

**QUANTITATIVE DISCLOSURES UNDER BASEL II (PILLAR 3) IN TERMS OF RBI CIRCULAR ON PRUDENTIAL GUIDELINES ON CAPITAL ADEQUACY AND MARKET DISCIPLINE FOR THE HALF YEAR ENDED 30.09.2016:**

Disclosures in this report pertain to Punjab National Bank (Solo).

**DF 1. Scope of application**

- (a) There is no capital deficiency in any of the subsidiaries.
- (b) The bank presently is not involved in insurance activity. However, bank has invested in the share capital of the following two insurance related Subsidiaries/Associates:

| Sl. No. | Name of the company                      | Country of Incorporation | Proportion of ownership | Face Value (₹ in crore) | Book value (₹ in crore) |
|---------|------------------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
| 1.      | PNB Insurance Broking Pvt. Ltd@          | India                    | 81%                     | 4.05                    | 11.73                   |
| 2.      | PNB Metlife India Insurance Company Ltd. | India                    | 30%                     | 603.87                  | 0.00007                 |

@PNB Insurance Broking Pvt Ltd was licensed by Insurance Regulatory & Development Authority (IRDA) to carry out " Direct Broker" activity. It is a shell Company and has surrendered the broking license to IRDA on 14.02.2011. Steps are being taken for winding up of the Company.

**DF.2. Capital Structure**

- (a) The Tier 1 capital of the bank comprises:

|                                           |                                                             | (₹ in crores ) |            |
|-------------------------------------------|-------------------------------------------------------------|----------------|------------|
|                                           | Particulars                                                 | 30.09.2016     | 30.09.2015 |
| i)                                        | Paid up share capital                                       | 425.59         | 392.72     |
| ii)                                       | Reserves (excluding revaluation reserves)                   | 36717.04       | 38606.50   |
| iii)                                      | Innovative Perpetual Debt Instruments                       | 3520.50        | 3520.50    |
| iv)                                       | Other Capital Instruments                                   | 0.00           | 0.00       |
| Deductions                                |                                                             |                |            |
| v)                                        | Equity Investment in subsidiaries (50%)                     | 920.60         | 887.32     |
| vi)                                       | Intangible Assets (Deferred Tax Assets + Computer Software) | 5090.53        | 1629.73    |
| Tier I Capital (i + ii + iii + iv –v –vi) |                                                             | 34652.00       | 40002.67   |

- (b) The amount of Tier II capital (net of deductions) is:

|  |                                                   | (₹ in crores ) |            |
|--|---------------------------------------------------|----------------|------------|
|  | Particulars                                       | 30.09.2016     | 30.09.2015 |
|  | The amount of Tier II capital (net of deductions) | 16536.43       | 13437.73   |

- (c) The debt capital instruments eligible for inclusion in Upper Tier II capital are:

(₹ in crores )

| Particulars                                         | 30.09.2016 | 30.09.2015 |
|-----------------------------------------------------|------------|------------|
| Total amount outstanding                            | 6610.00    | 6610.00    |
| Of which amount raised during the current half year | 0.00       | 0.00       |
| Amount eligible to be reckoned as capital funds     | 6610.00    | 6610.00    |

- (d) The subordinated debts eligible for inclusion in Lower Tier II capital is:

(₹ in crores )

| Particulars                                         | 30.09.2016 | 30.09.2015 |
|-----------------------------------------------------|------------|------------|
| Total amount outstanding                            | 5000.00    | 4999.80    |
| Of which amount raised during the current half year | 0.00       | 0.00       |
| Amount eligible to be reckoned as capital funds     | 5000.00    | 3500.00    |

- (e) Other deductions from capital, if any:

(₹ in crores )

| Particulars                            | 30.09.2016 | 30.09.2015 |
|----------------------------------------|------------|------------|
| Other deductions from capital, if any: | NIL        | NIL        |

- (f) The total eligible capital comprises:

