



"Punjab National Bank Q1 FY26 Earnings Conference Call"

July 30, 2025



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MODERATOR: **MS. PALAK SHAH – ELARA CAPITAL**



*Punjab National Bank
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Moderator: Ladies and Gentlemen, Good Day, and Welcome to the Punjab National Bank Q1 FY26 Earnings Conference Call hosted by Elara Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Palak Shah from Elara Capital. Thank you and over to you ma'am.

Palak Shah: Hello, everyone. Welcome to the Q1 FY26 Earnings Conference Call of Punjab National Bank.

Today, we have with us the Management of the Bank headed by Mr. Ashok Chandra – M.D. and CEO; Mr. Kalyan Kumar – Executive Director; Mr. M Paramasivam – Executive Director; Mr. Bibhu Prasad Mahapatra – Executive Director and Mr. D Surendran – Executive Director.

With this brief introduction, I would like to hand over the call to Mr. V.P. Bansal – DGM, Strategic Management and Economic Advisory Division. First a disclaimer statement, post which M.D. sir will address the conference. Thank you and over to you sir.

Shri V.P. Bansal: This representation contains certain forward-looking statements apart from historical information. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Punjab National Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date of the statements. Thank you.

Shri Ashok Chandra: Good evening, ladies, and gentlemen. I am Ashok Chandra, M.D., and CEO of Punjab National Bank. A Warm Welcome to this Analyst Meet.

I will just give the “Highlights of our Business Profitability and Key Important Ratios”:

The global gross business of the Bank stood at Rs.27.19 trillion as on June 2025 with yearly growth rate of 11.6%.

The global deposits stood at Rs.15.89 trillion with a YoY growth rate of 12.9% and global advances stood at Rs.11.30 trillion with a YoY growth rate of 9.8%. We are well above our guidance of 9% to 10% for deposits and on the credit side we are slightly behind our guidance of 11% to 12%. Of course, we have the sanctioned credit limit to the tune of around Rs.1.30 lakh crores which are yet to be disbursed.

CD ratio of the Bank is at 71.09% as on June 2025. The CASA share is ~37% as on June 2025 and our CASA deposits has recorded a growth of 3.6% on YoY basis. CASA ratio is reduced in this particular quarter, but we have mobilized 26.31 lakh new CASA accounts in Q1 of FY 2025-26 with total fresh CASA accretion to the tune of 4,686 crores.

Our RAM advances stands at Rs.6.11 trillion which is around 56.6% of the domestic advances. The share of RAM advance was at 55.5% as on June 2024.

Coming to the profitability numbers:

The net interest income stood at Rs.10,578 crores with a YoY growth of 1% for Q1 FY26 despite the 100 basis points cut in the repo rate and that has been passed to the clients also.

Our domestic NIM percentage is at 2.84% for Q1 FY26 whereas the global NIM percentage stood at 2.70%. We are below our NIM guidance at 2.8%-2.9% for 2025-26; however, the same is expected to improve from Q3 onwards based on the repricing of deposits and positive impact on account of CRR cuts.

The operating profit for Q1 FY26 is Rs.7,081 crores which has improved from Rs.6,581 crores for Q1 of FY25 and Rs.6,776 crores for Q4 of FY25. This is one-time highest in our Bank. YoY growth rate of operating profit is 7.60%. Profit before tax of the Bank for Q1 FY26 is Rs.6,758 crores as against Rs.5,269 crores in Q1 FY25 depicting a YoY growth rate of 28.3%. However, net profits have reduced to Rs.1,675 crores in Q1 FY26 from the level of Rs.3,252 crores in Q1 FY25 and Rs.4,567 crores in Q4 of FY25 on account of shifting to the new tax regime and one-time income tax provision made thereupon. Going forward, our net profit will reflect a healthy trend of improvement.

If I can talk about the efficiency ratio, the net profits are lower in this quarter on account of one-time IT provision based on the switching to the new tax regime. As such, our efficiency ratios are not a true reflector for this particular quarter. The same will improve from the Q2 onwards.

Return on assets stood at 0.37% for Q1 FY26 because of the lower net profit and on account of shifting to the new tax regime. Return on equity stood at 6.59% for Q1 FY26. Earnings per share, not annualized, is Rs.1.46 for Q1 FY26.

Our tangible book value per share as on 30th June 2025 is Rs.92.64 which has increased from the level of Rs.73.11 as on 30th June 2024.

If I can talk about the asset quality, Bank has done very well in NPA management and reducing the stress level in the portfolio. The asset quality, the GNPA has reduced to 3.78% as on 30th June 2025 from 4.98% in June 2024 and 3.95% in March 2025. Similarly, the net NPA percentage which was 0.60% in June 2024 has improved to 0.38% in June 2025. We are on track to achieve our guidance

for GNPA ratio and net NPA ratio for 2026 at below 3% and 0.35%, respectively. Our provision coverage ratio stands at 96.88% as on 30th June 2025 which is well above our guidance of more than 96% for FY2026.

The total fresh slippages during Q1 of FY2026 was Rs.1,886 crores as against Rs.3,001 crores in Q4 2025. Our guidance for slippages ratio was to remain below 1% in FY2026. We are within our guidance level as slippages ratio for the Q1 FY2026 which has remained at 0.71%.

The total recovery stood at Rs.3,356 crores for Q1 FY2026 as against Rs.3,249 crores in Q1 FY2025. Our recovery continues to be more than the slippages reflecting the improving asset quality.

The credit cost stood at 0.14% for Q1 FY2026, well within our guidance for credit cost which is below 0.5% for current financial year.

There is one highlight I want to bring to all the esteemed members who are present here about the asset quality underwriting. From 1st July 2020 onwards till 30th June 2025, we have sanctioned Rs.11.34 trillion loans out of which we have disbursed around Rs.9.84 trillion loans. The outstanding in these loans is Rs.7.18 trillion as on 30th June 2025 which is close to 63% of our total outstanding loan book. And NPA in this book is hardly Rs.3,964 crores which is only 0.40% of the disbursed amount under fresh underwriting.

