

## Punjab National Bank

June 21, 2023

| Facilities/Instruments              | Amount<br>(₹ crore) | Rating <sup>1</sup> | Rating Action |
|-------------------------------------|---------------------|---------------------|---------------|
| Tier-II Bonds (Basel III)\$         | 2,200.00            | 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)           | 10,390.00           | CARE AA+; Positive  | Reaffirmed    |
| Certificate of Deposit              | 60,000.00           | CARE A1+            | Reaffirmed    |

Details of instruments in Annexure-1.

\$-proposed

<sup>8</sup>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.

<sup>#</sup>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 various debt instruments of Punjab National Bank (PNB) factor in the majority ownership, the demonstrated and expected continuation of support from the Government of India (GoI) being its largest shareholder, holding 73.15%; PNB's increased systemic importance and its position in the Indian banking sector being one of the top 3 largest public sector bank (PSB) in terms of total 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 led by retail segment and comfortable capitalisation levels. The ratings, however, remain constrained by the moderate but improving asset quality parameters and muted profitability.

### 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

- 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 March 31, 2023, 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 strengths**
**Majority ownership and expected continued support from the GoI**

The GoI continues to be the majority shareholder, holding a 73.15% stake in PNB as on March 31, 2023 (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 with an established franchise and stable deposit profile**

PNB has a long and established operational track record of more than a century and is one of the top three 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 10,078 branches (including two overseas branches) and 12,898 ATMs, catering to a customer base of over 18 crore throughout the country as on March 31, 2023.

PNB has a strong liability profile, as depicted by the high deposit base along with the high proportion of CASA. The total deposits grew by 11.77% during FY23 with growth contributed entirely by term deposits which grew by 21.32% y-o-y whereas the CASA deposits stayed flat, resulting in share of CASA deposits to the total deposits to decline to 41.99% as on March 31, 2023 as against 46.56% as on March 31, 2022.

**Retail contributed advance growth**

PNB is the third-largest PSB in India in terms of gross advances, which stood at ₹8,84,681 crore as on March 31, 2023 (₹7,85,104 crore as on March 31, 2022), registering a growth of 12.68% y-o-y. The entire advance growth during FY23 was due to the retail, agriculture and micro, small and medium enterprises - MSME (RAM) segment which overall grew by 20.85%. Retail segment alone rose by 41.62% whereas agriculture and MSME reported growth of 14.34% and 4.12% respectively. The bank went slow on corporate segment (including overseas credit) and has a marginal growth of 4.67%. The wholesale proportion stood at 47% of gross advances as on March 31, 2023 (March 31, 2022: 52%). 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 ₹4,214 crore by way of Tier I bonds and ₹4,000 crore through Tier-II bonds in FY23. The bank's capital adequacy ratio (CAR) stood at 15.5%, with Tier-I CAR of 12.69% and CET I Ratio of 11.22% as on March 31, 2023 (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 plans to raise upto ₹12,000 crore in FY24 by way of Tier I bonds of ₹7,000 crore and Tier II bonds of ₹5,000 crore. CARE Ratings expects the bank to maintain a CAR cushion of 3% above the regulatory requirement in the near to medium term.

### Key weaknesses

#### Moderate asset quality

PNB's asset quality parameters have improved but remain at moderate levels compared to peers, with a GNPA of 8.74% as on March 31, 2023, as compared with 11.78% as on March 31, 2022 (March 31, 2021: 14.12%). The improvement in GNPA was mainly on account of lower slippages and higher recoveries during FY23. The slippage ratio (on net opening advances) improved to 2.31% for FY23 as against 3.90% for FY22 and 4.40% for FY21 but continues to be high as compared to similar or higher rated PSU banks. Overall, MSME had the highest NPA at 18.90%, followed by agriculture with 18.34%, corporates including overseas at 5.02%, and retail at 2.97% as on March 31, 2023 (March 31, 2022: MSME – 21.21%, agriculture – 20.58%, corporates including overseas – 8.44% and retail – 4.98%). PNB kept provisions excluding technical written offs (TWO) of around 71% on the gross NPA as on March 31, 2023 (March 31, 2022: 62%). The bank has been focusing on recoveries from NPA accounts. The bank's NNPA ratio and NNPA to net worth ratio improved to 2.72% and 33.48%, as on March 31, 2023, from 4.79% and 55.73% as on March 31, 2022, respectively.