(₹ in crores )

| Particulars       | 30.09.2016 | 30.09.2015 |
|-------------------|------------|------------|
| Tier – I Capital  | 34652.00   | 40002.67   |
| Tier – II Capital | 16536.43   | 13437.73   |
| Total Capital     | 51188.43   | 53440.40   |

### DF 3. Capital Adequacy

- (a) The capital requirements for credit risk are:

(₹ in crores )

| Particulars                                 | 30.09.2016 | 30.09.2015 |
|---------------------------------------------|------------|------------|
| Portfolios subject to standardized approach | 29330.92   | 28993.30   |
| Securitization exposure                     | NIL        | NIL        |

- (b) The capital requirements for market risk (under standardized duration approach) are:

(₹ in crores )

| Risk Category                                                                                 | 30.09.2016 | 30.09.2015 |
|-----------------------------------------------------------------------------------------------|------------|------------|
| i) Interest Rate Risk                                                                         | 1920.70    | 1805.55    |
| ii) Foreign Exchange Risk (including Gold)                                                    | 18.00      | 18.00      |
| iii) Equity Risk                                                                              | 1109.02    | 1008.29    |
| iv) Total capital charge for market risks under Standardized duration approach (i + ii + iii) | 3047.73    | 2831.84    |

(c) The capital requirement for operational risk :

(₹ in crores )

| Capital requirement for operational risk under: | 30.09.2016 | 30.09.2015 |
|-------------------------------------------------|------------|------------|
| Basic Indicator Approach                        | 3041.85    | 3012.10    |
| The Standardised Approach                       | 2980.21    | 2955.65    |

(d) The capital ratios of the bank and subsidiaries are:

Punjab National Bank

|                            | 30.09.2016 | 30.09.2015 |
|----------------------------|------------|------------|
| CRAR (%)                   | 12.19      | 13.17      |
| CRAR – Tier I capital (%)  | 8.25       | 9.86       |
| CRAR – Tier II capital (%) | 3.94       | 3.31       |

**Subsidiaries:**

| Name of Subsidiary                           | CRAR % Tier 1  |                | CRAR % Tier 2  |                | CRAR % Total   |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                              | 30.09. 16      | 30.09.15       | 30.09.16       | 30.09.15       | 30.09.16       | 30.09.15       |
| PNB Gilts Ltd                                | 100.62         | 69.50          |                | -              | 100.62         | 69.50          |
| PNB Housing Finance Ltd                      | 8.05           | 10.57          | 6.02           | 2.83           | 14.07          | 13.40          |
| PNB Investment Services Ltd                  | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| PNB Insurance Broking Pvt. Ltd               | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Punjab National Bank(International) Ltd., UK | 9.41           | 9.84           | 4.70           | 5.38           | 14.11          | 15.22          |
| Druk PNB Bank Ltd., Bhutan                   | 15.09          | 13.40          | 2.78           | 3.46           | 17.86          | 16.87          |

**DF 4. Credit Risk: General Disclosures**

(a) The total gross credit risk exposures are:

(₹ in Crores)

| Category       | 30.09.2016 | 30.09.2015 |
|----------------|------------|------------|
| Fund Based     | 414205.70  | 392109.68  |
| Non Fund Based | 77883.48   | 82752.88   |

(b) The geographic distribution of exposures is:

(₹ in crores )

| Category       | Overseas   |            | Domestic   |            |
|----------------|------------|------------|------------|------------|
|                | 30.09.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 |
| Fund Based     | 54068.32   | 55683.59   | 360137.38  | 336426.09  |
| Non Fund Based | 3020.52    | 8920.70    | 74862.96   | 73832.18   |

