

**PUNJAB NATIONAL BANK**  
**Pillar 3 Disclosures under Basel III Framework**  
**For the Period ended 31.12.2020**

**(CONSOLIDATED)**

**Table DF-2: Capital Adequacy**

**(a) (i) Qualitative Disclosures:**

**1. Capital Adequacy**

The Bank believes in the policy of total risk management. The Bank views the risk management function as a holistic approach whereby risk retention is considered appropriate after giving due consideration to factors such as specific risk characteristics of obligor, inter relationship between risk variables and corresponding return and achievement of various business objectives within the controlled operational risk environment. Bank believes that risk management is one of the foremost responsibilities of top/ senior management. The Board of Directors decides the overall risk management policies and approves the Risk Management Philosophy & Policy, Credit Management & Risk policy, Investment policy, ALM policy, Operational Risk Management policy, Policy for internal capital adequacy assessment process (ICAAP), Credit Risk Mitigation & Collateral Management Policy, Stress Testing Policy and Policy for Mapping Business Lines/Activities, containing the direction and strategies for integrated management of the various risk exposures of the Bank. These policies, inter alia, contain various trigger levels, exposure levels, thrust areas etc.

The Bank has constituted a Board level subcommittee namely Risk Management Committee (RMC). The committee has the overall responsibility of risk management functions and oversees the function of Credit Risk Management Committee (CRMC), Asset Liability Committee (ALCO) and Operational Risk Management Committee (ORMC). The meeting of RMC is held at least once in a quarter. The Bank recognizes that the management of risk is integral to the effective and efficient management of the organization.

**2.1. Credit Risk Management**

**2.1.1** Credit Risk Management Committee (CRMC) headed by MD & CEO is the top-level functional committee for Credit risk. The committee considers and takes decisions necessary to manage and control credit risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of approval of policies on standards for presentation of credit proposal, fine-tuning required in various models based on feedbacks or change in market scenario, approval of any other action necessary to comply with requirements set forth in Credit Risk Management Policy/ RBI guidelines or otherwise required for managing credit risk.

**2.1.2** In order to provide a robust risk management structure, the Credit Management and Risk policy of the Bank aims to provide a basic framework for implementation of sound credit risk management system in the bank. It deals with various areas of credit risk, goals to be achieved, current practices and future strategies. As such, the credit policy deals with short term implementation as well as long term approach to credit risk management. The policy of the bank

embodies in itself the areas of risk identification, risk measurement, risk grading techniques, reporting and risk control systems / mitigation techniques, documentation practice and the system for management of problem loans.

For better support, control & transparent structure of reporting, organization structure in the bank has been revamped. In this regard, bank has introduced specialized lending branches for catering to loans from Rs 10 lacs to Rs 1 Crore through PNB Loan Point (PLP) in respect of Retail, Agriculture and MSME segments. Mid Corporate Centres (MCC) shall appraise corporate loans above 1 crore upto 50 crores, LCB & ELCBs for loans above 50 crores has been put in place. All loan proposals falling under the powers of MCC, Zonal Office and Head office are considered by Credit approval Committees.

**2.1.3** Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. The risk rating system is drawn up in a structured manner, incorporating different factors such as borrower's specific characteristics, industry specific characteristics etc. Risk rating system is being applied to the loan accounts with total limits above Rs.50 lac. Bank is undertaking periodic validation exercise of its rating models and also conducting migration and default rate analysis to test robustness of its rating models.

Small & Medium Enterprise (SME), Retail advances and lending to agriculture are subjected to Scoring models which support "Accept/ Reject" decisions based on the scores obtained. All SME, Retail loan and Agriculture lending applications are necessarily to be evaluated under score card system.

Recognizing the need of technology platform in data handling and analytics for risk management, the bank has placed rating/ scoring systems at central server network. All these models can be accessed by the users 'on line' through any office of the bank.

For monitoring the health of borrowal accounts at regular intervals, bank has put in place a tool called PNB SAJAG - Early Warning Signal + Preventive Monitoring System (EWS+PMS) for detection of early warning signals to address the issue of monitoring of causes of build-up of stress in assets with a view to prevent/minimize the loan losses.

**2.1.4** Bank has implemented enterprise-wide data warehouse (EDW) project, to cater to the requirement for the reliable and accurate historical data base and to implement the sophisticated risk management solutions/ techniques and the tools for estimating risk components {PD (Probability of Default), LGD (loss Given Default), EAD (Exposure at Default)} and quantification of the risks in the individual exposures to assess risk contribution by individual accounts in total portfolio and identifying buckets of risk concentrations.

**2.1.5** As an integral part of Risk Management System, bank has put in place a well-defined Loan Review Mechanism (LRM). This helps bring about qualitative improvements in credit administration. A separate Division known as Credit Audit & Review Division has been formed to ensure LRM implementation.

**2.1.6** The risk rating and vetting process is done independent of credit appraisal function to ensure its integrity and independency. The rating category wise portfolio of loan assets is reviewed on quarterly basis to analyze mix of quality of assets etc.

**2.1.7** The Bank has implemented the Standardized Approach of credit risk as per RBI guidelines and further we are in the process of adoption of Internal Rating Based Approaches (IRB). Bank has received approval from RBI for adoption of Foundation Internal Rating Based Approach (FIRB) on parallel run basis w.e.f. 31.07.2013. Further, Bank has placed notice of intention to RBI for implementing Advanced Internal Rating Based (AIRB) approach for credit risk.