PNB's outstanding Emergency Credit Line Guarantee Scheme (ECLGS) stood at ₹11,056 crore (1.25% of gross advances) and the gross stressed assets (GNPA + standard restructured assets + security receipts) stood high at 10.99% (March 31, 2022: 14.93%) of the gross advances and net stressed assets (NNPA + standard restructured assets + security receipts) stood at 63% of the net worth as on March 31, 2023 (March 31, 2022: 95%). Furthermore, the SMA accounts (0,1 and 2) have reduced significantly from ₹1,79,056 crore as on March 31, 2022 (~22% gross advances) to ₹70,762 crore as on March 31, 2023 (around 8% gross advances) thereby reducing the potential slippages. 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 a rise in its yields on account of significant rise in interest rates supported by growth in gross advances during FY23 resulting its interest income to jump to ₹85,144 crore during FY23 from ₹74,880 crore for FY22. The cost of deposits also rose due to increase in the proportion of bulk deposits, resulting in its interest expenses to increase by 9.67% at ₹50,652 crore during FY23 as compared with ₹46,185 crore for FY22. The net interest income for FY23 increased to ₹34,492 crore from ₹28,694 crore for FY22, registering a jump of 20% due to a higher increase in yields as compared to increase in its cost of deposit in an increasing interest rate scenario. As a result, the bank's net interest margin (NIM) rose to 2.54% for FY23 from 2.29% for FY22. Other income for the FY23 fell marginally compared with the previous year due to loss in treasury income. The pre-provision operating profit (PPOP) grew by 8.51% for the year FY23. The bank made higher provisions during FY23 to increase the PCR. The profit-before-tax (PBT) marginally fell to ₹4,288 crore as compared with ₹4,316 crore for FY22 on account of relatively higher provisions. The bank reported a profit-after-tax (PAT) of ₹2,507 crore for FY23 against a PAT of ₹3,457 crore for FY22, translating into a return on total assets (ROTA) of 0.18% for FY23 as against 0.28% for FY22. The fall in PAT and consequently ROTA can be attributed to higher provisions and increased operating expenses during FY23.

### 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 March 31, 2023, there were no negative cumulative mismatches in the time buckets up to 12 months. The liquidity coverage ratio as on March 31, 2023, stood at 162.29%, as against the minimum regulatory requirement of 100%. The bank also had an excess statutory liquidity ratio (SLR) of 10.41% as on March 31, 2023, 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)

- Rainwater harvesting in majority of its owned building. Bank has zero Liquid discharge Sewage Treatment Plant
- Fair, transparent & accountable Corporate Governance structure
- Proper customer grievances redressal mechanism in place for Timely & Faster resolution of Grievances
- New Enterprises Fraud Risk Management (EFRM) for prevention of unauthorized electronic banking transactions
- Sanctioned more than ₹ 990 cr towards projects under renewable energy sector
- 76+ RSETIs imparting training to rural population. 51,618 persons were trained during FY23. Of which, 79% of BPL families and 71% are women

### 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](#)

### 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 one of the top 3 public sector bank in India with global business and an asset size of ₹21,65,844 crore and ₹14,29,431 crore, respectively, as on March 31, 2023. The GoI is the majority shareholder, holding 73.15% stake as on March 31, 2023. As on March 31, 2023, the bank had a network of 10,078 branches (including two overseas branches) and 12,898 ATMs, 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 March 31, 2023.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | March 31, 2023 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total income               | 92,741             | 87,199             | 97,287             |
| PAT                        | 2,022              | 3,457              | 2,507              |
| Total assets               | 1,226,062          | 1,281,954          | 14,29,431          |
| Net NPA (%)                | 5.72               | 4.79               | 2.72               |
| ROTA (%)                   | 0.17               | 0.28               | 0.18               |

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     |                   |                 |                                             | 5,090.00                    | 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                         |