(c) (i) Industry type distribution of exposures (Fund Based) is as under:

| Industry Name                                                          | (₹. in crores) |
|------------------------------------------------------------------------|----------------|
| A. Mining and Quarrying (A.1 + A.2)                                    |                |
| A.1 Coal                                                               | 523.20         |
| A.2 Others                                                             | 885.49         |
| B. Food Processing (B.1 to B.4)                                        |                |
| B.1 Sugar                                                              | 5320.83        |
| B.2 Edible Oils and Vanaspati                                          | 1145.55        |
| B.3 Tea                                                                | 2.67           |
| B.4 Others                                                             | 5234.13        |
| C. Beverages (excluding Tea & Coffee) and Tobacco                      | 888.16         |
| D. Textiles (a to c)                                                   |                |
| a. Cotton                                                              | 3468.03        |
| b. Jute                                                                | 152.00         |
| c. Man Made                                                            | 1264.85        |
| c. Others                                                              | 6447.80        |
| E. Leather and Leather products                                        | 961.04         |
| F. Wood and Wood Products                                              | 404.37         |
| G. Paper and Paper Products                                            | 1577.18        |
| H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | 1635.20        |
| I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)   |                |
| I.1 Fertilizers                                                        | 456.84         |
| I.2 Drugs and Pharmaceuticals                                          | 1872.80        |
| I.3 Petro-chemicals (excluding under Infrastructure)                   | 1965.23        |
| I.4 Others                                                             | 3346.41        |
| J. Rubber, Plastic and their Products                                  | 1331.92        |
| K. Glass & Glassware                                                   | 120.81         |
| L. Cement and Cement Products                                          | 2371.47        |
| M. Basic Metal and Metal Products (M.1 + M.2)                          |                |
| M.1 Iron and Steel                                                     | 26488.68       |
| M.2 Other Metal and Metal Products                                     | 2204.31        |
| N. All Engineering (N.1 + N.2)                                         |                |
| N.1 Electronics                                                        | 1096.97        |
| N.2 Others                                                             | 3550.41        |
| O. Vehicles, Vehicle Parts and Transport Equipments                    | 718.79         |
| P. Gems and Jewellery                                                  | 2682.35        |
| Q. Construction                                                        | 3696.65        |
| R. Infrastructure (a to d)                                             |                |
| a. Energy                                                              | 30351.37       |
| b. Transport                                                           | 11982.46       |
| c. Communication                                                       | 3407.19        |

|                                           |                  |
|-------------------------------------------|------------------|
| d. Other infrastructure                   | 5405.13          |
| S. Other Industries                       | 15684.83         |
| <b>T. All Industries (A to S) (Total)</b> | <b>148645.13</b> |
| <b>Residuary advances</b>                 | <b>265560.57</b> |
| <b>Total Loans and Advances</b>           | <b>414205.70</b> |

Industry where fund- based exposure is more than 5% of gross fund based exposure:

| <b>Industry Name</b>           | <b>Amount</b> |
|--------------------------------|---------------|
| Basic Metal and Metal Products | 28693.00      |
| Infrastructure                 | 51146..15     |

(ii) - Industry type distribution of exposures (Non Fund Based) is as under:

| <b>Industry Name</b>                                                          | <b>(₹. in crores)</b> |
|-------------------------------------------------------------------------------|-----------------------|
| <b>A. Mining and Quarrying (A.1 + A.2)</b>                                    |                       |
| A.1 Coal                                                                      | 72.14                 |
| A.2 Others                                                                    | 42.98                 |
| <b>B. Food Processing (B.1 to B.4)</b>                                        |                       |
| B.1 Sugar                                                                     | 938.45                |
| B.2 Edible Oils and Vanaspati                                                 | 705.10                |
| B.3 Tea                                                                       | 0.00                  |
| B.4 Others                                                                    | 357.50                |
| <b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>                  | <b>117.73</b>         |
| <b>D. Textiles (a to c)</b>                                                   |                       |
| a. Cotton                                                                     | 283.01                |
| b. Jute                                                                       | 33.37                 |
| c. Man made                                                                   | 122.50                |
| d. Others                                                                     | 1157.62               |
| <b>E. Leather and Leather products</b>                                        | <b>76.72</b>          |
| <b>F. Wood and Wood Products</b>                                              | <b>70.79</b>          |
| <b>G. Paper and Paper Products</b>                                            | <b>328.92</b>         |
| <b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b> | <b>1905.34</b>        |
| <b>I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)</b>   |                       |
| I.1 Fertilizers                                                               | 16.28                 |
| I.2 Drugs and Pharmaceuticals                                                 | 457.27                |
| I.3 Petro-chemicals (excluding under Infrastructure)                          | 1042.79               |
| I.4 Others                                                                    | 417.59                |
| <b>J. Rubber, Plastic and their Products</b>                                  | <b>336.49</b>         |
| <b>K. Glass &amp; Glassware</b>                                               | <b>9.28</b>           |
| <b>L. Cement and Cement Products</b>                                          | <b>228.78</b>         |
| <b>M. Basic Metal and Metal Products (M.1 + M.2)</b>                          |                       |
| M.1 Iron and Steel                                                            | 8514.16               |