Segment-wise breakup of NPA in fresh underwriting is under retail 0.38%, agri 0.59%, MSME 1.58% and for corporate it is negligible at 0.01%. This speaks about the good underwriting which Bank has undertaken.

If I can talk about the capital structure of the Bank, as far as the capital is concerned, our capital adequacy is 17.50% as on 30th June 2025 compared to 15.79% as on 30th June 2024 and 17.01% as on 31st March 2025. Our CET-1 and Tier-1 and Tier-2 capital stands at 12.95%, 14.62%, 2.88% respectively.

A lot of digital initiatives Bank has undertaken and I will highlight some of the digital penetration which the Bank has taken. The Bank is continuously augmenting its digital base and focusing on building digital capabilities under the domain of AI/ML and analytics-based business generation and the same is yielding tremendous results for the Bank. The share of digital transactions has reached more than 95% for Q1 FY26 versus 89% in Q1 FY25. There is more than 100% increase in UPI transactions done through our mobile application “PNB One.”

Number of WhatsApp banking users have gone up by over 100% from 34 lakhs as on 30th June 2024 to 69.7 lakhs as on 30th June 2025.



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Our Corporate Mobile Banking launched on 18th September 2024 serves more than 1.41 lakh customers with app rating of 4.1 on Play Store and 4.2 on IOS.

Sanctions under Digi Lending journeys has crossed Rs.27,900 crores and every fifth loan sanctioned in the Bank is through the digital mode.

We have onboarded 4.58 lakh CBDC customers and 74.71 lakh transactions are done through the CBDC app till 30th June 2025.

Some other key initiatives undertaken recently includes our Gen AI Chatbot “PIHU” available on our website, IBS, and PNB One. Further various enhancements have been made in the PNB One business mobile app.

We are promoting financial inclusion through digital channel with our comprehensive DIY SHG journey, Digi MSME Loan, e-Mudra Loan, PM Vishwakarma, and Digi Surya Ghar Yojana Schemes. To further digital push Bank is onboarding a system integrator for full-fledged Gen AI implementation. Further we have planned to launch a unified solution to streamline our more than 100 digital journeys. We are also looking forward to revamp our internet banking solution and mobile banking applications.

Human resources plays very, very important role in any organization and Bank has done lot of initiative under the human resources. Bank has adopted new age HR ecosystem driven by “Project UDAAN.” We are undertaking this project in two parts, namely Digital PMS and Capacity Building. Under Digital PMS, KRAs of employees are being revamped to make them more business-oriented and impact-driven, ensuring a stronger alignment with the strategic objectives and operational goals of the Bank.

Further, we have launched UDAAN Mobile App for Employees on both Android and iOS platform to track their progress conveniently.

Under capacity building, we are undertaking numerous steps involving Leadership Development Programs, Gen AI Learning Chatbot and Comprehensive Skill Development Programs for Employees.

My Concluding Remarks: Our focus area for the Bank is on increasing CASA base in total deposits and RAM share in total advances. The same will help in improvement of NIM and profitability of the Bank. Further containment of slippages and robust recovery will remain the priorities of the Bank. With digital and HR transformation being undertaken, Bank will witness durable growth in business and profitability on a consistent basis. Balance sheet of the Bank has strengthened. Bad assets of the Bank have been reduced substantially and provisioning has increased. Bank will endeavor to increase its market share in both deposits and advances. Thank you very much.

Along with me, my entire top management team is there to answer any of your queries, clarifications, or any guidance we are there.

Moderator: We will now begin the question-and-answer session. We have our first question from the line of Akshit Agarwal from SMIFS Institutional Research. Please go ahead.

Akshit Agarwal: Good evening, sir. Thank you for the opportunity. My first question is on recoveries. There were weaker technical recoveries and interest accruals. If you can shed more light on this, that would be great? And how do you see rest of the year? And further, sir, asset quality was benign with reduced credit costs and slippages. But SMA2 ratio picked up marginally even though overall numbers remain favorable. Can we get more color on this? That was my first question. Thank you.

Shri Ashok Chandra: First, I will touch about the recovery. In this particular quarter, the total recovery is Rs.3,356 crores and the recovery in the technical write-off is around Rs.1,200 crores, and if I add this recovery in TWO and the interest, the total amount is Rs.1,700 crores. So, this is all about recovery. And the guidance for this year, already we have given that Rs.16,000 crores will be the total recovery, which we will be doing it. And within that Rs.16,000 crores, Rs.1,500 crores per quarter, that is around Rs.6,000 crores recovery will happen through the technical write-off.

Akshit Agarwal: Right, sir. But this quarter, it was slightly weaker. So, is it like some seasonal or is it like just a one-off, this quarter, you would expect better recoveries, rest of the year was a blip at this point.

Shri Ashok Chandra: Yes, the total recovery target which we have given, definitely we are going to achieve. See, in the first quarter, always the business and the total activity also remains muted because of the various transfers and all those issues are happening in the first quarter. And with that, I think the team has done very well and we are able to recover Rs.3,300 crores. Already there were some accounts which we were expecting that will happen in the June quarter. Already those accounts have come now. And in the month of July itself, we have a good number for the Q2. So, I am expecting that the guidance which we have given, Rs.16,000 crores of total recovery, definitely we are going to touch this number.

Akshit Agarwal: Right, sir. Thank you. My second question is on operating expense. I wanted to understand the reason behind elevated operating expense this quarter. OPEX was like 16% to 17% year-on-year with other OPEX going at 22% year-on-year. So, is it going to stay elevated for the year or is it like there was some one-off going in this quarter or some discounted or something else?