**Major initiatives taken for implementation of IRB approach are as under:**

- For corporate assets class, Bank has estimated PD based upon model wise default rates viz. Large Corporate and Mid Corporate borrowers using Maximum likelihood estimator (MLE). For retail asset class, PD is computed for identified homogeneous pool by using exponential smoothing technique.
- LGD (Loss Given Default) values have been calculated by using workout method for Corporate Asset Class as well as for each homogenous pool of Retail Asset Class.
- Bank has also put in place a mechanism to arrive at the LGD rating grade apart from the default rating of a borrower. The securities eligible for LGD rating are identified facility wise and the total estimated loss percentage in the account is computed using supervisory LGD percentage prescribed for various types of collaterals and accordingly LGD rating grades are allotted.
- Mapping of internal grades with that of external rating agencies grades: Bank has mapped its internal rating grades with that of external rating agencies grades. This exercise helps in unexpected loss calculation and PD estimation.
- Benchmarking of Cumulative Default Rates: Benchmark values of cumulative default rates for internal rating grades have been calculated based on the published default data of external rating agencies. The benchmark values is used for monitoring of cumulative default rates of internal rating grades and PD validation.
- Bank has adopted supervisory slotting criteria approach for calculation of capital under specialised lending (SL) exposure falling under corporate asset class.
- Bank has put in place a comprehensive "Credit Risk Mitigation & Collateral Management Policy", which ensures that requirements of FIRB approach are met on consistent basis.

## **2.2 Market Risk & Liquidity Risk**

**2.2.1** The investment policy covering various aspects of market risk attempts to assess and minimize risks inherent in treasury operations through various risk management tools. Broadly, it incorporates policy prescriptions for measuring, monitoring and managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

**2.2.2** Besides regulatory limits, the Bank has put in place internal limits and ensures adherence thereof on continuous basis for managing market risk in trading book of the bank and its

business operations. Bank has prescribed entry level barriers, exposure limits, stop loss limits, VaR limits, Duration limits and Risk Tolerance limit for trading book investments. Bank is keeping constant track on Migration of Credit Ratings of investment portfolio. Limits for exposures to Counterparties, Industry Segments and Countries are monitored. The risks under Forex operations are monitored and controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual Gap limit, Value at Risk (VaR) limit, Inter-Bank dealing and investment limits etc.

2.2.3 For the Market Risk Management of the Bank, Mid-Office with separate Desks for Treasury & Asset Liability Management (ALM) has been established.

2.2.4 Market Risk Management Committee (MRMC) and Asset Liability Management Committee (ALCO) are primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to. ALCO is also entrusted with the job of Base rate / MCLR/ advances linked to external benchmark and pricing of advances & deposit products and suggesting revision of MCLR/Base Rate/ BPLR/ external benchmark linked advances to Board.

2.2.5 The policies for hedging and/or mitigating risk and strategies & processes for monitoring the continuing effectiveness of hedges/ mitigants are discussed in MRMC and based on views taken by /mandates of MRMC, hedge deals are undertaken.

2.2.6 Liquidity risk of the Bank is assessed through gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are used on regular intervals to draw the contingency funding plan under different liquidity scenarios.

2.2.7 Besides stock and flow approach, Bank is also monitoring liquidity through Liquidity Coverage Ratio (LCR) under Basel-III framework. Liquidity Coverage Ratio which promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days. The LCR requirement has become binding on the banks from January 1, 2015 with the following minimum required level as per the time-line given below:

	Jan 1, 2015	Jan 1, 2016	Jan 1, 2017	Jan 1, 2018	Jan 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

For Q3 FY'2020-21, the daily average LCR was 188.44% (based on simple average of daily observations) at consolidated level, as against the regulatory requirement of 90%.

**\*Effective from April 17, 2020, RBI has reduced the minimum LCR requirement from 100% to 80% upto 30<sup>th</sup> September 2020 and subsequently this requirement has been increased to 90% from 01<sup>st</sup> Oct 2020 to 31<sup>st</sup> March 2021.**

## 2.3 Operational Risk:

### Qualitative Disclosures:

#### Operational Risk:

The bank adopts three lines of defense for management of operational risk.

**The first line of defence** for Operational Risk is represented by various HO Divisions which are Control Units (CU), Business Units (BU) or Support Units (SU). The HO Divisions being owner of various banking activities, take up management of operational risks within their owned activities, undertake actions for management/mitigation of these risks and take any business line/division level decisions with respect to operational risk. They propagate ORM policies as laid down by the Board. They analyze the findings of RCSA, KRIs & loss events and initiate action for strengthening of internal processes, management/ mitigation of Operational Risk and explore use of insurance and other mitigating options.

**Second Line of defence** i.e. independent Corporate Operational Risk Management Function (CORF) is represented by RMC, ORMC, Group Chief Risk Officer and Operational Risk Management Department (ORMD) which are collectively responsible for framing the Operational Risk Framework/Policy and ensuring implementation thereof. ORMD also acts as a repository of Operational Risk Loss Data Base, KRIs, RCSA Surveys results, Scenario Analyses and used the same for root cause analyses, Operational Risk Management and Measurement. Certain information collected and published by Control Units like Inspection & Audit Division, Management Audit & Review Division, Fraud Risk Management Division and Security Department etc. are used to identify, control, monitor and mitigate the operational risk at Bank wide level.

**The Third line of defence** represented by Inspection & Audit Division/ Management Audit & Review Division (IAD / MARD) which are responsible for independent review and validation of Operational Risk Management Framework (ORMF) and Operational Risk Management System (ORMS) at bank wide level.

