

Ref No: PSB/HO/Shares Cell / 49 /2025-26

October 7, 2025

To,

BSE Limited, Department of Corporate Services, 25 th floor, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. SCRIP ID : PSB SCRIP CODE : 533295	National Stock Exchange of India Ltd., Exchange Plaza, C – 1, Block – G, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. SYMBOL: PSB SERIES: EQ
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Dear Sir,

Reg: Rating by India Ratings

We hereby inform that India Ratings vide Press Release dated October 7, 2025 has reaffirmed the Rating of the Infrastructure Bonds issued by the Bank as detailed hereunder:

Instrument Type	Rating / Outlook
Infrastructure Bonds of Rs 3000 crore	IND AA/Stable (Reaffirmed)

The Press Release is enclosed for reference.

We request you to take note of the above pursuant to Regulation 30 and 51 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Yours faithfully

Saket Mehrotra
Company Secretary



India Ratings Affirms Punjab and Sind Bank's Infrastructure Bonds at 'IND AA'/Stable

Oct 07, 2025 | Public Sector Bank

India Ratings and Research (Ind-Ra) has affirmed Punjab and Sind Bank's (PSB) infrastructure bonds as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Infrastructure bonds*	-	-	-	INR30.00	IND AA/Stable	Affirmed

*Details in Annexure

Analytical Approach

Ind-Ra has factored in the availability of support from the government of India (GoI; holds 93.85% stake) to arrive at the rating due to PSB's systemic importance to the GoI.

Detailed Rationale of the Rating Action

The rating reflects the bank's improved capital position and operating buffers, indicating its enhanced ability to absorb the impact of any rise in credit costs. Furthermore, the rating reflects an improvement in PSB's systems and processes, improved profitability buffers, strengthened provision cover for stressed assets, and improved capitalisation through a combination of reducing risk weight assets and movement towards a granular loan portfolio.

Post the implementation of centralised processing centres (CENMARG) in August 2022 for granular ticket sizes in the retail, agri and micro, small & medium enterprises (RAM) segment, PSB witnessed gross non-performing assets (GNPA) of just 0.26% for outstanding credit of INR93.1 billion in the RAM segment, against the outstanding on-book credit of INR539.7 billion with GNPA of 5.50%. Furthermore, the upgradation of core banking system to Finacle 10 in 2QFY24 has enabled PSB to provide value-added services and improve cross-selling of products. In FY25, PSB had budgeted to spend INR8 billion on information technology over the next three years, leading to a continuous rise in operating expenditure. However, this would also provide traction on the margin, fees and liability origination front, ultimately leading to a higher sustainable return on assets (ROA) in the medium-to-long term. These factors, in the agency's opinion, could help sustain PSB's improved profitability in the medium term and aid the bank in gaining market share in advances and deposits.

List of Key Rating Drivers

Strengths

- Strengthened capital buffers; improvement in internal accruals
- Structural changes to support consistency in performance
- Improvement in profitability led by muted credit costs

Weaknesses

- Consistent improvement in asset quality, but remains monitorable
- Need to strengthen low-cost liability franchise

Detailed Description of Key Rating Drivers

Strengthened Capital Buffers; Improvement in Internal Accruals: PSB is a well-capitalised public sector bank, with a common equity tier-1 (CET-1) ratio of 16.02% in 1QFY26 (FY25: 15.59%; FY24: 14.74%) and a capital adequacy ratio of 17.90% (17.41%; 17.16%). Furthermore, the bank has demonstrated the ability to raise capital from market and raised INR12.2 billion through qualified institutional placement during FY25, augmenting its capital base further. The bank achieved ROA of 0.66% in FY25 (under the old tax regime) and intends to increase it to 0.75% in the medium term, indicating an improvement in internal accruals over FY24-FY25 (FY24: 0.42%; FY23: 1.02%; FY22: 0.90%). However, it is pertinent to sustain this trajectory through the cycle. Moreover, during 1HFY25, in lieu of regulatory requirements, the bank took a revaluation hit of INR42.5 billion on recapitalisation bonds of INR116.7 billion, which was adjusted through general reserves. Every year, about INR4.5 billion (until the recap bonds are paid) will be reverted to shareholder reserves. Even after factoring in the elevated provisioning requirements in the near term, Ind-Ra believes PSB's capital buffers would remain significantly higher than the regulatory requirements, owing to its increasing internal accruals. The agency believes, while the capital base is adequate presently, there is a need to continuously grow advances and build buffers ahead of the implementation of expected credit loss norms. This will be a key rating monitorable.