Shri Ashok Chandra: See, what happens, in the first quarter, because of the PSLC which we purchased for the priority sector, that is the PSLC Priority Sector Lending Certificate, that amount itself is around Rs.850 crores now. So, that is one of the reasons the operating cost for this particular quarter, you see that some number is high. Otherwise, definitely there will be a stable expenses will be there in future in Q2, Q3 onwards.

- Akshit Agarwal:** Right, sir. Thank you. If we exclude one-off tax provisions of like Rs.33 billion, your ROA would be greater than 1%, with NIMs continuing to decline, weak credit growth and treasury gains might not stay that elevated throughout the year. So, what are the levers you are going to use to deliver over 1% ROA for the rest of the year? Thank you.
- Shri Ashok Chandra:** First of all, with the migration to the new tax regime, that itself is going to help us by around 16 basis points in the ROA. That is the first point. Second point is, see the NIM and the NII is muted for this particular quarter, and in fact, in the last meeting also I had indicated that Q1 and Q2 will be a challenging quarter for maintaining the NIM and the NII. But definitely the repricing which is happening in the deposit front and the deposit rate which has been reduced, I am expecting that Q3 onwards, definitely the Bank will have the good NIM and good NII. I think the guidance which we have given for the NIM is around 2.8% to 2.9%. Definitely, we are going to hold on to this guidance.
- Akshit Agarwal:** Right, sir. Thank you very much for answering all my questions. All the best.
- Shri Ashok Chandra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashok Ajmera from Ajcon Global. Please go ahead.
- Ashok Ajmera:** Yes, thank you for the opportunity, and compliments to you, Ashok sir, all the leaders and top management of Punjab National Bank. Sir, you are firing on all cylinders.
- Shri Ashok Chandra:** Thank you.
- Ashok Ajmera:** And in the earlier question, you already answered that in spite of being a major recovery, why in this quarter the recoveries were less than the overall proportionate for one quarter. And that is a valid point also, June quarter being a little subdued quarter from the recovery point of view. Having said that, sir, I have got a couple of some observations and some questions. Sir, just one is tax change in the tax regime. So, if I understand correctly, out of this higher provision of the tax of Rs.5,083 crores, Rs.1,600 or Rs.1,700 would have been in otherwise also the tax like this. So, basically Rs.3,300 or Rs.3,400 crores has gone from that DTA. So, what is the exact calculation? Because at the year end, if we take it almost about Rs.29,500 crores of operating profit according to your guidance of 9% plus, so on that our tax liability overall will be Rs.7,300 crores something under the new regime. So, can I just understand that what would be the final tax figure in the P&L in FY26 if that profit assumption is correct?
- Shri Ashok Chandra:** Yes, I will just share some facts about this. You have rightly mentioned that Rs.3,324 crores has come out with the DTA, which the provision higher tax was there. Now, because of the migration to the new tax regime, this was 25%. So, to that extent, Rs.3,324 crores we had to save out and Rs.1,700 crores would have gone normally also with the tax regime. So, Rs.5,000 crores plus is the outgo for this particular quarter. Now, from the new tax regime, Q2, onwards, we will have to pay tax at the

rate of 25%. And assuming this Rs.7,000 crores, the operating profit, which the Bank has shown, and the first time we have shown the Rs.7,000 crores of operating profit, and I am hopeful that this trend will continue. So, 10% if I can reduce, because 35% is the old tax regime and 25% is the new, so 10% I am going to save. It means in the absolute number Rs.700 crores minimum every quarter I am going to save on account of the migration to the new tax regime. So, if you can calculate the three quarters, it comes to around Rs.2,100 crores net accretion will happen in the net profit. So, I think this is the way I perceive and I can project it out.

Ashok Ajmera:

Yes, sir. Yes, sir. Even my calculation also is based on that. Sir, we have performed well in this quarter backed by treasury profit. We have made some treasury profits and also something in the revaluation of investment also. So, going forward, with further rate cuts expectations maybe in the latter half of this year, maybe two cuts of 20 basis points going forward, one thing is that we are going to have some pressure on the margins because of the lag effect in the MCLR-backed account and similarly for the deposit, and other side, we will have a bumper treasury profit if we deal properly in the treasury books. So, having said that, will the treasury profits which are shown Rs.1,816 crores in the profit plus overall if you see the segment wise income on the treasury, it is Rs.3,415 crores as against Rs.1,963 crores in the last quarter. So, going forward, we are continuing to see the same trend on the treasury income or do you think it will get little muted?

Shri Ashok Chandra:

In this financial year, we have built a very strong treasury book now. If you see our entire total portfolio under the treasury itself is around touching Rs.5 lakh crores now. And with the lower interest rate regime, which also you have highlighted, definitely, I think this book is going to contribute in a very, very bigger way to the overall income of the Bank and we are very confident that good treasury book is going to give us a good income in the Q2, Q3 also now. So, that trend will continue.

Ashok Ajmera:

Good, sir. Well, on advances on the credit side, sir, we have a little bit slowed down, though in this quarter, having anything positive itself is a very good positive point, like your 1.19% quarterly credit advances have increased. But still looking at PNB and your potential of you and your team, I feel that I do not think there is any dearth of the proposals which are coming in, there must be a strong sanction pipeline also and many proposals which are in the pipeline. So, are we still sticking to that 11%, 12% and we will be able to achieve even that also in the next three quarters or we feel it is a conservative one and you might go to maybe higher bracket of 12%-13% or something on the credit front, because I see PNB is now full-fledged again in the market and I think you are the most sought-after Bank today. Then, sir, this SMA numbers little bit increased in this quarter at Rs.1,596 crores against Rs.239 crores in March. Is there any specific reason, any one-off account in this or is it paid by now, sir?