Operational Risk Management Committee (ORMC) headed by MD & CEO with all the EDs and CGMs / GMs of various divisions as members is the Executive level committee to oversee the entire operational risk management of the bank. All the operational risk aspects like analysis of historical internal loss data (including near miss events, attempted frauds & robberies, external loss events), etc. are placed to the ORMC on quarterly basis. Risk Description Charts (RDCs) and Business Environment & Internal Control Factors (BEICFs) in the form of Risk & Control Self Assessments (RCSAs), Key Risk Indicators (KRIs) are also used to ascertain the inherent and residual risks in various activities and functions of the bank and initiating necessary corrective actions with respect to management/mitigation of the operational risks.

Internal Control is an essential pre-requisite for an efficient and effective operational risk management. Bank has clearly laid down policies and procedures to ensure the integrity of its operations, appropriateness of operating systems and compliance with the management policies. The internal controls are supplemented by an effective audit function that independently evaluates the control systems within the organization.

**(ii) Quantitative Disclosures:**

**(b) Capital requirement for credit risk:**

(Rs. in million)

	<b>31.12.2020</b>
Portfolios subject to standardized approach	721532.49
Securitization exposure	0.00

**(c) Capital requirement for market risk (under standardized duration approach) :**

(Rs. in million)

<b>Risk Category</b>	<b>31.12.2020</b>
i) Interest Rate Risk	33064.00
ii) Foreign Exchange Risk (including Gold)	270.00
iii) Equity Risk	13133.34
iv) CDS	91.00
<b>iv) Total capital charge for market risks under Standardized duration approach (i + ii + iii)</b>	<b>46558.34</b>

**(d) Capital requirement for operational risk:**

(Rs. in million)

<b>Capital requirement for operational risk</b>	<b>31.12.2020</b>
(i) Basic indicator approach	53066.91
ii) The Standardized approach (if applicable)	-

**(e) Common Equity Tier 1, Tier 1 and Total Capital ratios:**

Punjab National Bank (Group)

	<b>31.12.2020</b>
Common equity Tier 1 Capital ratio (%) (Basel- III)	10.38
Tier 1 Capital ratio (%) (Basel- III)	11.19
Tier 2 Capital ratio (%) (Basel- III)	2.98
Total Capital ratio (CRAR) (%) (Basel- III)	14.17

**For Significant Bank Subsidiaries:**

<b>Name of subsidiary</b>	<b>Common equity Tier 1 Capital ratio (%) (Basel- III)</b>	<b>Additional Tier 1 Capital ratio (%) (Basel- III)</b>	<b>Tier 1 Capital ratio (%) (Basel- III)</b>	<b>Tier 2 Capital ratio (%) (Basel- III)</b>	<b>Total Capital ratio (CRAR) (%) (Basel- III)</b>
	<b>31.12.2020</b>	<b>31.12.2020</b>	<b>31.12.2020</b>	<b>31.12.2020</b>	<b>31.12.2020</b>
PNB Gilts Ltd	30.54	0.00	30.54	0.00	30.54
Punjab National Bank (International) Ltd.	17.68	5.55	23.23	3.62	26.85
PNB Investment Services Ltd.	NA	NA	NA	NA	NA
Druk PNB Bank Ltd.	14.73	0.00	14.73	1.87	16.60
PNB Insurance Broking Pvt. Ltd.	NA	NA	NA	NA	NA

**Table DF- 3: Credit Risk: General Disclosures**

**(i) Qualitative Disclosures:**

(a)

**3.1** Any amount due to the bank under any credit facility is overdue if it is not paid on the due date fixed by the bank. Further, an impaired asset is a loan or an advance where:

- (i) Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.
- (ii) The account remains out of order in respect of an overdraft/cash credit for a period of more than 90 days.

Account will be treated out of order, if:

- The outstanding balance remains continuously in excess of the limit/drawing power.

- In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period

(iii) In case of bills purchased & discounted, the bill remains overdue for a period of more than 90 days

(iv) The installment or principal or interest thereon remains overdue for two crop seasons for short duration and the installment of principal or interest thereon remains overdue for one crop season for long duration crops in case of Agricultural loans.

Credit approving authority, prudential exposure limits, industry exposure limits, credit risk rating system, risk based pricing and loan review mechanisms are the tools used by the bank for credit risk management. All these tools have been defined in the Credit Management & Risk Policy of the bank. At the macro level, policy document is an embodiment of the Bank's approach to understand measure and manage the credit risk and aims at ensuring sustained growth of healthy loan portfolio while dispensing the credit and managing the risk. Credit risk is measured through sophisticated models, which are regularly tested for their predictive ability as per best practices.

The above guidelines are in vogue, except for specific COVID dispensations as allowed by RBI vide circulars dated 27.03.2020, 17.04.2020 and 23.05.2020.

**(ii) Quantitative Disclosures:**

(b) The total gross credit risk exposures:

(Rs. in million)

Category	31.12.2020
Fund Based	8287242.96
Non Fund Based	731171.18

(c) The geographic distribution of exposures:

Category	Overseas	Domestic
	<b>31.12.2020</b>	<b>31.12.2020</b>
Fund Based	394445.68	7892797.28
Non Fund Based	3482.29	727688.89

d)

(i) Industry type distribution of Exposures (Fund Based O/S) is as under:

(Rs. in million)

Industry Name	31.12.2020
A. Mining and Quarrying (A.1 + A.2)	<b>54100.23</b>
A.1 Coal	7550.74
A.2 Others	46549.49