**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 (10-Apr-23)             | 1)CARE AA; Positive (23-Nov-22)             | 1)CARE AA; Stable (24-Nov-21)<br>2)CARE AA; Stable (30-Sep-21)  | 1)CARE AA; Stable (05-Oct-20)               |
| 2       | Bonds-Tier II Bonds                    | LT              | 390.00                       | CARE AA+; Positive | 1)CARE AA+; Positive (10-Apr-23)            | 1)CARE AA+; Positive (23-Nov-22)            | 1)CARE AA+; Stable (24-Nov-21)<br>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 (10-Apr-23)            | 1)CARE AA+; Positive (23-Nov-22)            | 1)CARE AA+; Stable (24-Nov-21)<br>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 (10-Apr-23)            | 1)CARE AA+; Positive (23-Nov-22)            | 1)CARE AA+; Stable (24-Nov-21)<br>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 (10-Apr-23)             | 1)CARE AA; Positive (23-Nov-22)             | 1)CARE AA; Stable (24-Nov-21)<br>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+ (10-Apr-23)                      | 1)CARE A1+ (23-Nov-22)                      | 1)CARE A1+ (24-Nov-21)<br>2)CARE A1+                            | 1)CARE A1+ (05-Oct-20)                      |



|    |                            |    |         |                    |                                  |                                  |                                                                  |                                |
|----|----------------------------|----|---------|--------------------|----------------------------------|----------------------------------|------------------------------------------------------------------|--------------------------------|
|    |                            |    |         |                    |                                  |                                  | (30-Sep-21)                                                      |                                |
| 9  | Bonds-Tier I Bonds         | LT | 1500.00 | CARE AA; Positive  | 1)CARE AA; Positive (10-Apr-23)  | 1)CARE AA; Positive (23-Nov-22)  | 1)CARE AA; Stable (24-Nov-21)<br>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 (10-Apr-23) | 1)CARE AA+; Positive (23-Nov-22) | 1)CARE AA+; Stable (24-Nov-21)<br>2)CARE AA+; Stable (30-Sep-21) | 1)CARE AA+; Stable (05-Oct-20) |
| 11 | Bonds-Infrastructure Bonds | LT | 3000.00 | CARE AA+; Positive | 1)CARE AA+; Positive (10-Apr-23) | 1)CARE AA+; Positive (23-Nov-22) | 1)CARE AA+; Stable (24-Nov-21)<br>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 (10-Apr-23) | 1)CARE AA+; Positive (23-Nov-22) | 1)CARE AA+; Stable (24-Nov-21)<br>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)<br>2)CARE AA+; Stable (30-Sep-21) | 1)CARE AA+; Stable (05-Oct-20) |
| 14 | Debt-Perpetual Debt        | LT | -       | -                  | 1)Withdrawn (10-Apr-23)          | 1)CARE AA; Positive (23-Nov-22)  | 1)CARE AA; Stable (24-Nov-21)<br>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)Withdrawn (10-Apr-23)          | 1)CARE AA+; Positive (23-Nov-22) | 1)CARE AA+; Stable (24-Nov-21)<br>2)CARE AA+; Stable (30-Sep-21) | 1)CARE AA+; Stable (05-Oct-20) |