Shri Ashok Chandra:

First, I will touch about the credit growth part. If you see MSME growth, we have shown a growth of more than 18%... it is 18.6% growth in MSME. Core retail has grown by 17.7%. What we have

missed out in the corporate loan growth, there is a growth, but in fact, both QoQ growth is also there and YoY growth is also there. But the challenge which has come in the corporate book is that we have Rs.1,29,000 crores of sanctions in our book now and disbursements have started happening, but there are many project financing we have done now. In fact, we are building up good project financing now, good projects we are undertaking, and we are going in a very, very big way for those projects financing. So, you know that disbursements also takes time in the project financing, one year, two years' time it takes, but Rs.1,30,000 crores of book is already there with us and going to be disbursed in Q2, Q3 onwards. So, this is one strong point before us is there. In the project means the total corporate book, if I can talk about those diversified activities which we have taken, HAM we have taken good proposal, power renewable energy we have good proposal, advanced smart metering, this is one area which is picking up very well in the country. So, there we have taken a lot of good proposals now, then InvIT, we have taken good proposals under that. In fact, in the real estate sector also, lease rental discounting, then in the real estate also InvIT is coming. So, that also we have initiated from one or two proposals. Food processing. So, I think very diversified field in the corporate areas we are there. What we are focusing on improving the turnaround time of the sanctioning of the loan and that is one commitment which we have given to all the corporates that any proposal which comes to head office with all the waiting and everything, at head office the sanction will happen within 15 days and this is one comfort we are giving to all the corporates and based on that I am seeing lot of interest in our Bank from the corporate side and I am very confident that going forward you will see good growth and we are still sticking to the guidance which we have given, I think we are going to grow at the same speed.

Ashok Ajmera:

Thanks for that good assurance on the TAT actually because technically the TAT is not being followed strictly. Alright. Thank you very much, sir and all the very best to you.

Moderator:

The next question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania:

Hello! Good evening, sir. Sir, I had a couple of questions. Firstly, in terms of margins, so most banks are guiding to some sort of a recovery or stabilization in the second half. So, that may have been well understood. But in the second quarter, how much do you expect margins to fall -- will it be more than 11 basis points that we have seen in the first quarter or will it be lower or higher, like a rough ballpark would really help?

Shri Ashok Chandra:

Yes. I think in Q1, you have seen that domestic NIM is 2.84% and the overall global NIM is 2.70%. Our guidance is 2.80% to 2.90%. Now, if we talk about the Q2, I think we will be holding to the same level which is there in Q1 because the interest rate cut which has happened, that impact already we have seen in the first quarter. So, Q2 also will be having the same level, and we have also improved the advances portfolio. More than that, we have said around 21,000 of the corporate low-yielding book. So, I think that also will give us some good income and definitely our NIM, what we have done in this particular quarter, I think we are going to hold on to this level now, around 2.7%.

- Mahrukh Adajania:** Because the last repo rate cut would have been passed only for less than a month and the full impact will come in the second quarter. Even then, you would see NIMs holding on?
- Shri Ashok Chandra:** Yes. Two things which are in favor now. One is the overall loan growth has also happened. And second is, since we have shed some low-yielding advances, that is also in our favor. Third point is that we have also reduced the cost of deposit and that impact also we are going to see in this entire full quarter. The rate reduction in the deposit also happened subsequently, I think, in the second month of the Q1. So, that impact also we have not seen fully in that particular quarter. So, this particular quarter, we are going to see that entire impact on the cost of deposit also. So, all those things put together, I am expecting that 2.70% definitely we are going to hold on.
- Mahrukh Adajania:** Got it. And the MCLR has been cut by how much, sir?
- Shri Ashok Chandra:** We have already reduced by 15 basis points. We had 9.05% and today we are at 8.90%.
- Mahrukh Adajania:** Okay, sir. And my next question is on MSME loans. So, some lenders have called out stress in the MSME segment. What are your thoughts? So, they are saying that NPLs in MSME... of course, they are saying unsecured MSME, but they are rising.
- Shri Ashok Chandra:** We are not seeing any such movement or any such change in our portfolio. And I think the way the book was behaving earlier, the same way it is behaving now also. And the fresh underwriting which has happened for the last four years, in that incremental MSME growth, we are seeing slippages of around 2.5% to 3%.
- Mahrukh Adajania:** Okay, sir. And do you do any unsecured loans to MSME?
- Shri Ashok Chandra:** No, we do not do that because there are two ways of doing the MSME loan. One is that CGTMSE coverage is available. So, wherever the collateral security is not there, we advise the customers to go for the CGTMSE coverage. So, either it is CGTMSE coverage or the collateral securities are there.
- Mahrukh Adajania:** Okay, sir. Thank you so much. Thanks.
- Shri Ashok Chandra:** Thank you, madam.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.
- Kunal Shah:** Yes. Sir, firstly, the question is on SMA, I think that was again missed out. So, if you look at it, the increase in the SMA pool, which is there in the MSME, and maybe when you look at it overall in general, it has gone up maybe a bit, say when you look at it even agri there is SMA pool, which has got built up. So, how do we read this number of say closer to like Rs.1,600-odd crores of SMA, and

this is again like more than Rs.5 crores, if you can highlight the overall SMA pool, say even below the Rs.5 crores, which you always used to give out, say SMA 0, SMA 1 and SMA 2?

Shri Ashok Chandra: See, I can give you the full SMA 0, 1, 2 of the entire Bank irrespective of the amount. See, it was 6.79% last year. Okay? And now that has come down to 6.14%. And that includes from Re.1 to the Rs.1,000 crores now. So, that is a book and I think there is a good control on the SMA book and even for the Rs.5 crores and above book, only 0.14% is the stress is there.

Kunal Shah: Okay. And how would have been this breakup across SMA 0, 1, 2?

Shri Ashok Chandra: You want the absolute numbers?