(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
<b>B. Food Processing (B.1 to B.5)</b>	<b>84339.79</b>
B.1 Sugar	48796.96
B.2 Edible Oils and Vanaspati	15043.39
B.3 Tea	68.01
B.4 Coffee	250.63
B.5 Others	20180.80
<b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>5538.39</b>
C.1 Tobacco & tobacco Products	805.56
C.2 Others	4732.83
<b>D. Textiles (a to d)</b>	<b>127184.32</b>
a. Cotton	44672.87
b. Jute	2005.09
c. Man Made	13352.17
d. Others	67154.19
<b>E. Leather and Leather products</b>	<b>11347.39</b>
<b>F. Wood and Wood Products</b>	<b>10460.74</b>
<b>G. Paper and Paper Products</b>	<b>17843.09</b>
<b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>56775.43</b>
<b>I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)</b>	<b>101335.19</b>
I.1 Fertilizers	24801.21
I.2 Drugs and Pharmaceuticals	26348.42
I.3 Petro-chemicals (excluding under Infrastructure)	28857.64
I.4 Others	21327.92
<b>J. Rubber, Plastic and their Products</b>	<b>27462.46</b>
<b>K. Glass &amp; Glassware</b>	<b>5081.47</b>
<b>L. Cement and Cement Products</b>	<b>16880.56</b>
<b>M. Basic Metal and Metal Products (M.1 + M.2)</b>	<b>300337.82</b>
M.1 Iron and Steel	271816.84
M.2 Other Metal and Metal Products	28520.98
<b>N. All Engineering (N.1 + N.2)</b>	<b>70269.90</b>
N.1 Electronics	27414.80
N.2 Others	42855.10
<b>O. Vehicles, Vehicle Parts and Transport Equipment</b>	<b>14904.24</b>
<b>P. Gems and Jewellery</b>	<b>110223.40</b>
<b>Q. Construction</b>	<b>25127.01</b>
<b>R. Infrastructure (a to d)</b>	<b>1015037.13</b>
a. Energy	455708.09
b. Transport	309471.08
c. Communication	181696.15
d. Others	68161.81

(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
S. Other Industries	<b>597040.04</b>
<b>T. All Industries (A to S)</b>	<b>2651288.60</b>
<b>Residuary advances</b>	<b>4703661.12</b>
<b>Total Loans and Advances</b>	<b>7354949.72</b>

Industry where Fund-Based Exposure (O/S) is more than 5% of Gross Fund Based Exposure (O/S):

(Rs. in million)

<b>S.No.</b>	<b>Industry Name</b>	<b>Amount – 31.12.2020</b>
1	Energy (Infrastructure)	455708.09

(ii) - Industry type distribution of Exposures (Non Fund Based O/S) is as under:

(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
<b>A. Mining and Quarrying (A.1 + A.2)</b>	<b>12.27</b>
A.1 Coal	0.00
A.2 Others	12.27
<b>B. Food Processing (B.1 to B.5)</b>	<b>779.05</b>
B.1 Sugar	0.00
B.2 Edible Oils and Vanaspati	0.00
B.3 Tea	0.00
B.4 Coffee	0.00
B.5 Others	779.05
<b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>32.69</b>
C.1 Tobacco & tobacco Products	0.65
C.2 Others	32.04
<b>D. Textiles (a to d)</b>	<b>162.75</b>
a. Cotton	0.00
b. Jute	0.00
c. Man Made	0.00
d. Others	162.75
<b>E. Leather and Leather products</b>	<b>33.18</b>
<b>F. Wood and Wood Products</b>	<b>29.90</b>
<b>G. Paper and Paper Products</b>	<b>127.55</b>
<b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>1.08</b>
<b>I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)</b>	<b>499.51</b>
I.1 Fertilizers	0.00
I.2 Drugs and Pharmaceuticals	0.27

I.3 Petro-chemicals (excluding under Infrastructure)	0.00
I.4 Others	499.24
J. Rubber, Plastic and their Products	<b>32.24</b>
K. Glass & Glassware	<b>0.20</b>
L. Cement and Cement Products	<b>6.59</b>
M. Basic Metal and Metal Products (M.1 + M.2)	<b>1655.51</b>
M.1 Iron and Steel	1655.51
M.2 Other Metal and Metal Products	0.00
N. All Engineering (N.1 + N.2)	<b>2218.74</b>
N.1 Electronics	0.00
N.2 Others	2218.74
O. Vehicles, Vehicle Parts and Transport Equipment	<b>31.59</b>
P. Gems and Jewellery	<b>0.00</b>
Q. Construction	<b>484.47</b>
R. Infrastructure (a to d)	<b>114061.45</b>
a. Energy	54845.08
b. Transport	32870.52
c. Communication	18704.14
d. Others	7641.71
S. Other Industries	<b>1286.37</b>
T. All Industries (A to S)	<b>121455.14</b>
Residuary advances	<b>546368.67</b>
<b>Total Loans and Advances</b>	<b>667823.81</b>

Industry where Non- Fund based Exposure (O/S) is more than 5% of Gross Non-Fund based Exposure (O/S):

(Rs. in million)

S. No.	Industry Name	Amount – 31.12.2020
1.	Energy (Infrastructure)	54845.08

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

(Rs. in million)

Maturity Pattern	Advances*	Investments (Gross)	Foreign Currency Assets
Next day	65815.03	30.16	150909.49
2 - 7 days	150007.34	10392.13	65879.32
8 -14 days	39277.50	18411.22	22797.99
15- 30 days	136554.02	144517.11	48416.76
31days - 2months	209334.59	210960.53	102460.84

<b>Maturity Pattern</b>	<b>Advances*</b>	<b>Investments (Gross)</b>	<b>Foreign Currency Assets</b>
Over 2 months & upto 3 Months	383379.19	58172.93	44395.28
Over 3 Months to 6 months	339754.27	62058.63	97321.16
Over 6 Months & upto 1 year	313310.81	80834.39	99347.06
Over 1Year & upto 3 Years	1421311.17	384185.48	150361.26
Over 3 Years & upto 5 Years	2438139.15	308607.58	120289.27
Over 5 Years	1162776.13	2864059.29	29932.72
<b>Total</b>	<b>6659659.20</b>	<b>4142229.45</b>	<b>932111.15</b>

\*Figures are shown on net basis.