|                                                            |          |
|------------------------------------------------------------|----------|
| M.2 Other Metal and Metal Products                         | 382.06   |
| <b>N. All Engineering (N.1 + N.2)</b>                      |          |
| N.1 Electronics                                            | 1770.66  |
| N.2 Others                                                 | 5953.20  |
| <b>O. Vehicles, Vehicle Parts and Transport Equipments</b> | 109.71   |
| <b>P. Gems and Jewellery</b>                               | 328.03   |
| <b>Q. Construction</b>                                     | 2918.89  |
| <b>R. Infrastructure (a to d)</b>                          |          |
| a. Energy                                                  | 7695.47  |
| b. Transport                                               | 1938.67  |
| c. Communication                                           | 639.38   |
| d. Other Infrastructure                                    | 1919.84  |
| <b>S. Other Industries</b>                                 | 6690.91  |
| <b>T. All Industries (A to S)</b>                          | 47581.63 |
| <b>Residuary advances</b>                                  | 30301.84 |
| <b>Total Loans and Advances</b>                            | 77883.47 |

Industry where non- fund based exposure is more than 5% of gross non-fund based exposure:

| <b>Industry Name</b>           | <b>Amount</b> |
|--------------------------------|---------------|
| Basic Metal and Metal Products | 8896.23       |
| All Engineering                | 7723.86       |
| Infrastructure                 | 12193.36      |

(d) The residual contractual maturity break down of assets is:

| (₹ in Crores)      |                          |                        |                             |
|--------------------|--------------------------|------------------------|-----------------------------|
| Maturity Pattern   | Advances*                | Investments<br>(gross) | Foreign Currency<br>Assets* |
| Next day           | 7721.95<br>(7958.18)     | 0.00<br>(140.62)       | 290.67<br>(2645.20)         |
| 2 - 7 days         | 7113.17<br>(8147.06)     | 1274.74<br>(88.14)     | 3525.90<br>(1516.18)        |
| 8 -14 days         | 4119.00<br>(4709.69)     | 58.03<br>(825.26)      | 2416.83<br>(2165.04)        |
| 15- 28 days        | 5087.61<br>(8478.89)     | 1356.42<br>(1457.24)   | 4649.59<br>(7724.35)        |
| 29 days – 3 months | 15638.53<br>(41064.03)   | 1192.98<br>(5613.70)   | 20162.53<br>(23755.59)      |
| >3 months-6 months | 14886.77<br>(32035.38)   | 2668.38<br>(4929.19)   | 11500.50<br>(21747.70)      |
| >6 months- 1 yr    | 17186.88<br>(18585.66)   | 8922.56<br>(9352.01)   | 13475.40<br>(13416.16)      |
| >1 yr-3 yrs        | 185931.41<br>(181580.23) | 23939.54<br>(19552.84) | 2603.42<br>(11272.08)       |
| >3 yrs-5 yrs       | 57138.86                 | 24115.37               | 975.12                      |

|        |                          |                          |                        |
|--------|--------------------------|--------------------------|------------------------|
|        | (29232.64)               | (27763.12)               | (2301.83)              |
| >5 yrs | 78906.74<br>(48411.03)   | 109062.86<br>(98891.91)  | 704.67<br>(568.07)     |
| Total  | 393730.92<br>(380202.78) | 172590.89<br>(168614.04) | 60304.64<br>(87112.18) |