Structural Changes to Support Consistency in Performance: Around 2015, PSB was mostly a community bank, and with higher concentration in Punjab and Uttar Pradesh, it faced higher agriculture delinquencies. Furthermore, after witnessing asset quality review cycle, non-bank financial company crisis during 2016-2020 and the impact of COVID-19 in FY21, PSB reported aggregate losses of INR50.1 billion between FY18 and FY21, requiring the Gol to infuse INR101 billion during FY21-FY22. PSB has taken several measures to recover from its dire position, including i) the implementation of the central loan origination system in FY20, which has reduced the load at branches for underwriting; and ii) launching CENMARG in August 2022, through which it undertakes underwriting decisions for entire retail sourcing, agri sourcing (INR0.5 million and above) and MSME sourcing (INR1 million and above) with 25 centralised processing centres. Subsequently, the RAM segment recorded GNPA of just 0.26% for outstanding credit of INR93.1 billion for the RAM segment post August 2022, against the outstanding on-book credit INR539.7 billion with GNPA of 5.50%.

The bank witnessed a turnaround in FY22, reporting profit after tax (PAT) of INR10.4 billion during the year (ROA of 0.9%), and PAT of INR13.1 billion in FY23 (ROA of 1.02% with advances growth of 20.7%). However, during FY24, the bank reported PAT of INR6.0 billion in FY24, largely because of the implementation of Finacle 10 in 2QFY24 which led to a slowdown in sourcing for the next two quarters, and the entire impact of bipartite wage settlement cost in FY24. The aforementioned structural changes, along with improved underwriting led to an increase in PAT to INR10.2 billion. Furthermore, the pre-provision operating profit (PPOP) increased 83% yoy to INR20.7 billion in FY25. In FY25, PSB had undertaken an initiative spend of INR8 billion as its information technology budget over the next three years, which would involve setting up of revamped customer relationship management (CRM) solutions, upgradation of centralised trade finance module for forex solutions, back-office structure for mobilising current account savings account, and data warehouse project; these would enable the bank to establish CRM for leveraging on its own captive data.

Moreover, the bank's advances mix has changed over the past few years, with the share of the RAM segment increasing to 54% of loans in 1QFY26 from 47.2% in FY20. Furthermore, the rating profile of corporate advance mix has improved, with the share of 'A' and above ratings (including Gol guaranteed) in the overall mix rising to 82.9% in 1QFY26 from 71% in FY20. The abovementioned structural changes in the bank over the last five years could help sustain its operating performance.

Improvement in Profitability led by Muted Credit Costs: PSB, which had witnessed losses of INR50.1 billion over FY18-FY21, reported PAT of INR39.6 billion during FY22-FY25. The improvement in net interest income (NII) to INR37.8 billion in FY25 from INR22.6 billion in FY21 was largely led by an improvement in the net loans to deposit (LDR) ratio to 75% from 63.4%; although, the NIM remained rangebound at 2.45%-2.9% over FY21-FY25. The NIM stood at 2.85% in FY25 and the bank expects it to be between 2.50% and 2.65% at FYE26, largely led by a lag between advances and deposits repricing due to a 100bp cut in lending rate, partially supported by higher yielding retail sourcing and churning of the non-bank financial company portfolio away from lower-yielding exposure. Furthermore, PSB carried technical written

off book of INR73.8 billion in 1QFY26, leading to a strong recovery of written off accounts worth INR5.5 billion in FY25 (FY24: INR6.9 billion; FY23: INR5.1 billion). The bank expects a similar performance in FY26, largely led by recovery and upgrades guidance of INR10 billion in FY26 (1QFY26: INR 1.09 billion). The cost-to-income ratio, which had been steady at around 63% during FY22-FY23, increased to 72% in FY24, largely led by bipartite wage settlement cost of INR4 billion. However, it has now moderated to 61.2% in FY25 and is likely to reach 60% in FY26, and management guidance of 55% within two years, which will further support the profitability.

Also, a substantial decline in average credit costs to 0.26% over FY22-FY25 (FY25: 0.82%, FY24: 0.24%; FY23: negative 0.24%; FY22: 0.23%) from 3.3% in FY20 and 7.0% in FY21 have supported the profitability in a meaningful way. Barring any major credit events such as COVID-19, Ind-Ra expects the bank to maintain adequate profitability over the medium term, with return on assets of 0.6%-0.8%. Furthermore, the management aims to achieve mid-teens return on equity on a sustainable basis, which should provide a runway for advances growth in the near-to-medium term.