(f) The gross NPAs are:

<b>Category</b>	<b>31.12.2020</b> (Rs. in million)
Sub Standard	42576.98
Doubtful – 1	188412.50
Doubtful – 2	319008.13
Doubtful – 3	176034.81
Loss	246356.05
<b>Total NPAs (Gross)</b>	<b>972388.46</b>

(g) The amount of Net NPAs is:

<b>Particulars</b>	<b>31.12.2020</b> (Rs. in million)
Net NPA	267852.65

(h) The NPA Ratios are as under:

<b>NPA Ratios</b>	<b>31.12.2020</b>
% of Gross NPAs to Gross Advances	13.22%
% of Net NPAs to Net Advances	4.02%

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

(Rs. in million)

<b>Movement of gross NPAs</b>	<b>31.12.2020</b>
i) Opening Balance at the beginning of the year	1080614.40
ii) Addition during the period	53975.05
iii) Reduction during the period	162200.99
<b>iv) Closing Balance as at the end of the period (i + ii - iii)</b>	<b>972388.46</b>

(j) The movement of provision with a description of each type of provision is as under:

(Rs. in million)

Name of Provisions	Provisions as at 31.03.2020 for PNB1.0 and Subsidiaries	Provisions as at 31.03.2020 of eOBC and eUNI	Harmonisation impact on Provisions	Opening balance as on 01.04.2020 (PNB 2.0) and Subsidiaries	Provision made during the period	Write-off made during the period	Write-back of excess provision during the period	Any other adjustment including transfers between provisions	Provision as on 31.12.2020
Float Provision-NPA	3602.50	241.20	-	3843.70	0.00	0.00	0.00	0.00	3843.70
Provision for assets sold to SCs/RCs	5286.91	440.66	-	5727.57	0.00	0.00	0.00	(2431.71)	3295.86
Provision for Bonus	60.93	18.00	-	78.93	0.00	0.00	0.00	(53.74)	25.19
Main Account Indo Commercial Bank	0.05	-	-	0.05	0.00	0.00	0.00	0.00	0.05
Provision for arrears to employees under Wage Revision	9119.04	4617.51	-	13736.55	14923.45	0.00	0.00	0.00	28660.00
Provision for Staff Welfare	91.50	76.57	18.70	186.77	5.00	0.00	0.00	(20.67)	171.10
Provision for Impersonal heads	100.64	1973.00	-	2073.64	0.00	0.00	0.00	0.00	2073.64
Provision for Leave Encashment	19487.42	10007.20	-	29494.62	13.18	0.00	0.00	0.00	29507.80
Sundries Liabilities Account -Interest capitalization (FITL-Standard )	1850.22	1223.74	-	3073.96	614.44	0.00	0.00	0.00	3688.40
Sundries Liabilities Account -Interest capitalization (FITL-NPA )	4303.26	389.15	-	4692.41	0.00	0.00	0.00	(2330.81)	2361.60
Provision for Standard Assets	27938.32	11702.20	-	39640.52	23233.21	0.00	(64.18)	0.00	62809.55

<b>Name of Provisions</b>	<b>Provisions as at 31.03.2020 for PNB1.0 and Subsidiaries</b>	<b>Provisions as at 31.03.2020 of eOBC and eUNI</b>	<b>Harmonisation impact on Provisions</b>	<b>Opening balance as on 01.04.2020 (PNB 2.0) and Subsidiaries</b>	<b>Provision made during the period</b>	<b>Write-off made during the period</b>	<b>Write-back of excess provision during the period</b>	<b>Any other adjustment including transfers between provisions</b>	<b>Provision as on 31.12.2020</b>
Provision for Standard Derivatives	236.00	-	-	236.00	0.00	0.00	0.00	(47.50)	188.50
Provision for Gratuity	1107.44	6530.10	-	7637.54	1375.90	0.00	0.00	(8759.90)	253.54
Provision for LFC	2137.40	449.40	421.80	3008.60	0.00	0.00	0.00	0.00	3008.60
Provision for Sick Leave	753.30	560.20	-	1313.50	269.30	0.00	0.00	0.00	1582.80
Provision for NPA (excluding Standard Assets)	482425.21	203912.1	4511.7	690849.01	150695.06	(71304.87)	(71751.45)	-	698487.75
Provision for Income Tax/ Taxation	20809.42	12970.60	-	33780.02	1417.92	0.00	0.00	(2.80)	35195.13
Provision Others	2217.05	4458.64	11.92	6685.31*	0.00	0.00	0.00	(1026.77)	5658.54
Provision for expenses	58.89	-	-	58.89	40.42	(10.81)	(15.76)	(2.26)	70.48
Provision for Dividend	0.00	-	-	0.00	0.00	0.00	0.00	0.00	0.00
Provision for Pension Fund	311.90	95252.40	-	95564.30	10918.10	0.00	0.00	(104232.40)	2250.00

\*change in opening provisions is due to voluntary liquidation of PNB Insurance Broking Pvt. Ltd. on 14.12.2020 which was one of the subsidiaries of the Bank