\*Figures are shown on net basis

(Figures in brackets relate to previous year)

(e) The gross NPAs are:

(₹ in Crores)

| Category           | 30.09.2016 | 30.09.2015 |
|--------------------|------------|------------|
| Sub Standard       | 27381.71   | 10933.66   |
| Doubtful – 1       | 15818.85   | 5907.63    |
| Doubtful – 2       | 10598.88   | 6377.71    |
| Doubtful – 3       | 1205.27    | 1025.19    |
| Loss               | 1460.92    | 701.05     |
| Total NPAs (Gross) | 56465.63   | 24945.24   |

(f) The amount of net NPAs is:

(₹ in Crores)

| Particulars | 30.09.2016 | 30.09.2015 |
|-------------|------------|------------|
| Net NPA     | 35722.32   | 15186.98   |

(g) The NPA ratios are as under:

| NPA Ratios                        | 30.09.2016 | 30.09.2015 |
|-----------------------------------|------------|------------|
| % of Gross NPAs to Gross Advances | 13.63%     | 6.36%      |
| % of Net NPAs to Net Advances     | 9.10%      | 3.99%      |

(h) The movement of gross NPAs is as under:

(₹ in Crores)

| Movement of gross NPAs                          | 30.09.2016 | 30.09.2015 |
|-------------------------------------------------|------------|------------|
| i) Opening Balance at the beginning of the year | 55818.33   | 25694.86   |
| ii) Addition during the half year               | 13911.58   | 5994.93    |
| iii) Reduction during the half year             | 13264.29   | 6744.55    |
| iv) Closing balance as at the end of half year  | 56465.63   | 24945.24   |

(i) The movement of provision for NPAs is as under:

(₹ in Crores)

| Movement of provision for NPAs                                      | 30.09.2016 | 30.09.2015 |
|---------------------------------------------------------------------|------------|------------|
| i) Opening Balance at the beginning of the year                     | 19854.43   | 9801.76    |
| ii) Provisions made during the half year                            | 7173.27    | 4180.71    |
| iii) Write-off made during the half year                            | 4004.50    | 3205.10    |
| iv) Write –back of excess provisions made during the half year      | 2936.69    | 1413.83    |
| v) Closing Balance as at the end of the half year (i + ii - iii-iv) | 20086.51   | 9363.54    |

(j) The amount of non-performing investment is:

(₹ in Crores)

| Particulars                         | 30.09.2016 | 30.09.2015 |
|-------------------------------------|------------|------------|
| Amount of non-performing investment | 727.25     | 321.44     |

(k) The amount of provisions held for non-performing investment is:

(₹ in Crores)

| Particulars                                            | 30.09.2016 | 30.09.2015 |
|--------------------------------------------------------|------------|------------|
| Amount of provision held for non-performing investment | 62.13      | 253.60     |

(l) The movement of provisions for depreciation on investments is as under:

(₹ in Crores)

| Movement of provisions for depreciation on investments             | 30.09.2016 | 30.09.2015 |
|--------------------------------------------------------------------|------------|------------|
| i) Opening balance at the beginning of the year                    | 960.64     | 603.44     |
| ii) Provisions made during the half year                           | 369.22     | 374.58     |
| iii) Write-off made during the half year                           | 252.70     | 66.18      |
| iv) Write-back of excess provisions made during the half year      | NIL        | NIL        |
| v) Closing balance as at the end of the half year (i + ii -iii-iv) | 1077.16    | 911.84     |

#### DF 5. Credit Risk: disclosure for portfolios subject to the standardized approach

The exposure amounts after risk mitigation (subject to the standardized approach) amount of bank's outstanding ( rated an unrated) in the following three major risk buckets as well as those that are deducted, are as under:

(₹ in Crores)

| Particulars                                          | 30.09.2016 | 30.09.2015 |
|------------------------------------------------------|------------|------------|
| i) Below 100% risk weight exposure outstanding       | 271569.60  | 215307.52  |
| ii) 100% risk weight exposure outstanding            | 127777.92  | 170162.41  |
| iii) More than 100% risk weight exposure outstanding | 89541.81   | 81514.41   |
| iv) Deducted                                         | NIL        | NIL        |

#### DF 6. Credit Risk Mitigation: disclosures for standardized approaches

(₹ in Crores)

| Particulars                                                                                                                                                                                                               | 30.09.2016 | 30.09.2015 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| (a) For each separately disclosed credit risk portfolio the total exposure (after, where applicable, on or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts. | 26223.87   | 30357.20   |



|                                                                                                                                                                                                                     |          |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| (b) For each separately disclosed portfolio the total exposure (after, where applicable, on or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI) | 16651.78 | 17882.20 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|

#### DF 7. Securitization: disclosure for standardized approach

Bank does not have any securitization exposure.

#### DF 8. Market Risk in Trading Book

The capital requirements for market risk are as under:

| (₹ in Crores)                                                                             |            |            |
|-------------------------------------------------------------------------------------------|------------|------------|
| Risk Category                                                                             | 30.09.2016 | 30.09.2015 |
| i) Interest Rate Risk                                                                     | 1920.70    | 1805.55    |
| ii) Foreign Exchange Risk (including Gold )                                               | 18.00      | 18.00      |
| iii) Equity Position Risk                                                                 | 1109.02    | 1008.29    |
| iv) Total capital charge for market risks under Standardized duration approach (i+ii+iii) | 3047.72    | 2831.84    |

#### DF 9. Operational Risk (Being qualitative disclosures, not required for half year)

#### DF-10. Interest Rate Risk in the Banking Book (IRRBB)

**10.1** The interest rate risk arises due to fluctuating interest rates on rate sensitive assets and liabilities. For earning perspective, Traditional Gap Analysis (TGA) and for economic value perspective, Duration Gap Analysis (DGA) is carried out to assess the interest rate risk at quarterly intervals on both trading book and banking book for domestic and overseas operations, as per RBI guidelines. As per ALM Policy, prudential limits have been fixed for impact on Net Interest Income (NII), Net Interest Margin (NIM), Duration gap and Market Value of Equity for the bank. Moreover, behavioral studies are also being done for assessing and apportioning volatile and core portion of various non-maturity products of both assets and liabilities.

##### Earning Approach

Since, in case of banks, interest income comprises major part of the income, a standardized rate shock analysis for upward or downward rate movement on the Gap statement is done. Accordingly, Earning at Risk (EaR) for different rate shocks is done to assess the impact on Net Interest Income (NII) of the bank due to adverse movement of rate of interest.

**Earning at Risk:** The table reveals the impact of 0.50% adverse change in interest rate on NII as at 30.09.2016.

| Change in interest rate | Estimated impact on NII due to adverse change in rate of interest up to 1 year |
|-------------------------|--------------------------------------------------------------------------------|
| 50 bps                  | Rs. 299 cr.                                                                    |

**Economic Value of Equity:** The table reveals the impact on Economic Value of Equity for an assumed rate shock of 200 bps on the banking book as at 30.09.2016.

| Change in Economic value of Equity | 200 bps         |
|------------------------------------|-----------------|
|                                    | Rs. 4612.75 cr. |

### 10.2 Economic Value Approach

The economic value approach involves analyzing the impact on the capital funds due to change in interest rate by 200 bps using Duration gap Approach. It assesses the intrinsic values of assets and liabilities from time to time thereby improving banks insight into the profile of assets and liabilities vis-a vis contractual rate and market rate. As a prudential measure, a limit has been fixed for net duration gap of the assets and liabilities and the same is monitored at regular interval.

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