutory liquidity ratio (SLR) of 8.09% as on December 31, 2022, which provides a liquidity buffer, and the bank can borrow against it in case of any liquidity requirement during contingency. The bank also manages its deposit maturities in a particular time bucket by appropriately modifying deposit rates. Furthermore, the bank has access to systemic liquidity like the RBI's Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) along with access to refinancing from the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB), the National Bank For Agriculture And Rural Development (NABARD), etc, and access to call money markets.

Environment, social, and governance (ESG) risks

Highlights of the Bank's ESG initiatives:

- Sustainable financing for Renewable energy and Electric vehicle.
- ₹9,500+ crore loans (Outstanding) to renewable energy sector
- Sanctioned under Green financing of Retail segment is ₹200 crore.
- Assessing the "Environmental" aspects while loan origination via Internal Rating Models
- Installed 300 KW roof top solar power plants across various office buildings
- Procurement of BEE star-rated energy efficient electrical & electronic equipment's.
- 24% Women employees in total workforce.
- 175 FLCs conducted seminars programs and provided training to 2,49,400 persons during 9MFY23
- Under CSR policy, bank had taken various initiatives for disadvantaged and social strata of the society
- Fair, transparent & accountable Corporate Governance structure.
- Proper customer grievances redressal mechanism in place for Timely & Faster resolution of Grievances
- Portal and Compliance Monitoring Tool
- Full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports.
- New Enterprises Fraud Risk Management (EFRM) for prevention of unauthorized electronic banking transactions

Applicable criteria

Policy on default recognition
Financial Ratios - Financial Sector
Factoring Linkages Government Support
Rating Outlook and Credit Watch
Short Term Instruments
Rating Basel III - Hybrid Capital Instruments issued by Banks
Bank
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Banks	Public Sector Bank

Incorporated in 1894 under the Indian Companies Act, 1882 (Act VI of 1882), PNB commenced operations on April 12, 1895, from Lahore. It is one of India's largest nationalised banks in terms of business and number of branches. On June 29, 1947, the registered office of the bank was shifted from Lahore to New Delhi. During the long history of the bank, nine banks have been merged with PNB.

FY2019-20 was significant in view of the announcement of the amalgamation of PSBs, wherein, erstwhile OBC and erstwhile UBI amalgamated with PNB with effect from April 1, 2020.

PNB is the second-largest public sector bank in India with global business and an asset size of ₹1,931,322 crore and ₹1,281,954 crore, respectively, as on March 31, 2022 (December 31, 2022: ₹2,067,116 crore and ₹1,368,946 crore). The GoI is the majority shareholder, holding 73.15% stake as on March 31, 2022. As on December 31, 2022, the bank had a network of 10,051 branches (10,049 domestic and two international), 12,957 ATMs, and catering to a customer base of over 18 crore throughout the country.

The bank has three domestic subsidiaries, namely, PNB Gilts Ltd (74.07% stake), PNB Investment Services Ltd (100% stake), and PNB Cards and Services Ltd (100% stake). Additionally, PNB has two international subsidiaries, namely, PNB (International) Ltd, UK (100% stake), and Druk PNB Bank Ltd, Bhutan (51% stake) as on December 31, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total income	92,741	87,199	70,018
PAT	2,022	3,457	1,349
Total assets	1,226,062	1,281,954	1,368,946
Net NPA (%)	5.72	4.79	3.30
ROTA (%)	0.17	0.28	0.14

A: Audited; UA: Unaudited.
Note: All analytical ratios are as per CARE Ratings' calculations.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Certificate Of Deposit	Proposed				60,000.00	CARE A1+
Tier II Bonds (Basel III)	INE160A08092	February 5, 2016	8.65%	February 5, 2026	1,500.00	CARE AA+; Positive
Tier II Bonds (Basel III)	INE160A08241	December 01, 2022	7.89%	December 01, 2037	4,000.00	CARE AA+; Positive
Tier II Bonds (Basel III)	INE141A08019	October 27, 2014	9.20%	October 27, 2024	1,000.00	CARE AA+; Positive
Tier II Bonds (Basel III)	INE141A08035	October 26, 2015	8.34%	October 26, 2025	1,000.00	CARE AA+; Positive
Tier II Bonds (Basel III)	Proposed				2,890.00	CARE AA+; Positive
Infrastructure Bonds	INE160A08068	February 9, 2015	8.23%	February 9, 2025	1,000.00	CARE AA+; Positive
Infrastructure Bonds	INE160A08084	March 24, 2015	8.35%	March 24, 2025	1,800.00	CARE AA+; Positive
Infrastructure Bonds	Proposed				2,200.00	CARE AA+; Positive
Additional Tier I Bonds (Basel III)	INE160A08076	February 13, 2015	9.15%	Perpetual	1,500.00	CARE AA; Positive
Additional Tier I Bonds (Basel III)	INE160A08183	January 28, 2021	8.60%	Perpetual	495.00	CARE AA; Positive
Additional Tier I Bonds (Basel III)	INE160A08258	December 23, 2022	8.40%	Perpetual; Call Option on December 23, 2027	582.00	CARE AA; Positive
Additional Tier I Bonds (Basel III)	INE160A08266	January 27, 2023	8.75%	Perpetual; Call Option on January 27, 2028	974.00	CARE AA; Positive
Additional Tier I Bonds (Basel III)	Proposed				1,591.50	CARE AA; Positive
Lower Tier II Bonds (Basel II)	INE141A09132	November 30, 2012	8.93%	November 30, 2022	-	Withdrawn
Perpetual Bonds (Basel II)	INE695A09095	December 05, 2012	9.27%	Perpetual; Call Option on December 05, 2022	-	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Bonds-Tier I Bonds	LT	79.50	CARE AA; Positive	-	1)CARE AA; Positive (23-Nov-22)	1)CARE AA; Stable (24-Nov-21) 2)CARE AA; Stable	1)CARE AA; Stable (05-Oct-20)