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

(Rs. in million)

Particulars	31.12.2020
Amount of non-performing investment	59787.25

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

(Rs. in million)

Particulars	31.12.2020
Amount of provision held for non-performing investment	53604.75

(m) The movement of provisions for depreciation on investments is:

(Rs. in million)

Movement of provisions for depreciation on investments	31.12.2020
i) Opening balance at the beginning of the year	66777.69
ii) Provisions made during the period	8803.24
iii) Write-off made during the period	122.05
iv) Write-back of excess provisions made during the period	8473.29
v) Closing balance as at the end of the period (i + ii –iii-iv)	66985.59

(n) NPA and provisions maintained by major industry or counterparty type as on 31.12.2020

(Rs. in million)

Name of major industry or counter-party type	Amount of NPA (if available, past due loans be provided separately)	Specific and general provisions	Specific provisions during the current period	Write-offs during the current period
A. Mining and Quarrying	3900.98	3433.78	Bank has made a provisions of Rs.117656.20 Million towards NPA	Bank has written off Rs 88539.00 Million.
B. Food Processing	22049.50	17552.65		
C. Textiles	27555.01	22314.00		
D. Chemical & Chemical Products	10513.11	5675.81		
E. Cement and Cement Products	707.20	438.96		
F. Basic Metal and Metal products	81060.47	68792.98		
G. Petroleum(Non Infra), Coal Products(Non Mining) and nuclear fuels	217.49	184.60		



Name of major industry or counter-party type	Amount of NPA (if available, past due loans be provided separately)	Specific and general provisions	Specific provisions during the current period	Write-offs during the current period
H. All Engineering	22805.44	17292.00		
I. Gems and Jewellery	97659.49	96378.25		
J. Construction	13996.78	9823.84		
K. Infrastructure	113895.49	69155.52		
L. Other Industry	45588.35	29886.68		
M. Beverages & Tobacco	1065.06	737.57		
N. Leather and Leather Products	1132.37	807.24		
O. Wood and Wood products	2649.43	2371.00		
P. Paper and Paper Products	1365.15	871.08		
Q. Rubber, plastic and their products	3901.00	2205.78		
R. Vehicle, Vehicle parts and Transport equipments	1707.22	962.35		
S. Glass & Glassware	382.05	139.29		

(o) Geography-wise NPA and provisions as on 31.12.2020

(i)

(Rs. in million)

Amount of Gross NPA	Overseas (Outside India)	Domestic (In India)
972388.46	38456.16	933932.31

(ii)

(Rs. in million)

Provisions	Overseas (Outside India)	Domestic (In India)
Specific provisions	29182.60	665461.45
General Provisions	-	3843.70

**Table DF- 4 - Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach**

**Qualitative Disclosures:**

(a)

4.1. Bank has approved the following seven domestic credit rating agencies accredited by RBI for mapping its exposure with domestic borrowers under standardized approach of credit risk.

- Brickwork

- CARE
- CRISIL
- ICRA
- India Ratings
- Acuite (Erstwhile SMERA)
- INFOMERICS

Bank has also approved the following three international credit rating agencies accredited by RBI in respect of exposure with overseas borrowers.

- FITCH
- Moody's
- Standard & Poor

These agencies are being used for rating (Long Term & Short Term) of fund based/ non fund based facilities provided by the bank to the borrowers. The bank uses solicited rating from the chosen credit rating agencies.

The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.

## (ii) Quantitative Disclosures:

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

(Rs. in million)	
Particulars	31.12.2020
i) Below 100% risk weight exposure outstanding	6692270.39
ii) 100% risk weight exposure outstanding	1316284.66
iii) More than 100% risk weight exposure outstanding	753903.26
iv) Deducted	0.00

Table DF - Disclosures in respect of computation of leverage ratio:

(Rs. in million)					
	31.12.2019 PNB 1.0	31.03.2020 PNB 1.0	30.06.2020 PNB 2.0	30.09.2020 PNB 2.0	31.12.2020 PNB 2.0
Capital Measure	512204.52	515229.70	566903.40	564998.10	612910.40
Exposure Measure	8736321.69	8852781.84	13150027.69	13111864.82	13698533.76
Leverage Ratio	5.86%	5.82%	4.31%	4.31%	4.47%

### Important ratios on Solo Basis

**(a) Common Equity Tier 1, Tier 1 and Total Capital ratios:**

Punjab National Bank (SOLO)	
	<b>31.12.2020</b>
Common equity Tier 1 Capital ratio (%) (Basel- III)	10.12
Tier 1 Capital ratio (%) (Basel- III)	10.90
Tier 2 Capital ratio (%) (Basel- III)	2.98
Total Capital ratio (CRAR) (%) (Basel- III)	13.88

**(b)**

**(i) Industry type distribution of Exposures (Fund Based O/S) is as under:**

(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
<b>A. Mining and Quarrying (A.1 + A.2)</b>	<b>51228.26</b>
A.1 Coal	4803.96
A.2 Others	46424.30
<b>B. Food Processing (B.1 to B.5)</b>	<b>83040.83</b>
B.1 Sugar	48796.96
B.2 Edible Oils and Vanaspati	15043.39
B.3 Tea	68.01
B.4 Coffee	250.63
B.5 Others	18881.84
<b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>4936.51</b>
C.1 Tobacco & tobacco Products	203.68
C.2 Others	4732.83
<b>D. Textiles (a to d)</b>	<b>126361.01</b>
a. Cotton	44672.87
b. Jute	2005.09
c. Man Made	13352.17
d. Others	66330.88
<b>E. Leather and Leather products</b>	<b>11347.39</b>
<b>F. Wood and Wood Products</b>	<b>9976.41</b>
<b>G. Paper and Paper Products</b>	<b>17832.93</b>
<b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>54362.27</b>
<b>I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)</b>	<b>100037.69</b>
I.1 Fertilizers	24801.21
I.2 Drugs and Pharmaceuticals	25143.68