Consistent Improvement in Asset Quality, but Remains Monitorable: In 1QFY26, PSB's GNPA and net non-performing asset (NNPA) improved to 3.34% (FY25: 3.38%, FY24: 5.43%; FY23: 6.97%) and 0.91% (0.96%, 1.63%; 1.84%), respectively. The bank has used PPOP buffers of INR 20.7 billion in FY25 (up 83% yoy), to increase its provision coverage ratio to 73.6% and NNPA to 0.91% in 1QFY26 from provision coverage ratio of 67.4% and NNPA of 1.59% in 1QFY25. Furthermore, the bank might further provide for expected credit loss implementation, which would entail higher provisions in the medium term. The improvement in asset quality is supported by a substantial decline in average slippages ratio to 1.0% during FY25 (FY24: 1.3%, FY21-FY22: 2.77%; FY17-FY20: 4.5%), largely led by CENMARG implementation. Although, the write-offs by bank increased to INR11.0 billion in FY25 (FY24: INR7.6 billion; FY23: INR21.3 billion; FY22: INR10.5 billion).

The agency expects the bank to maintain comfortable asset quality over the medium term, given adequate provisioning on the slipped assets. The special mention account-2 pool with a ticket size of above INR50 million stood at negligible levels during 2QFY25 (0.60% of net advances). However, its COVID-19 restructuring pool under one-time restructuring 1 and one-time restructuring 2 of INR12.1 billion (1.24% of net advances) and Mudra exposure among micro, small & medium enterprises are potential pools for slippages over the near-to-medium term but would be manageable for the bank over the medium term.

Need to Strengthen Low-cost Liability Franchise: The bank's CASA deposit ratio on global deposits declined to 30.6% in 1QFY26 (FY25: 31.4%; FY24: 32.4%; FY23: 33.6%), which has largely been an industry phenomenon, but remains below similar rated peers'. Although PSB's CASA share is weak, its CASA plus retail term deposit stood at 74.2% in 1QFY26 (FY25: 74.2%, FY24:73.9%, FY23: 75.4%), leading to the cost of deposits remaining lower at 5.66% in 1QFY26 compared to FY20 levels.

PSB continues to face high competition for mobilisation of deposits, which is reflected in its guidance for FY25 (loan growth of 15%-16% against deposit growth of 8%-10%), however, PSB would be reducing the term deposit rates in 2HFY26, which help further cushion NIM decline in FY26. Although the LDR has been increasing, it remained comfortable at 74.4% in 1QFY26 (FY25: 75.0%, FY24: 69.3%, FY23: 70.1%, FY22: 62.3%). The agency expects the bank to maintain the LDR between 75% and 80% in the medium term. The bank's ability to maintain the loan growth in the face of continued competition for mobilisation of deposits would be a key monitorable in the near-to-medium term.

Liquidity

Adequate: PSB's short-term (one-year) asset-liability deficit stood at 15.6% at 1QFY26. As of June 2025, 54% of the total liabilities had a maturity within one-year period, while 28.0% of the total assets had a maturity within one-year period. Its liquidity coverage ratio, which stood at 138.23% as of June 2025, which was well-above the regulatory requirement of 100%. Also, the bank maintained around 21.3% of its total assets as statutory liquidity ratio investments, which gives the agency comfort that the bank will be able to meet its short-term funding requirements.

Rating Sensitivities

Positive: A substantial, demonstrated growth in the franchise, delivering of consistent market share gains, consistency in the profitability while maintaining capital buffers at materially higher levels than the regulatory requirements and an improvement in the deposit profile hereon could result in a positive rating action.

Negative: The infrastructure bond rating is based on Ind-Ra's expectation of continued support from the Gol (majority shareholder) to meet the minimum capital requirements. Events that could, individually or collectively, lead to a negative rating action:

- any change in the majority Gol ownership or a change in the agency's opinion regarding the Gol's timely support for the bank;
- a material reduction in the capital buffers, with the CET-1 capital buffer reducing below 12% on a sustained basis,
- sharp deterioration in the operating performance and consistent pressure on the asset quality, thereby impacting profitability buffers, with the ROA remaining below 0.5% on a sustained basis.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PSB, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

PSB is a public sector bank, with operations across India. At end-June 2025, the bank had over 1,607 branches, with a strong presence in north India.

Key Financial Indicators

Particulars	FY25	FY24
Total assets (INR billion)	1,618.1	1,476.6
Total equity (INR billion)	133.6	155.3
Net income/loss (INR billion)	10.2	6.0
Return on assets (%)	0.66	0.42
CET-1 (%)	15.59	14.74
Capital adequacy ratio (%)	17.41	17.16
Source: PSB, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (billion)	Rating/Outlook	23 October 2024
Infrastructure bonds	Long-term	INR30.0	IND AA/Stable	IND AA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Infrastructure bond	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Infrastructure bonds	INE608A08058	20 December 2024	7.74	20 December 2034	INR30.0	IND AA/Stable
Total Long-term infra bonds					INR30.0	IND AA/Stable
Source: NSDL, PSB						

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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Rating Bank Subordinated and Hybrid Securities

The Rating Process

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