Kunal Shah: Absolute and percentage. Yes. You give that every quarter. Yes.

Shri Ashok Chandra: Retail, we have Rs.28,500 crores and Agri, it is Rs.11,600 crores, MSME, Rs.24,000 crores, and all others, like corporates and all put together, it is Rs.5,200 crores. This is the total stress.

Shri Ashok Chandra: This is total. Yes. Yes. And 0, 1, 2 in particular, overall amount, including all the portfolios?

Shri Ashok Chandra: See, total of around Rs.69,000 crores is the 0, 1, 2 book is there now. In that, SMA 0 itself is Rs.43,300 crores. And I can tell you the trend which is there. Of the Rs.43,300 crores, in that retail itself is Rs.17,800 crores. So, what happens, the vehicle loan, housing loan, even for one day also, if it goes, it becomes SMA 0 now. And within one week of that, again, the repayment comes and it comes out of the SMA 0. So, SMA 0 is Rs.43,300 crores, SMA 1 is Rs.13,200 crores and SMA 2 is Rs.12,700 crores.

Moderator: The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes. Hi, sir. Congratulations on the quarter.

Shri Ashok Chandra: Thank you.

Piran Engineer: Sir, last year, our slippages in MSME were Rs.638 crores and now it is Rs.966 crores and it has been above Rs.900 crores for the last two quarters, it is on an increasing trend. So, what exactly is happening on the ground?

Shri Ashok Chandra: See, these slippages which have happened in the MSME is Rs.10 lakh and below category. And most of these loans are under the Mudra loans for which the government guarantee is also available. 75% of the outstanding we are going to get back in that particular category. So, that is the only slippage which is happening. Otherwise, the MSME book of Rs.10 lakh and above is fully behaving well. We have a good underwriting structure is there. And Rs.10 lakh and above, we have a centralized set up

at 138 centers in the country. All those proposals come under that MSME cell and there only the processing and disbursement happens. So, I do not see any challenge in this entire book.

Piran Engineer: And so the sourcing for this Rs.10 lakhs and above happens through specialized branches or your regular liability branches?

Shri Ashok Chandra: It is happening through all the branches. But now we have initiated the digital sanction of up to Rs.10 lakhs now. And this we have initiated just two months back and in another two, three months time, manual sanction, and disbursement up to Rs.10 lakhs category is going to be totally stopped in the Bank. All those Mudra loans up to Rs.10 lakhs will happen through the digital system itself. And we have done this digital loans in the different categories. And those loans are sanctioned by the digital setup. The BRE is so strong. The book is behaving very well. So, going forward also, maybe another two, three months time, the entire Rs.10 lakhs loan, all those Mudra loans will happen through the digital BRE now.

Piran Engineer: Okay. Okay. And sir, our employees go on the ground and source these loans or we get it through DSAs or customer walks into the branch with these?

Shri Ashok Chandra: There are two things. One, the customer walks into the branch and branch itself sources the proposal. There is no DSA or third-party involved in this Mudra loan.

Piran Engineer: Okay. Understood, sir. Sir, just one other question on OPEX guidance for FY26. This quarter it was Rs.8,700 crores. What will it be for the full year approximately if you can guide us?

Shri Ashok Chandra: Operating expenses also, yes, this particular quarter, there is one head that is the Priority Sector Lending Certificate, that is the PSLC. Because of the shortfall in the priority sector, we go to the market and purchase that to achieve that priority sector target. Because of that only in this particular quarter, there is one PSLC is there in the operating expenses. Otherwise, we have stabilized operating expenses, both in the employee side also, and the other than the employees expenses also. So, I do not see any big changes going to happen in the operating expenses.

Piran Engineer: Okay. Okay.

Shri Ashok Chandra: In the Q4 also, our operating expenses was Rs.8,697 crores, and Q1 of this also it is Rs.8,765 crores. We are almost in the same range, except that one head where we have said around Rs.800 crores, PSLC certificate. That only the cost has gone up.

Piran Engineer: Sir, now if I remove that Rs.800 crores of PSLC, it will be roughly Rs.8,000 crores operating expense. So, I assume that level for the rest of the year?

Shri Ashok Chandra: Rs.8,000 crores to Rs.8,200 crores.

Piran Engineer: Okay. This was very useful. Thank you for answering my questions and wish you all the best.

Shri Ashok Chandra: Thank you.

Moderator: Thank you. The next question is from the line of Zhixuan Gao from Schonfeld. Please go ahead.

Zhixuan Gao: Hey, congratulations on a good set of numbers. Just on margins, do you mind sharing with us what is number one the recovery on written off debts in the interest income line? And also, how much is interest on tax refunds this quarter?

Shri Ashok Chandra: Yes, recovery in technical write-off and the interest, all put together is Rs.1,700 crores. And the tax component is around Rs.500 crores.

Zhixuan Gao: Sorry, of the Rs.1,700 crores, how much of that is the net interest income?

Shri Ashok Chandra: See, Rs.1,200 crores is the technical write-off recovery and Rs.500 crores is the interest recovery.

Zhixuan Gao: So, we have Rs.500 crores interest recovery and another Rs.550 crores of interest on tax refund.

Shri Ashok Chandra: Yes. And this Rs.500 crores in the interest recovery, in every quarter, we are recovering in the interest to the extent of around Rs.500 crores to Rs.700 crores, every quarter, that figure is there.

Zhixuan Gao: Got it. Thank you so much.

Shri Ashok Chandra: Thank you.

Moderator: The next question is from the line of Bhavik Shah from InCred Capital. Please go ahead.

Bhavik Shah: Hi, sir. Thanks for the opportunity and congrats on good set of numbers. Sir, in the last quarter, we had AS 15 provisions of around Rs.1,400 crores and this quarter it is Rs.1,150 crores. Is it fair to assume it will stabilize at this run rate for the entire year?