(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
I.3 Petro-chemicals (excluding under Infrastructure)	28857.64
I.4 Others	21235.16
J. Rubber, Plastic and their Products	<b>27455.95</b>
K. Glass & Glassware	<b>4090.77</b>
L. Cement and Cement Products	<b>16822.80</b>
M. Basic Metal and Metal Products (M.1 + M.2)	<b>298058.87</b>
M.1 Iron and Steel	270624.81
M.2 Other Metal and Metal Products	27434.06
N. All Engineering (N.1 + N.2)	<b>69190.19</b>
N.1 Electronics	27411.90
N.2 Others	41778.29
O. Vehicles, Vehicle Parts and Transport Equipment	<b>13962.55</b>
P. Gems and Jewellery	<b>108934.34</b>
Q. Construction	<b>20871.22</b>
R. Infrastructure (a to d)	<b>1010296.12</b>
a. Energy	454308.26
b. Transport	306371.13
c. Communication	181454.92
d. Others	68161.81
S. Other Industries	<b>550328.27</b>
T. All Industries (A to S)	<b>2579134.38</b>
<b>Residuary advances</b>	<b>4695182.14</b>
<b>Total Loans and Advances</b>	<b>7274316.52</b>

Industry where Fund-Based Exposure (O/S) is more than 5% of Gross Fund Based Exposure (O/S):

(Rs. in million)

<b>S.No.</b>	<b>Industry Name</b>	<b>Amount – 31.12.2020</b>
1	Energy (Infrastructure)	454308.26

(ii) - Industry type distribution of Exposures (Non Fund Based O/S) is as under:

(Rs. in million)

<b>Industry Name</b>	<b>31.12.2020</b>
A. Mining and Quarrying (A.1 + A.2)	<b>12.27</b>
A.1 Coal	0.00
A.2 Others	12.27
B. Food Processing (B.1 to B.5)	<b>766.55</b>

<b>Industry Name</b>	<b>31.12.2020</b>
B.1 Sugar	0.00
B.2 Edible Oils and Vanaspati	0.00
B.3 Tea	0.00
B.4 Coffee	0.00
B.5 Others	766.55
<b>C. Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>32.04</b>
C.1 Tobacco & tobacco Products	0.00
C.2 Others	32.04
<b>D. Textiles (a to d)</b>	<b>162.75</b>
a. Cotton	0.00
b. Jute	0.00
c. Man Made	0.00
d. Others	162.75
<b>E. Leather and Leather products</b>	<b>33.18</b>
<b>F. Wood and Wood Products</b>	<b>29.90</b>
<b>G. Paper and Paper Products</b>	<b>127.55</b>
<b>H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>1.08</b>
<b>I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)</b>	<b>499.24</b>
I.1 Fertilizers	0.00
I.2 Drugs and Pharmaceuticals	0.00
I.3 Petro-chemicals (excluding under Infrastructure)	0.00
I.4 Others	499.24
<b>J. Rubber, Plastic and their Products</b>	<b>32.24</b>
<b>K. Glass &amp; Glassware</b>	<b>0.20</b>
<b>L. Cement and Cement Products</b>	<b>6.44</b>
<b>M. Basic Metal and Metal Products (M.1 + M.2)</b>	<b>1655.51</b>
M.1 Iron and Steel	1655.51
M.2 Other Metal and Metal Products	0.00
<b>N. All Engineering (N.1 + N.2)</b>	<b>2218.74</b>
N.1 Electronics	0.00
N.2 Others	2218.74
<b>O. Vehicles, Vehicle Parts and Transport Equipment</b>	<b>31.36</b>
<b>P. Gems and Jewellery</b>	<b>0.00</b>
<b>Q. Construction</b>	<b>316.08</b>
<b>R. Infrastructure (a to d)</b>	<b>113975.45</b>
a. Energy	54845.08
b. Transport	32870.52
c. Communication	18618.14
d. Others	7641.71
<b>S. Other Industries</b>	<b>1181.07</b>

<b>Industry Name</b>	<b>31.12.2020</b>
<b>T. All Industries (A to S)</b>	<b>121081.65</b>
<b>Residuary advances</b>	<b>544025.33</b>
<b>Total Loans and Advances</b>	<b>665106.98</b>

Industry where Non- Fund based Exposure (O/S) is more than 5% of Gross Non-Fund based Exposure (O/S):

(Rs. in million)

<b>S.No.</b>	<b>Industry Name</b>	<b>Amount – 31.12.2020</b>
1.	Energy (Infrastructure)	54845.08

**The NPA Ratios are as under:**

<b>NPA Ratios</b>	<b>31.12.2020</b>
<b>SOLO</b>	<b>%</b>
% of Gross NPAs to Gross Advances	12.99
% of Net NPAs to Net Advances	4.03

## **QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO**

The bank has implemented RBI guidelines on Liquidity Coverage Ratio (LCR) from 1<sup>st</sup> January 2015.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30 calendar day time horizon under a liquidity stress scenario.

### **LCR has two components:**

- i. The value of the stock of High Quality Liquid Assets (HQLA) – *The Numerator*.
- ii. Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows, in stress scenario, for the subsequent 30 calendar days - *The denominator*.