|    |                     |    |         |                          |                                           |                                           |                                                                                  |                                         |
|----|---------------------|----|---------|--------------------------|-------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------|
| 17 | Bonds-Upper Tier II | LT | -       | -                        | -                                         | -                                         | 1)Withdrawn<br>(30-Sep-21)                                                       | 1)CARE<br>AA; Stable<br>(05-Oct-20)     |
| 18 | Bonds-Lower Tier II | LT | -       | -                        | 1)Withdrawn<br>(10-Apr-23)                | 1)CARE<br>AA+;<br>Positive<br>(23-Nov-22) | 1)CARE<br>AA+; Stable<br>(24-Nov-21)<br><br>2)CARE<br>AA+; Stable<br>(30-Sep-21) | 1)CARE<br>AA+;<br>Stable<br>(05-Oct-20) |
| 19 | Bonds-Tier II Bonds | LT | 1000.00 | CARE<br>AA+;<br>Positive | 1)CARE<br>AA+;<br>Positive<br>(10-Apr-23) | 1)CARE<br>AA+;<br>Positive<br>(23-Nov-22) | 1)CARE<br>AA+; Stable<br>(24-Nov-21)<br><br>2)CARE<br>AA+; Stable<br>(30-Sep-21) | 1)CARE<br>AA+;<br>Stable<br>(05-Oct-20) |
| 20 | Bonds-Tier II Bonds | LT | 1000.00 | CARE<br>AA+;<br>Positive | 1)CARE<br>AA+;<br>Positive<br>(10-Apr-23) | 1)CARE<br>AA+;<br>Positive<br>(23-Nov-22) | 1)CARE<br>AA+; Stable<br>(24-Nov-21)<br><br>2)CARE<br>AA+; Stable<br>(30-Sep-21) | 1)CARE<br>AA+;<br>Stable<br>(05-Oct-20) |
| 21 | Bonds-Tier II Bonds | LT | -       | -                        | -                                         | -                                         | 1)Withdrawn<br>(30-Sep-21)                                                       | 1)CARE<br>AA+;<br>Stable<br>(05-Oct-20) |
| 22 | Bonds-Tier I Bonds  | LT | 3000.00 | CARE<br>AA;<br>Positive  | 1)CARE AA;<br>Positive<br>(10-Apr-23)     | 1)CARE AA;<br>Positive<br>(23-Nov-22)     | 1)CARE AA;<br>Stable<br>(24-Nov-21)<br><br>2)CARE AA-;<br>Stable<br>(30-Sep-21)  | 1)CARE<br>AA-;<br>Stable<br>(17-Nov-20) |
| 23 | Bonds-Tier II Bonds | LT | 2500.00 | CARE<br>AA+;<br>Positive | 1)CARE<br>AA+;<br>Positive<br>(10-Apr-23) | -                                         | -                                                                                | -                                       |
| 24 | Bonds-Tier II Bonds | LT | 2200.00 | CARE<br>AA+;<br>Positive |                                           |                                           |                                                                                  |                                         |

\*Long term/Short term.

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

| Additional Tier-I Bonds | Detailed Explanation                                                                                                                                                                                                                                                                                                 |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Covenants</b>        |                                                                                                                                                                                                                                                                                                                      |
| Call option             | After five years/10 years                                                                                                                                                                                                                                                                                            |
| Write-down trigger      | There are two types of write-down triggers:<br>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<br>(ii) if calculated at any time from and including October 1, 2021, at or below 7% (the "CET-1 Trigger Event Threshold") |



| Additional Tier-I Bonds                                    | Detailed Explanation                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | 2. PONV Trigger, in respect of the bank, means the earlier of:<br>(i) a decision that a principal write-down, without which the bank would become non-viable, is necessary, as determined by the RBI; and<br>(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                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Covenants</b>                                           |                                                                                                                                                                                                                                                                                                                                                                                |
| Call option                                                | NA                                                                                                                                                                                                                                                                                                                                                                             |
| Write-down trigger                                         | PONV trigger, in respect of the bank means the earlier of:<br>(i) a decision that a principal write-down, without which the bank would become non-viable, is necessary, as determined by the RBI; and<br>(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-Tier-I Bonds     | Highly complex   |
| 3.      | Bonds-Perpetual Bonds  | Highly complex   |
| 4.      | 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](mailto:care@careedge.in) for any clarifications.

## Contact us

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Media Contact</b><br><br>Name: Mradul Mishra<br>Director<br><b>CARE Ratings Limited</b><br>Phone: +91-22-6754 3596<br>E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>        | <b>Analytical Contacts</b><br><br>Name: Sanjay Agarwal<br>Senior Director<br><b>CARE Ratings Limited</b><br>Phone: +91-22-6754 3500<br><br>Name: Sudhakar P<br>Director<br><b>CARE Ratings Limited</b><br>Phone: +91-044-28501003<br>E-mail: <a href="mailto:p.sudhakar@careedge.in">p.sudhakar@careedge.in</a><br><br>Name: Aditya R Acharekar<br>Associate Director<br><b>CARE Ratings Limited</b><br>Phone: +91-22-6754 3528<br>E-mail: <a href="mailto:aditya.acharekar@careedge.in">aditya.acharekar@careedge.in</a><br><br>Name: Ravi Nayak<br>Assistant Director<br><b>CARE Ratings Limited</b><br>E-mail: <a href="mailto:ravi.nayak@careedge.in">ravi.nayak@careedge.in</a> |
| <b>Relationship Contact</b><br><br>Name: Dinesh Sharma<br>Director<br><b>CARE Ratings Limited</b><br>Phone: +91-11-4533 3200<br>E-mail: <a href="mailto:dinesh.sharma@careedge.in">dinesh.sharma@careedge.in</a> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

### About us:

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