Shri Ashok Chandra: Yes, yes. We have taken the calculation from the actuary and based on that only we have factored this. I do not see that in any of this quarter we are going to exceed this amount.

Bhavik Shah: Okay. Thank you, sir. Sir, our net worth has increased by Rs.4,600 crores while our PAT was around Rs.1,600 crores. Can you explain the walkthrough of what goes into that Rs.4,600 crores?

Shri Ashok Chandra: One element is there in that. Revaluation, we have done and that figure has also increased and because of that it has gone up.

- Bhavik Shah:** What would be your outstanding AFS reserve? The revaluation would have gone to the AFS reserve, right?
- Shri Ashok Chandra:** Yes, it has gone to Rs.800 crores now.
- Bhavik Shah:** So, that is the outstanding of AFS reserve?
- Shri Ashok Chandra:** Last year, in the same quarter, it was Rs.33 crores which has gone to Rs.800 crores now.
- Bhavik Shah:** Okay, sir. And sir, we have Rs.10 lakh crores of term deposits. In that, how much is the bulk deposit above Rs.3 crores?
- Shri Ashok Chandra:** That figure is around Rs.2.8 lakh crores.
- Bhavik Shah:** Rs.2.8 lakh crores? And sir, this would be at what average rate? 6.5% or 6.4% ?
- Shri Ashok Chandra:** These are all at different, different rates because all these are taken at a different period under a different rate. So, it is very difficult to crystallize at what rate it is there. But now, the bulk deposit rate itself, 100 basis points, we have brought it down because last quarter, Q4, it used to range between 7.8% to 7.85%. Now, the bulk deposit rate is around 6.7% to 6.78%. And PNB is not there in the bulk deposit market.
- Bhavik Shah:** Will it materially reprice next quarter again?
- Shri Ashok Chandra:** Definitely.
- Bhavik Shah:** Sir, we saw a standard provisioning of Rs.309 crores this quarter and a write-back from investment of over Rs.403 crores. If you can just explain as in what were those for, that would be great? Thanks. And I will stop there.
- Shri Ashok Chandra:** See, a standard account provision, whatever we do at the 7th June circular, there was one account which was triggered under the 7th June and because of that, we have made some additional provision.
- Bhavik Shah:** Okay. And the writeback from investment, Rs.400 crores?
- Shri Ashok Chandra:** Yes, because of the MTM and the RRBs and all which the amalgamation has happened. So, again, the valuation has happened and because of that there is some writeback there.
- Bhavik Shah:** Understood, sir. Thank you, sir and best of luck for the future quarters.
- Shri Ashok Chandra:** Thank you.

- Moderator:** Thank you. The next question is from the line of Vansh Solanki from RSPN Ventures. Please go ahead.
- Vansh Solanki:** Hi, PNB management team, very good to meet you. My question is on asset quality, mostly on credit cost. That credit cost for this quarter is around 14 bps. Okay. And in last three or four quarters also, we see the similar range of 10 to 20 bps is going on and you have given guidance of the 50 bps of the credit cost. So, can we think that these 10 to 20 bps range for a credit cost is normalized, like you can lower the guidance of the 0.58%, are there chances, is this a normalized range or what?
- Shri Ashok Chandra:** Credit cost, the guidance which we have given is 0.50 for the entire year, right? And in this particular quarter, our credit cost is 0.14%. And we will remain well below the 0.5%. I think that is the assurance I can give you.
- Vansh Solanki:** Okay. And can you just mention the sanctioned book which you mentioned before, but the voice broke down, can you just mention again?
- Shri Ashok Chandra:** Yes. We have Rs.1,29,000 crores of sanctioned book under the corporate segment. And in that, Rs.43,000 crores is the sanction which we have done up to March '25. Rs.48,000 crore sanction which we have done in this financial year, that is the first quarter itself. So, both put together, Rs.91,000 crores is there and Rs.38,000 crores is the sanctions is in the pipeline, which we are going to do it. All put together is Rs.1,29,000 crores is the book which is there with us now, for which the disbursements are going to happen.
- Vansh Solanki:** Okay. Thank you, sir and best of luck for the future.
- Shri Ashok Chandra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sushil Choksi from Indus Equity Advisors. Please go ahead.
- Sushil Choksi:** Sir, congratulations to team PNB for very stable and good balance. And my first question is your RAM advances is visible at 17%-18%. How do you visualize here on RAM advances and what is it currently?
- Shri Ashok Chandra:** Within the RAM, if we can share some figures, MSME has grown by 18.6% and core retail has grown by 17.7%. Bank has initiated a lot of things in RAM now. One is that massive outreach activity is happening in our Bank, where from the top management, including M.D. and EDs and everybody is participating and they are visiting the centers, conducting the outreach activity, and this is happening for the retail, agri, MSME. Just on 25th of July, we have conducted the MSME outreach activity, 11th of July, we conducted the agri outreach activity, and 17th of July, that was for the retail expo. So, these activities are generating lots of good leads and then the leads are getting processed at the

centralized hub and getting sanctioned now. This we have seen in the last quarter also, and those leads got converted and it has given a very good growth in this RAM sector now. This activity is going to continue. Second, we are bringing a lot of digital footprint in the RAM sector now. So, all those things are going to facilitate, one is that improving the turnaround time, and second, the penetration and outreach activity, visibility of our Bank that we are also a very serious player in the RAM sector now. So, all those things put together, I am expecting that there will be very good growth under the overall RAM.

Sushil Choksi: Sir what is the yield on RAM?

Shri Ashok Chandra: For MSME, separate figures are there. Like for retail, it is varying in the range of around 8.35%, agri, it is 7.95%, MSME, it is 8.42%.

Sushil Choksi: SME, it is above 9%.

Shri Ashok Chandra: Yes, on standard advances.