### **Definition of LCR:**

Stock of high quality liquid assets (HQLAs)  $\geq 90\%$  (w.e.f 01.10.2020)  
Total net cash outflows over the next 30 calendar days

The LCR requirement has become binding on the banks with the following minimum required level as per the time-line given below:

	Jan 1, 2015	Jan 1, 2016	Jan 1, 2017	Jan 1, 2018	<b>Jan 1, 2019</b>
Minimum LCR	60%	70%	80%	90%	<b>100%</b>

(Effective from April 17, 2020, RBI has reduced minimum LCR requirement from 100% to 80% upto September 30, 2020 and to 90% from October 01, 2020 to 31 March, 2021)

For Q3 FY'2020-21, the daily average LCR was 188.44% (based on simple average of daily observations) at consolidated level, as against the regulatory requirement of 90%.

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customer's contribute about 72.33% of total deposit portfolio of the bank which attracts low run-off factor of 5/10% as on 31.12.2020.

### **Composition of High Quality Liquid Assets (HQLA)**

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability and price volatility.

Level-1 assets are those assets which are highly liquid. For quarter ended Dec 31, 2020, the Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of minimum SLR, Marketable securities issued or guaranteed by foreign sovereign, MSF and FALLCR totalling to Rs. 323412.94 cr (based on simple average of daily observations).

Level-2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 12229.99 cr (based on simple average of daily observations). Break-up of daily observation Average HQLA during quarter ended Dec 31, 2020 is given hereunder:

<b>High Quality Liquid Assets (HQLAs)</b>	<b>Average %age contribution to HQLA</b>
<b>Level 1 Assets</b>	
Cash in hand	<b>0.96%</b>
Excess CRR balance	<b>0.21%</b>
Government Securities in excess of minimum SLR requirement	<b>38.02%</b>
Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 3 per cent of NDTL)	<b>9.40%</b>
Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach	<b>0.75%</b>
Facility to avail Liquidity for Liquidity Coverage Ratio – FALLCR (presently to the extent of 15 per cent of NDTL)	<b>47.01%</b>
<b>Total Level 1 Assets</b>	<b>96.35%</b>
<b>Total Level 2A Assets</b>	<b>3.50%</b>
<b>Total Level 2B Assets</b>	<b>0.15%</b>
<b>Total Stock of HQLAs</b>	<b>100.00%</b>

### **Concentration of Funding Sources**

This metric includes those sources of funding, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product/ instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as at 31.12.2020. Top 20 depositors of the bank constitute 2.99% of bank's total liability as at Dec 31, 2020. The significant product/ instrument includes Saving Fund, Current deposit and Core Term Deposit, the funding from which are widely spread and cannot create concentration risk for the bank.



### **Derivative exposure**

The bank has low exposure in derivatives having negligible impact on its liquidity position.

### **Currency Mismatch**

As per RBI guidelines, a currency is considered as “significant” if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank’s total liabilities. In our case, only USD (5.14% of bank’s total liabilities) falls in this criteria whose impact on total outflows in LCR horizon can be managed easily as the impact is not large considering the size of balance sheet of the bank.

### **Degree of centralization of liquidity management and interaction between group’s units**

The group entities are managing liquidity on their own. However, the bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the group as a whole in the stress period.

LCR Disclosure Template as at 31.12.2020					
QUANTITATIVE DISCLOSURE ( On consolidated basis { including domestic & foreign subsidiaries} )					
Rs. in Crore					
		31.12.2020		30.09.2020	
		Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Unweighted Value (average)*	Total Weighted Value (average)*
	Based on the simple average of daily observations	64 Data Points		66 Data Points	
High Quality Liquid Assets					
1	Total High Quality Liquid Assets (HQLA)		335642.93		336516.01
Cash Outflows					
2	Retail deposits and deposits from small business customers of which :	780068.34	73032.51	772215.14	72256.94
(i)	Stable deposits	99486.56	4974.33	99291.51	4964.58
(ii)	Less stable deposits	680581.78	68058.18	672923.63	67292.36
3	Unsecured wholesale funding, of which:	213310.47	111194.59	205831.80	105808.01
(i)	Operational deposits (all counterparties)	511.45	127.86		
(ii)	Non-operational deposits (all counterparties)	212799.02	111066.73	700.99	175.25
(iii)	Unsecured debt	0.00	0.00	205130.81	105632.77
4	Secured wholesale funding		0.00		
5	Additional requirements, of which	102403.95	11447.65	106386.15	11924.00
(i)	Outflows related to derivative exposures and other collateral requirements	2.11	2.11	4.31	4.31
(ii)	Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00
(iii)	Credit and liquidity facilities	102401.84	11445.54	106381.84	11919.70
6	Other contractual funding obligations	2514.22	2514.22	2786.71	2786.71

7	Other contingent funding obligations	103193.71	3557.41	99639.94	3524.63
8	Total Cash Outflows		201746.38		196300.29
Cash Inflows					
9	Secured lending (e.g. reverse repos)	40356.26	0.00	44080.58	0.00
10	Inflows from fully performing exposures	22569.15	19261.52	16540.84	15311.77
11	Other cash inflows	4363.82	4363.82	7651.87	7651.87
12	Total Cash Inflows	67289.24	23625.35	68273.29	22963.64
Total Adjusted Value					
13	TOTAL HQLA		335642.93		336516.01
14	Total Net Cash Outflows		178121.03		173336.65
15	Liquidity Coverage Ratio (%)		188.44%		194.14%
* Simple averages of Daily observations over previous quarter					