



पंजाब नैशनल बैंक



punjab national bank

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Date: 06.10.2021

Dear Sir(s),

Reg.: Rating Action by Moody's Investors Service

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015, the Exchange is hereby informed that Moody's Investors Service has vide its credit opinion dated 06.10.2021 revised the PNB's Rating Outlook from 'Negative' to 'Stable' while affirming the Bank's Long Term Local and Foreign Currency Deposit Ratings at 'Ba1' and its Baseline Credit Assessment (BCA) at 'b1'. A copy of the Rating Action is enclosed herewith.

The above is for your information and record please.

Thanking You,

Yours sincerely,


(Ekta Pasricha)
Company Secretary





Rating Action: Moody's affirms ratings and changes outlook to stable on 9 Indian banks, following sovereign rating action

06 Oct 2021

Singapore, October 06, 2021 -- Moody's Investors Service ("Moody's") has taken rating actions on the following 9 Indian banks:

- (1) Axis Bank Ltd (Axis)
- (2) Bank of Baroda (BOB),
- (3) Canara Bank (Canara),
- (4) Export-Import Bank of India (EXIM India),
- (5) HDFC Bank Limited (HDFC Bank),
- (6) ICICI Bank Limited (ICICI)
- (7) Punjab National Bank (PNB),
- (8) State Bank of India (SBI)
- (9) Union Bank of India (Union Bank).

Moody's has affirmed the long-term local and foreign current deposit ratings of Axis, HDFC Bank, ICICI and SBI at Baa3, and the long-term issuer rating of EXIM India at Baa3. At the same time, their rating outlooks have been changed to stable from negative.

This rating action is driven by Moody's recent affirmation of the Indian government's Baa3 issuer rating and change in outlook to stable from negative.

Moody's has also affirmed the Ba1 long-term local and foreign currency deposit ratings of BOB, Canara, PNB and Union Bank, as well as their b1 BCAs. Their rating outlooks has been changed to stable from negative.

Stabilization in asset quality and improved capital are the main drivers of this rating action.

Please click on this link https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL455757 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

AFFIRMATION AND CHANGE IN OUTLOOK OF AXIS, EXIM INDIA, HDFC BANK, ICICI AND SBI

The affirmation of Axis, ICICI, HDFC Bank and SBI's deposit ratings and EXIM India's issuer ratings of Baa3 and change in outlook to stable follows the change in outlook on the sovereign rating to stable. The previous negative outlook on the sovereign rating drove the negative outlook on these banks, because of strong linkages to the sovereign credit profile.

AFFIRMATION AND CHANGE IN OUTLOOK OF BOB, CANARA, PNB AND UNION BANK'S RATINGS

The affirmation of BOB, Canara, PNB and Union Bank's ratings and BCAs, and change in outlook to stable from negative, reflect the fact that despite the significant economic challenges since the onset of the pandemic, their asset quality has only deteriorated modestly while capital has improved.

Corporate asset quality has improved as legacy issues have been resolved while deterioration in retail asset quality was relatively moderate. Asset quality will further improve if economic activity continues to normalize.

The core equity Tier 1 (CET1) ratios of these four banks were higher at end June 2021 compared to March 2020. Capital increased as all four raised equity from capital markets. The ability to access equity capital markets is a key credit positive as it reduces the dependence on the government for capital.

Profitability will improve over the next 12-18 months as credit costs will decline in line with a lower nonperforming loans (NPL) formation rate.

Funding and liquidity remain the strongest parts of their credit profiles, as reflected in high share of retail deposits and low cost of funding.

Moody's continues to assume a very high level of government support in their ratings, leading to an unchanged three notch uplift in their deposit ratings. These four banks rank among the seven biggest banks in India, with deposit market shares ranging between 6-7%. Their systemic importance is further enhanced by the strong links to the government.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD CHANGE THE RATING UP

Axis, EXIM India, HDFC Bank, ICICI and SBI

An upgrade EXIM India's issuer and Axis, HDFC Bank, ICICI and SBI's long term deposit ratings is unlikely as they are at the same level as the sovereign rating.

BOB, Canara, PNB and Union Bank

BOB and PNB's BCAs could be upgraded if they are able to maintain net NPL formation rates below 1% of loans, demonstrating that structural underwriting weaknesses are being addressed.

Canara and Union Bank's BCAs could be upgraded if, in addition to improvement in asset quality, their CET1 ratio improves by 2 percentage points from current levels.

Their deposit ratings could be upgraded if their BCAs are upgraded.

WHAT COULD CHANGE THE RATING DOWN

Axis, EXIM India, HDFC Bank, ICICI and SBI

Moody's would downgrade their ratings if India's sovereign rating is downgraded.

BOB, Canara, PNB and Union Bank

Their BCAs could be downgraded if asset quality deteriorates to such an extent that it leads to a lowering of capital.

Deposit ratings could be downgraded if their BCAs are downgraded.

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Axis Bank Ltd, headquartered in Mumbai, reported total assets of INR10.1 trillion as of 30 June 2021.

Bank of Baroda, headquartered in Mumbai, reported total assets of INR11.2 trillion as of 30 June 2021.

Canara Bank, headquartered in Bangalore, reported total assets of INR11.6 trillion as of 30 June 2021.

Export Import Bank of India, headquartered in Mumbai, reported total assets of INR1.3 trillion as of 30 June 2021.

HDFC Bank Limited, headquartered in Mumbai, reported total assets of INR17.5 trillion as of 30 June 2021.

ICICI Bank Limited, headquartered in Mumbai, reported total assets of INR12.2 trillion as of 30 June 2021.

Punjab National Bank, headquartered in Delhi, reported total assets of INR12.5 trillion as of 30 June 2021.

Union Bank of India, headquartered in Mumbai, reported total assets of INR10.6 trillion as of 30 June 2021.

State Bank of India, headquartered in Mumbai, reported total assets of INR45.6 trillion as of 30 June 2021.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL455757 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
- Participation: Access to Internal Documents
- Disclosure to Rated Entity
- Endorsement
- Lead Analyst
- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

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