Sushil Choksi: Okay, sir. Based on your Rs.1,29,000 crores of sanctions, which is more of project finance or pipeline, where do you see your CD ratio at the end of the year and what would be the value in corporate and RAM at the end of the year?

Shri Ashok Chandra: The share of corporate and RAM will be, with the initiative, I am expecting somewhere around 58% to 59% under the retail and remaining 40% to 41% under the corporate.

Sushil Choksi: Okay. The initiative of the Bank is focused on empowering the RAM sector with a lot of digital initiatives to improve your TAT and a lot of other initiatives. What is the digital expenditure you would incur this year and if any plans to incur additional expenditure to improve the benefits to PNB account holders from various initiatives on types of touch points, any other measures?

Shri Ashok Chandra: First, the benefits which we have given is despite the stress on our income, we have waived the minimum balance charges. Now, there is no minimum balance charges. Whatever categories accounts have been opened, even if it goes below that level, it is totally free. No charges on that. Second, for entire CASA product, whether it is a salary or non-salary, senior citizen, youth, women, farmers, for the military people, we have come out with the special scheme. In every such account, we are providing some add-on facility like health check-up facility free, term life insurance free, Rs.1 crore accidental insurance is free, OTT subscription. So, many things we have built in along with that account and all these things are being passed on to the account holder when he opens that account with us now. So, these are the things. Third point is the digital initiative like PNB Mobile App. It is such a wonderful app that if you are opening an account and if you download our app, you need not visit the branch for any banking activity. Everything is possible and hassle-free now. So, I think these are the benefits that is there for anybody who is banking with PNB.



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- Moderator:** The next question is from the line of Roshni Munshi from CLSA. Please go ahead.
- Roshni Munshi:** Hello! Thank you, sir. Thank you for the opportunity. Good evening. My first question is, I just wanted to check if the benefit of 100 bps of repo cut has been completely transmitted to the borrowers so far?
- Shri Ashok Chandra:** Yes, it has already been passed on. In fact, in our Bank, there is a guideline that today if the MPC decides to rate cut and if it is announced by RBI, I think the next working day itself, it is getting implemented straightaway.
- Roshni Munshi:** Got it. Got it. Thank you so much. And also one last data-keeping question. Could you please tell us the MCLR, EBLR and fixed rate loan mix?
- Shri Ashok Chandra:** Yes, we have around 56% linked to EBLR, including our repo linked, treasury linked, that composition is around 56%, remaining all is the fixed rate, base rate, and the MCLR.
- Roshni Munshi:** Okay, so 56% is EBLR and everything else you will just like to classify it as MCLR fixed rate and all? Okay.
- Shri Ashok Chandra:** Yes.
- Roshni Munshi:** Can you elaborate how much is MCLR if that is possible?
- Shri Ashok Chandra:** MCLR rate of interest you want?
- Roshni Munshi:** No, no. What percent of the mix is MCLR?
- Shri Ashok Chandra:** MCLR is 30%.
- Roshni Munshi:** Got it. Thank you so much, sir. Thank you.
- Shri Ashok Chandra:** Thank you.
- Moderator:** The next question is from the line of Harsh Modi from JP Morgan. Please go ahead.
- Harsh Modi:** Yes. Hi. How would you characterize the impact of change in PSL norms on your Bank's earnings, and how do you expect that going forward?
- Shri Ashok Chandra:** PSL norm you are talking about the changes which has happened in the housing loan and other segment, right?
- Harsh Modi:** Yes. And the expectations of further changes, there are some proposals.

- Shri Ashok Chandra:** Yes. See, one change I think a very marginal improvement has happened because of the housing loan project, the revisit has happened. So, let us see what are the other changes that are being proposed and how it gets implemented. I think we need to wait and see, then only I can react that what are the final benefits that is going to come to the Bank.
- Harsh Modi:** All right. Thanks.
- Moderator:** Thank you. The next question is from the line of Jai from ICICI Securities. Please go ahead.
- Jai:** Yes. Hi, Ashok sir. Good evening and thanks for the opportunity. Sir, first question is on bulk deposit. Like the last quarter and this quarter also we had Rs.2.8 lakh crores of bulk deposit. Because this deposit is going to be short-tenured, have you started seeing benefits on the bulk deposit repricing, and if you can quantify how much interest saving can happen in Q2?
- Shri Ashok Chandra:** See, the bulk deposit around 100 basis points dip has already happened in the system. And in our Bank also the same thing is there because earlier the bulk deposit was in the range of around 7.85% to 7.9% which has come down to 6.7% to 6.75% So, almost 100 basis points dip has already happened. And definitely the impact of that, it will be visible in our Bank also from the Q3 onwards... real impact will be visible.
- Jai:** Okay. Sure, sir. And the interest cost in this quarter, I mean, one is a small number. So, you have two, three components interest on deposit, interest on others and RBI others. So, there is some sharp some Rs.200, 300 crores decline on interest paid on borrowings. Have you retired these borrowings? So, Rs.500 crores has come down to Rs.193 crores or this is going to go back to Rs.500 crores because the third line item is more or less similar, Rs.800 crores, but there is a dip in the interest paid on borrowings.
- Shri Ashok Chandra:** See, this borrowing happens in the treasury market on the day-to-day activity when we borrow. That amount has considerably come down in this particular quarter because we had the liquidity surplus. So, we were not borrowing in the market.
- Jai:** Right. Okay. Sure. And lastly, sir, last question is actually your global margin and domestic margin, right. Your global book is less than 5% of overall book, but still it creates on the overall 15 basis points impact on the overall Bank. It looks like that the overseas margins are like 0.5% or even below. Is that the math or because this -
- Shri Ashok Chandra:** Yes, you are absolutely right. It is in the same range; it is in the range of around 0.45% to 0.50%. I think we are revisiting our strategy and we will see that because finally outcome has to be that how it is going to improve my NIM. So, we will revisit that. Portfolio is very small, but definitely it affects my bottom line.