							(30-Sep-21)	
2	Bonds-Tier II Bonds	LT	390.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
3	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
4	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
5	Bonds-Tier II Bonds	LT	2500.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA; Stable (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
6	Bonds-Upper Tier II	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
7	Bonds-Tier I Bonds	LT	563.00	CARE AA; Positive	-	1)CARE AA; Positive (23-Nov-22)	1)CARE AA; Stable (24-Nov-21) 2)CARE AA; Stable (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
8	Certificate Of Deposit	ST	60000.00	CARE A1+	-	1)CARE A1+ (23-Nov-22)	1)CARE A1+ (24-Nov-21) 2)CARE A1+ (30-Sep-21)	1)CARE A1+ (05-Oct-20)
9	Bonds-Tier I Bonds	LT	1500.00	CARE AA; Positive	-	1)CARE AA; Positive (23-Nov-22)	1)CARE AA; Stable (24-Nov-21) 2)CARE AA-; Stable (30-Sep-21)	1)CARE AA-; Stable (05-Oct-20)
10	Bonds-Infrastructure Bonds	LT	2000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable	1)CARE AA+; Stable (05-Oct-20)

							(30-Sep-21)	
11	Bonds-Infrastructure Bonds	LT	3000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
12	Bonds-Tier II Bonds	LT	2000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
13	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
14	Debt-Perpetual Debt	LT	-	-	-	1)CARE AA; Positive (23-Nov-22)	1)CARE AA; Stable (24-Nov-21) 2)CARE AA; Stable (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
15	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
16	Bonds-Lower Tier II	LT	-	-	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
17	Bonds-Upper Tier II	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE AA; Stable (05-Oct-20)
18	Bonds-Lower Tier II	LT	-	-	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
19	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21)	1)CARE AA+; Stable (05-Oct-

							2)CARE AA+; Stable (30-Sep-21)	20)
20	Bonds-Tier II Bonds	LT	1000.00	CARE AA+; Positive	-	1)CARE AA+; Positive (23-Nov-22)	1)CARE AA+; Stable (24-Nov-21) 2)CARE AA+; Stable (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
21	Bonds-Tier II Bonds	LT	-	-	-	-	1)Withdrawn (30-Sep-21)	1)CARE AA+; Stable (05-Oct-20)
22	Bonds-Tier I Bonds	LT	3000.00	CARE AA; Positive	-	1)CARE AA; Positive (23-Nov-22)	1)CARE AA; Stable (24-Nov-21) 2)CARE AA-; Stable (30-Sep-21)	1)CARE AA-; Stable (17-Nov-20)
23	Bonds-Tier II Bonds	LT	2500.00	CARE AA+; Positive				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments:

Additional Tier-I Bonds	Detailed Explanation
Covenants	
Call option	After five years/10 years
Write-down trigger	There are two types of write-down triggers: 1. A 'Trigger Event' means that the Bank's CET-1 Ratio is: (i) if calculated at any time prior to October 01, 2021, at or below 6.125%; or (ii) if calculated at any time from and including October 1, 2021, at or below 7% (the "CET-1 Trigger Event Threshold") 2. PONV Trigger, in respect of the bank, means the earlier of: (i) a decision that a principal write-down, without which the bank would become non-viable, is necessary, as determined by the RBI; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the RBI.
If write-down, full or partial	Full or partial
If write-down, permanent or temporary	In case of pre-specified trigger – permanent or temporary. In case of PONV Trigger – only permanent.
If temporary write-down, description of write-up mechanism	The instrument may be written-up (increase) back to its original value in future, depending upon the conditions prescribed in the terms and conditions of the instrument.

Tier-II Bonds (Basel-III)	Detailed Explanation
Covenants	
Call option	NA
Write-down trigger	PONV trigger, in respect of the bank means the earlier of: (i) a decision that a principal write-down, without which the bank would become non-viable, is necessary, as determined by the RBI; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the RBI.
If write-down, full or partial	Full or partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	Not applicable

Annexure-4: Complexity level of the various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1.	Bonds-Tier-II Bonds	Complex
2.	Bonds-Lower Tier-II	Complex
3.	Bonds-Tier-I Bonds	Highly complex
4.	Bonds-Perpetual Bonds	Highly complex
5.	Bonds-Infrastructure Bonds	Simple
6.	Certificate of Deposit	Simple

Annexure-5: Bank lender details for this company

Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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