DECEMBER 19, 2016

CARE REAFFIRMS THE CORPORATE GOVERNANCE RATING ASSIGNED TO PUNJAB NATIONAL BANK

Ratings

Facilities	Ratings[1]	Remarks
Corporate Governance Rating (CGR)	CARE CGR 2 (Two)	**Reaffirmed**

Rating Rationale

The CGR rating of Punjab National Bank (PNB) continues to reflect the bank's transparent ownership structure marked by majority ownership with the Government of India (GOI), overall compliance by the Bank with statutory and regulatory requirements, satisfactory Board processes & performance monitoring by the management and prudent disclosures to shareholders and depositors. The rating also factors in the well-defined organizational structure with experienced professional management.

The rating, however, continues to be constrained by the systemic and structural issues facing Public Sector Banks (PSBs). The appointment of the Board members and succession planning of PSBs has been delegated to the Banks Board Bureau, an autonomous body, by the GOI. However, given the majority shareholding by GOI, PSBs remain susceptible to state intervention.

Background

PNB (rated 'CARE AA+/ CARE AA/ CARE AA-/ CARE A1+') was incorporated under the Indian Companies Act, 1882 (Act VI of 1882) in 1894 as Punjab National Bank Limited and commenced operations on April 12, 1895, from Lahore. It is one of India's largest nationalized 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. Post nationalization in 1969, PNB has grown substantially to a bank with 6,849 branches (including 4 overseas branches) and 9,841 ATMs as on September 30, 2016, catering to a customer base of over 9.5 crore throughout the country. PNB is the fourth largest nationalized bank in terms of business with net advances at Rs.393,731 crore and total deposits at Rs.574,884 crore as on September 30, 2016. The bank has four domestic subsidiaries, namely, PNB Gilts Ltd, PNB Housing Finance Ltd (rated 'CARE AAA/ CARE AAA (FD)/ CARE A1+'), PNB Investment Services Ltd, PNB Insurance Broking Pvt. Ltd and two international subsidiaries, namely, Punjab National Bank (International) Ltd., UK and Druk PNB Bank Ltd., Bhutan.

GOI holds 65.01% stake in PNB as on September 30, 2016. The GoI has been supporting public sector banks including PNB with regular capital infusions. During FY16 (refers to the period April 1 to March 31), GoI infused Rs.1,732 crore of fresh equity capital into the bank. The bank has also received Rs.2,112 crore of fresh equity share capital on September 30, 2016, as per Indradhanush scheme.

During FY16, the bank registered interest income of Rs.47,424 crore, while total income was Rs.54,301 crore. CASA ratio of the bank stood at 37.17% as on March 31, 2016. As on September 30, 2016, the Gross NPA ratio and Net NPA ratio stood at 13.63% and 9.10%, respectively. Furthermore, capital adequacy ratio (CAR) and Tier-I CAR stood at 11.65% and 8.78%, respectively, as on September 30, 2016.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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For detailed Rationale Report and subscription information, please contact us at www.careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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