- Jai:** Right. And sir, if I may ask one more question on retail loans, right, so, a), you have Rs.2 lakh crores of core retail within which you have given for housing, education and vehicle loan, but still there is some Rs.70,000 crores others, right, which could be mortgage or personal loan or something else, if you have that number, that breakup? And you had that strategy of growing in-house retail, right, versus the DSA or versus full buyout, how is that strategy shaping up?
- Shri Ashok Chandra:** So, that has picked up very well. And if you see the housing loan growth within the entire retail, it has grown more than 17% YoY and for project approvals and improving the turnaround time thereby.
- Jai:** Right. And if you have those numbers of retail book breakup?
- Shri Ashok Chandra:** I can give you. Housing outstanding is Rs.1,06,000 crores, vehicle is Rs.27,000 crores, education is Rs.8,500 crores, and mortgage is Rs.16,400 crores, personal loan is Rs.22,500 crores, gold loan is Rs.3,400 crores under the retail segment, credit card is Rs.1,200 crores.
- Jai:** Sure, sir. Thank you and all the very best.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.
- Nitin Agarwal:** Hi. Good evening, sir. I have a few questions. One is on the PSLC expense that we have incurred this quarter. So, can you talk about as to what steps Bank is taking to ensure that we do not incur a PSLC shortfall in the following years, because some of the PSU banks are making really decent income on the PSLC certificate that they are selling, so, why is PNB sort of missing out on that front and what are the steps that you think that will help us?
- Shri Ashok Chandra:** We have taken a lot of steps now because I know that many of the public sector banks are making money out of this. And a Bank like ours having 10,200 branches, we were missing out. But this year, massive activities have been started. And the self-help group, one segment, which takes care of the small and marginal farmer category also, and the 40%, the agriculture target of 18% also, it falls under both these categories. And there only we are missing the target. So, we are going in an aggressive way for the self-help group onboarding now. And the benefit of self-help group is, one is that yield is also very good. NPA percentage is just around 1%. And the women, the financial inclusion point of view also. So, this is one segment we are going in a very aggressive way. And if you see the YoY figure under this self-help group, almost Rs.4,000 crores has been added. It was Rs.8,500 crores last year by June '24. Now it is Rs.12,000 crores plus. So, this is one segment which we are going to do it in a very, very big way. Even for the farmers also, the KCCs and more we are going to focus on the food processing, rural godown, the cold storage, a lot of activities which we have started. We have already created a roadmap for totally coming out of the PSLC purchasing. And within three years roadmap, I think we are going to come out of this entire PSLC borrowing from the market. Next year itself, I am expecting that to the extent of around Rs.300 crores we are going to save from the income side now with the initiative which the Bank has taken under the agri segment.

- Nitin Agarwal:** Right, sir. That is very good to know. And sir, secondly, some qualitative color around treasury because this quarter we have seen most banks reporting very strong treasury gains and benefiting from how the bond yields move, the OMOs and other things, so, any qualitatively, can you talk about as to what can we expect in the second quarter around treasury -- can there be a sharp fall versus what the first quarter has been or is there more room that you still see for PNB or for other PSU banks space as a whole that they can sustain this run rate?
- Shri Ashok Chandra:** Yes, since our Bank, we have built in a very good, strong treasury book to the extent of around Rs.5 lakh crores and already the reducing market scenario when the interest rates are falling, definitely, the treasury book is going to behave very well, not only this quarter, this quarter definitely we have made good money, I think going forward also, in the entire this financial year, treasury book is going to support in a very, very big way in the operating profit.
- Nitin Agarwal:** Okay, sir. And lastly, on the business growth and particularly on CD ratio, so we have seen some banks like unwinding the deposit book and the CD ratios for many PSUs have increased now to somewhere early to mid-70s, while PNB continues to deliver a very stable growth, maintaining a balance between credit and deposit growth, so, what are the thoughts on that front like will we look to utilize the room that we have?
- Shri Ashok Chandra:** Yes, yes, we will continue to hold on to this level now. Rather, we are expecting that there will be some improvement in our CD ratio. Right now, around 71.09% is there. I am expecting by end of this year, somewhere around 73% definitely we should be able to touch that. But growth in the deposit and advances are very, very stable and the activities and the initiative the Bank has taken I am very sure that there will be good credit growth. And the CASA initiative the Bank has taken I am expecting that there will be very good CASA, and within that CASA, there will be a stable individual growth will be there in the Bank.
- Nitin Agarwal:** Right, sir. Thank you so much and wish you all the best.
- Shri Ashok Chandra:** Thank you.
- Moderator:** Thank you. That was the last question for the day. I now hand the conference over to the management for closing comments.
- Shri Ashok Chandra:** Thank you very much. My only submission is that since in this particular quarter, we have migrated from the old tax regime to the new tax regime and that is the reason the impact which we are seeing on the net profit. If you see our (PBT), profit before tax is Rs.6,758 crores which is 28.3% YoY growth is there. And first time we have crossed Rs.7,000 crores of operating profit and going forward also, this trend is going to continue. With the lower tax regime, when the 10% tax we are going to save, with that itself Rs.700 crores, every quarter we are going to generate the net profit. So, we are very bullish that going forward, the migration which we have done and we have taken a very



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conscious call because whatever MAT benefit was there, we had nullified everything, and this was the right opportunity and right time for us to migrate to the new tax regime. So, we have taken a very conscious call which will have the benefit on our ROA, ROE going forward. I think all of you should believe in these things and definitely, I think the trust which you have reposed in our Bank, I think this should continue. From the management side, we are committed for growth, we are committed for the bottom line, and for asset quality. Thank you very much.

Moderator:

On behalf of Elara Capital, that concludes this conference, thank you for joining us and you may now disconnect your lines.